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**APPLIED DEVELOPMENT HOLDINGS LTD.**

實力建業集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 519)

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009**

The Board of Directors (the “Directors”) of Applied Development Holdings Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2009 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 31 December 2009*

	Notes	Six months ended 31 December	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Turnover	2	2,400	2,633
Fair value change in investment properties		5,300	(10,000)
Other operating income (loss) (net)	3	9,993	(439)
Administrative expenses		(11,088)	(12,419)
Investment and other income		3	41
Share-based payment expenses		(5,332)	–
Finance costs		(233)	(779)
Share of results of a jointly controlled entity		117	124
Profit (loss) before taxation	3	1,160	(20,839)
Taxation	4	–	–
Profit (loss) for the period		1,160	(20,839)
Other comprehensive loss			
Exchange differences arising on translation of foreign operations recognised directly in equity		(2)	–
Loss on available-for-sale investment		–	(123)
Total comprehensive income (loss) for the period		1,158	(20,962)

		<b>Six months ended 31 December</b>	
		<b>2009</b>	2008
	Notes	<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	<b>HK\$'000</b>
Profit (loss) for the period attributable to:			
Owners of the Company		<b>1,160</b>	(20,839)
Non-controlling interests		—	—
		<u>1,160</u>	<u>(20,839)</u>
		<b><u>1,160</u></b>	<b><u>(20,839)</u></b>
Total comprehensive income (loss) attributable to:			
Owners of the Company		<b>1,158</b>	(20,962)
Non-controlling interests		—	—
		<u>1,158</u>	<u>(20,962)</u>
		<b><u>1,158</u></b>	<b><u>(20,962)</u></b>
Earnings (loss) per share			
Basic	5	<b><u>0.14 HK cent</u></b>	<b><u>(2.48) HK cents</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2009*

	Notes	31/12/2009 (Unaudited) <i>HK\$'000</i>	30/06/2009 (Audited) <i>HK\$'000</i>
<b>Non-current Assets</b>			
Investment properties	6	209,700	204,400
Property, plant and equipment		172,318	172,338
Other assets		1,846	1,846
Interest in a jointly controlled entity		27,368	27,368
Prepaid lease payments – non-current portion		1,632	1,672
Available-for-sale investments		129	127
		412,993	407,751
<b>Current Assets</b>			
Trade and other receivables	7	5,780	1,580
Promissory note receivable from a jointly controlled entity	8	171,600	171,600
Amount due from a jointly controlled entity	9	16,494	16,377
Prepaid lease payments – current portion		40	40
Bank balances and cash		1,767	132
		195,681	189,729
<b>Current Liabilities</b>			
Trade and other payables	10	1,505	3,094
Amounts due to directors	11	8,770	1,409
Secured bank borrowings – due within one year		3,000	3,000
Obligations under finance leases – due within one year		147	250
Bank overdraft		15	959
		13,437	8,712
<b>Net current assets</b>		182,244	181,017
<b>Total assets less current liabilities</b>		595,237	588,768
<b>Capital and reserves</b>			
Share capital	12	8,732	8,732
Treasury shares		(8,911)	(8,911)
Share premium and reserves		541,416	534,926
<b>Total equity</b>		541,237	534,747
<b>Non-current liabilities</b>			
Secured bank borrowings – due more than one year		54,000	54,000
Obligations under finance leases – due more than one year		–	21
		54,000	54,021
		595,237	588,768

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 31 December 2009*

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Audit Committee of the Company. These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Hong Kong Accounting Standard No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments and investment properties which are measured at fair values.

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 30 June 2009.

In the current interim period, the Group has applied, for the first time, certain new standards, amendments and interpretations (“new HKFRSs”) issued by HKICPA, which are effective for the Group’s financial year beginning 1 July 2009.

HKAS 1 (Revised 2007) – Presentation of financial statements has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised 2007) has had no impact on the reported results or financial position of the Group.

HKFRS 8 – Operating segments is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The adoption of the new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of these HKFRS will have no material impact on the financial statements of the Company.

## 2. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 July 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess its performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity’s system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

Turnover represents the net amounts received and receivable for rental income from properties under operating leases during the period.

**(a) Business segments**

The Group's operations are organised into two operating divisions namely resort development and property investment (2008: two operating divisions namely resort development and property investment). The Group's resort development division includes multi-purpose resort communities as well as sales of condo hotels, residential units and club memberships. These divisions are the basis on which the Group reports its primary segment information.

**Business segment information for the six months ended 31 December 2009:**

	Resort development (Unaudited) <i>HK\$'000</i>	Property investment (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Turnover	–	2,400	2,400
Results Segment results	117	6,570	6,687
Unallocated income			9,993
Unallocated corporate expenses			(15,287)
Profit from operations			1,393
Finance costs			(233)
Profit before taxation			1,160
Taxation			–
Profit for the period			1,160

Business segment information for the six months ended 31 December 2008:

	Resort development (Unaudited) <i>HK\$'000</i>	Property investment (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Turnover	–	2,633	2,633
Results Segment results	124	(8,389)	(8,265)
Unallocated corporate expenses			(11,795)
Loss from operations			(20,060)
Finance costs			(779)
Loss before taxation			(20,839)
Taxation			–
Loss for the period			(20,839)

**(b) Geographical segments**

The Group's operations are principally located in Hong Kong, the People's Republic of China other than Hong Kong (the "PRC") and the British Virgin Islands (the "BVI").

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods:

Geographical segments	Six months ended 31 December			
	2009		2008	
	Turnover (Unaudited) HK\$'000	Contribution (Unaudited) HK\$'000	Turnover (Unaudited) HK\$'000	Contribution (Unaudited) HK\$'000
Hong Kong	-	-	-	-
The PRC	2,400	1,270	2,633	1,611
The BVI	-	117	-	124
	<u>2,400</u>	<u>1,387</u>	<u>2,633</u>	<u>1,735</u>

**3. PROFIT (LOSS) BEFORE TAXATION**

Six months ended 31 December	
2009	2008
(Unaudited)	(Unaudited)
HK\$'000	HK\$'000

Profit for the period has been arrived at after charging:

Depreciation of property, plant and equipment and amortisation on:

- Assets owned by the Group	639	1,708
- Assets held under finance leases	283	214
- Net loss operating expenses	-	439

and after crediting:

Dividend income from listed available-for-sale investments	2	9
Net other operating income – a further receipt of an additional consideration of the disposal of a subsidiary in 2006	<u>9,993</u>	<u>-</u>

**4. TAXATION**

Hong Kong Profits Tax is calculated at the rate of 16.5% (2008: 16.5%) of the estimated assessable profits for the period. No provision for Hong Kong Profits Tax was made for the period ended 31 December 2009 (2008: Nil) as the Company and its subsidiaries had no assessable profit for that period. No provision for deferred tax has been made in the period.

**5. EARNINGS (LOSS) PER SHARE**

Diluted earnings (loss) per share has not been presented because the exercise price of the share options granted is higher than the average market price of shares for both periods.

The calculation of the basic earnings per share for the period is based on the profit attributable to equity holders of the parent for the period of HK\$1,160,000 (2008: loss of HK\$20,839,000) and on the weighted average of 838,888,826 (2008: 838,918,826) ordinary shares of the Company in issue during the period. The weighted average number of shares adopted in calculation of earnings (loss) per share has been arrived after eliminating the shares in the Company held by Applied Investment (Asia) Limited.

## 6. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
<b>VALUATION/FAIR VALUE</b>	
At 1 July 2008	190,900
Increase in fair values	<u>13,500</u>
At 30 June 2009 and 1 July 2009	204,400
Increase in fair value	<u>5,300</u>
At 31 December 2009	<u><u>209,700</u></u>

The value of investment properties held by the Group at 30 June 2009 and 31 December 2009 comprises:

	<b>31/12/2009</b> <b>(Unaudited)</b> <i>HK\$'000</i>	30/06/2009 (Audited) <i>HK\$'000</i>
Held in Hong Kong:		
Long-term leases	<b>170,000</b>	170,000
Held outside Hong Kong:		
Medium-term leases	<u><b>39,700</b></u>	<u>34,400</u>
	<u><b>209,700</b></u>	<u><u>204,400</u></u>

## 7. TRADE AND OTHER RECEIVABLES

The Group allows credit period ranging from 30 to 90 days to its trade customers. Included in trade and other receivables of the Group are trade debtors of HK\$56,000 (30 June 2009: HK\$92,000) and their aging analysis is as follows:

	<b>31/12/2009</b> <b>(Unaudited)</b> <i>HK\$'000</i>	30/06/2009 (Audited) <i>HK\$'000</i>
Within 90 days	<u><b>56</b></u>	<u><u>92</u></u>

## 8. PROMISSORY NOTE RECEIVABLE FROM A JOINTLY CONTROLLED ENTITY

The amount is unsecured, interest-free and repayable on or before 9 April 2010.

## 9. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

The amount is unsecured, interest-free and recoverable within one year.

## 10. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK\$Nil (30 June 2009: HK\$Nil).

## 11. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, interest-free and have no fixed repayment term.

## 12. SHARE CAPITAL

	Number of Ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 30 June 2009 and 31 December 2009	6,000,000,000	60,000
<i>Issued and fully paid:</i>		
At 1 July 2008	873,437,826	8,734
Cancellation upon repurchase of own shares	(220,000)	(2)
At 30 June 2009, 1 July 2009 and 31 December 2009	873,217,826	8,732

## 13. CONTINGENT LIABILITIES

As at 30 June 2009 and 31 December 2009, the Group had no significant contingent liabilities.

## 14. CAPITAL COMMITMENTS

	31/12/2009 (Unaudited) HK\$'000	30/06/2009 (Audited) HK\$'000
Capital expenditure in respect of the acquisition of investment properties and property, plant and equipment contracted for but not provided in the consolidated financial statements		
– the Group	19,524	19,203
– share of a jointly controlled entity	31,288	31,288

## 15. RELATED PARTY DISCLOSURES

### (a) Balances

Details of the Group's outstanding balances with a related party are set out in the condensed consolidated statement of financial position and in notes 8 and 9.

- (b) During the period ended 31 December 2009 and 2008, no transactions have been entered with the directors and other members of key management of the Company other than their emoluments paid to them.



## **INTERIM DIVIDEND**

The Directors do not recommend an interim dividend for the period ended 31 December 2009 (2008: Nil).

## **REVIEW OF OPERATIONS**

The Group's turnover for six months ended 31 December 2009 was approximately HK\$2.4 million (2008: HK\$2.6 million). The Group recorded a profit of approximately HK\$1.2 million (2008: net loss of HK\$20.8 million), due to an increase in value in certain investment properties in PRC and a further receipt of an additional consideration for the disposal of a subsidiary in 2006.

## **BUSINESS REVIEW**

### **(i) Resort and Property Development**

#### ***BVI Project***

As announced in the latest annual report 2009 of the Company, on 16 July 2009, the Group agreed further extend the expiry dates of (i) the date of the Initial Land and Development Loan to be arranged by InterIsle Holdings Ltd ("InterIsle"), a joint venture partner of the Group, with a reputable commercial bank or financial institution and, (ii) Quorum Note and (iii) the Deferred Purchase Price, both changed to 9 April 2010 as requested by InterIsle who sought more time to arrange the Initial Land and Development Loan after the settlement of the judicial challenge (the "BVI judicial challenge") filed by the Virgin Islands Environmental Council ("VIEC"), a non-profit civil environmental organization against the government of the BVI (the "Government"), challenging the Government's grant of planning permission of the BVI Project.

On 21 September 2009, the High Court of the BVI delivered the judgment on the BVI judicial challenge that the court found against the claimant, VIEC, on all but one ground of challenge – the granting of approval for construction of the golf course which was defined "may or is likely to" adversely impact upon a fisheries protected area made by the Chief Minister was quashed. The application for separate approvals of Master Plan and Golf Course is under progress. The Company will issue announcements as and when appropriate about the progress of this exercise. The management believes that in case the plan for the golf course is terminated, there will be approximately 180 acres of land which can be used for further development.

The BVI Project is envisioned to be master-planned resort community which will include: a five-star luxury resort hotel with approximately 200 hotel and condo-hotel units, destination spa, signature restaurant and conference rooms; a first-class marina with approximately 135 slips, including facilities for 15 mega-yachts over 80 feet; and 18-hole Jack Nicklaus Signature golf course (if in case not to be deleted) and up to 600 high-end residences, ocean-view villas, and secluded mountain estate homes; as well as a unique artisan and retail village at Trellis Bay.

## ***Panama Project***

The Panama Project comprises two pieces of land (i) piece of land of approximately 494 hectares named Playa Grande in Boca Chica, district of San Lorenzo, Province of Chiriqui in Panama (the “Panama Land”); and (ii) a hot spring with a land size of approximately 9 hectares in Borough of San Felix, Province of Chiriqui, Panama (the “Hot Spring Property”). After the acquisition of the Panama Project in mid of 2007, the Group has developed a master plan for the project, devised golf course routing plans, various studies and tests on the project. The Group will replicate the business model of the BVI Project to partner with renowned experts in resort development industry to develop the Panama Project. Alternatively, if a suitably attractive offer is made by potential buyers, the Board may consider the disposal of the Panama Land and/or the Hot Spring Property.

The Panama Project is planned to feature a 5-star luxury hotel, a branded boutique hotel and a luxury condo hotel, a marina facility and a marina village, a 18-hole signature golf course, a branded fractional ownership club, branded ocean-view villas and branded residential lots. After completion of the Panama Project, 800-1,000 residential units in the various branded residential lots will be offered for sale.

### **(ii) Investment and Property Holding**

The Group’s investment properties, mainly in Hong Kong and the People’s Republic of China continued to generate a rental income of totally HK\$2.4 million for the Group for the six months ended 31 December 2009.

## **OUTLOOK**

Despite the global financial crisis, the rental income from the Group’s investment properties generated stable rental income for the forthcoming year to the Group as the management believes that the economies of PRC and Hong Kong continuously can be sustained strong.

Though the economic situation in the United States and Europe is improving, the management expects that a series of proactive measures by various governments and relevant authorities, such as continuously lowering interest rate policy, will further stimulate the world economies and then retrieve the credit and property market in western countries.

In view of the prospects of the resort and property sector and investment properties market, we will continue to be strategically allied with high-quality architects and designers to develop future projects for development or for sale and seek other appropriate property investment opportunities in the Asian region.

## **PLEDGE OF ASSETS**

As at 31 December 2009, the Group pledged the investment properties totaling to HK\$170,000,000 (30 June 2009: HK\$170,000,000) to banks to secure general banking facilities granted to the Group.

## **CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2009, the Group’s total net asset value and borrowings amount to HK\$541.2 million and HK\$57.2 million respectively, representing a gearing ratio of 10.6%. As at 31 December 2009, the Group’s current assets and current liabilities amount to HK\$195.7 million and 13.4 million respectively, representing a current ratio of 14.6 times. In addition, the majority of the Group’s assets were in Hong Kong, and hence United States dollars and the exposure to foreign exchange were insignificant to the Group.

The Group's transactions were mostly denominated in United States dollars and Hong Kong dollars. Apart from the exposure to the Chinese Renminbi, the Management considers the exposure to exchange risk as arrival.

On 12 February 2010, the Company cancelled 34,329,000 shares (the "cancellation"), shares in the Company held by its wholly-owned subsidiary, Applied Investment (Asia) Limited and its issued share capital will be reduced to 838,888,826 shares after the shares cancellation.

## **EMPLOYEE INFORMATION**

As at 31 December 2009, the Group employed a total of 19 full-time employees.

The Group's emolument policies are formulated on the basis of performance of individual employees and are reviewed annually. The Group also provides medical insurance coverage and provident fund scheme (as the case may be) to its employees depending on the location of such employees.

## **PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 31 December 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

The Company is committed to adopt best corporate governance practices and procedures of the Group. It strives to enhance transparency and independency of operation through the use of effective accountability system to enable a healthy and sustainable development of the Company. The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 31 December 2009.

In order to reinforce independence and accountability, the role of the Chairman is separated from that of the Group's Managing Director in which their respective responsibilities were endorsed by the Board in writing and more than one-third of the Board comprises of Independent Non-Executive Directors.

## **AUDIT COMMITTEE**

The Audit Committee currently comprises of Independent Non-Executive Directors, namely, Mr. Lun Tsan Kau (Chairman of the Audit Committee), Mr. Lam Ka Wai, Graham and Mr. Su Ru Jia. All of them have related professional qualifications, accounting or related financial management expertise. The Audit Committee has the responsibility to review with the senior management and the Company's external auditors the internal and external audit findings, the accounting principles and practices adopted by the Group pursuant to the Listing Rules, and to discuss with them issues relating to auditing, internal controls, risk management financial reporting matters (including the interim financial report for the six months ended 31 December 2009 before recommending it to the Board for approval) and statutory compliance. The Audit Committee is satisfied that the internal controls and accounting systems of the Group are adequate.

## REMUNERATION COMMITTEE

The Remuneration Committee was formed by a majority of Independent Non-Executive Directors which comprises of one executive director, Mr. Hung Kin Sang, Raymond, and two Independent Non-Executive Directors, namely, Mr. Lun Tsan Kau and Mr. Lam Ka Wai, Graham. The Remuneration Committee has the responsibility to make recommendations to the Board on the remuneration policy of the Company and its structure. It also reviews specific remuneration packages of all executive Directors and senior management in accordance with the corporate goals and objectives as resolved by the Board from time to time.

## MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. Having made specific enquiries of all the Directors, all the Directors have confirmed that they had complied with the required standard set out in the Model Code during the accounting period covered by the interim report for the six months from 1 July 2009 to 31 December 2009.

## PUBLICATION OF INFORMATION ON WEBSITES

This results announcement is available for viewing on the website of Stock Exchange at <http://www.hkex.com.hk> and on the website of the Company at <http://www.applieddev.com>.

## MEMBERS OF THE BOARD

At the date hereof, the members of the board are as follows:

### **Executive directors:**

Hung Kin Sang, Raymond (*Managing Director*)  
Wong Kar Gee, Mimi (*Chairman*)  
Hung Kai Mau, Marcus

### **Independent non-executive directors:**

Lun Tsan Kau  
Lam Ka Wai, Graham  
Su Ru Jia

By order of the Board  
**Applied Development Holdings Limited**  
**Hung Kin Sang, Raymond**  
*Managing Director*

Hong Kong, 18 March 2010

\* *For identification purpose only*