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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 2010**

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 2010 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 31 December 2010*

		<b>Six months ended 31 December</b>	
		<b>2010</b>	2009
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	2	<b>3,576</b>	2,400
Fair value change in investment properties		<b>(2,444)</b>	5,300
Other operating income	3	–	9,993
Administrative expenses		<b>(11,573)</b>	(11,088)
Investment and other income		<b>14,843</b>	3
Share-based payment expenses		–	(5,332)
Finance costs	3	<b>(580)</b>	(233)
Share of results of a jointly controlled entity		<b>85</b>	117
		<hr/>	<hr/>
Profit before taxation		<b>3,907</b>	1,160
Taxation	4	<b>597</b>	–
		<hr/>	<hr/>
Profit for the period		<b>4,504</b>	1,160
Other comprehensive loss			
Exchange difference arising on translation of foreign operations recognized directly in equity		–	(2)
		<hr/>	<hr/>
Total comprehensive income for the period		<b>4,504</b>	1,158
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share	5		
Basic		<b>0.54 HK cent</b>	0.14 HK cent
		<hr/> <hr/>	<hr/> <hr/>
Diluted		<b>0.54 HK cent</b>	0.14 HK cent
		<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2010*

	<i>Notes</i>	<b>31/12/2010 (Unaudited) HK\$'000</b>	30/06/2010 (Audited) HK\$'000
<b>Non-current Assets</b>			
Investment properties	6	437,200	437,088
Property, plant and equipment		2,534	5,174
Other assets		1,046	1,546
Interest in a jointly controlled entity		27,761	27,676
Prepaid lease payments – non-current portion		1,612	1,632
Available-for-sale investments		220	220
		<b>470,373</b>	473,336
<b>Current Assets</b>			
Trade and other receivables	7	18,445	3,817
Promissory note receivable from a jointly controlled entity	8	171,600	171,600
Amount due from a director*		453	146
Amount due from a jointly controlled entity	9	16,383	16,383
Prepaid lease payments – current portion		40	40
Bank balances and cash		36,546	2,403
		<b>243,467</b>	194,389
<b>Current Liabilities</b>			
Deposit Received – Disposal of AEL		3,158	–
Other payables	10	4,602	3,347
Tax payables		–	26
Amounts due to directors	11	3,548	15,317
Secured bank borrowings – due within one year		66,000	57,000
Obligations under finance leases – due within one year		–	21
		<b>77,308</b>	75,711
<b>Net current assets</b>		<b>166,159</b>	118,678
<b>Total assets less current liabilities</b>		<b>636,532</b>	592,014
<b>Capital and reserves</b>			
Share capital	12	8,389	8,389
Share premium & reserves		587,706	579,356
<b>Total equity</b>		<b>596,095</b>	587,745
<b>Non-current liabilities</b>			
Convertible Notes	13	36,774	–
Deferred tax liabilities		3,663	4,269
		<b>40,437</b>	4,269
<b>Total equity attributable to owners of the Company</b>		<b>636,532</b>	592,014

\* The director retired on 14 January 2011.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2010

## 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 2010.

In the current interim period, the Group has applied, for the first time, certain new standards, amendments and interpretations (“new HKFRSs”) issued by HKICPA.

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRSs (Amendments)	Amendments to HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 39, HKFRS 5 and HKFRS 8 as part of Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKAS 27 and HKFRS 3 as part of Improvements to HKFRSs issued in 2010
HK Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

Management identifies operating segments based on internal reports that are regularly reviewed by the chief operating decision maker for the purposes of allocating resources to segments and assessing their performance. Segment information is analysed on the types of goods supplied and services provided by the Group's operating divisions. The Group's operations are organised into two operating segments, namely resort development and property investment, which are the same as the primary reportable segments determined in accordance with HKAS 14. The Group's resort development segment includes multi-purpose resort communities as well as sale of condo hotels, residential units and club memberships. No revenue has been earned by the resort development segment which is still under development. The property investment segment includes mainly residential and commercial properties that are held for capital appreciation or to earn rentals. No operating segments have been aggregated.

Segment revenue and results for the six months ended 31 December, 2010 are presented below:

	<b>Resort development HK\$'000</b>	<b>Property investment HK\$'000</b>	<b>Total HK\$'000</b>
<b>Turnover</b>	<u>–</u>	<u>3,576</u>	<u>3,576</u>
<b>Results</b>			
<b>Segment results</b>	<u>85</u>	<u>(899)</u>	<u>(814)</u>
<b>Unallocated income</b>			<u>14,843</u>
<b>Unallocated corporate expenses</b>			<u>(9,542)</u>
<b>Profit from operations</b>			<u>4,487</u>
<b>Finance costs</b>			<u>(580)</u>
<b>Profit before taxation</b>			<u>3,907</u>
<b>Taxation</b>			<u>597</u>
<b>Profit for the year</b>			<u>4,504</u>

Segment assets and liabilities as of 31 December, 2010 and other segment information for the six months ended 31 December, 2010 are presented below:

	<b>Resort development HK\$'000</b>	<b>Property investment HK\$'000</b>	<b>Segment total HK\$'000</b>	<b>Unallocated HK\$'000</b>	<b>Total HK\$'000</b>
Assets	<u>384,154</u>	<u>252,400</u>	<u>636,554</u>	<u>77,286</u>	<u>713,840</u>
Liabilities	<u>2,892</u>	<u>4,223</u>	<u>7,115</u>	<u>110,630</u>	<u>117,745</u>
Other segment information:					
Depreciation of property, plant and equipment	–	103	103	131	234
Release of prepaid lease payments	<u>–</u>	<u>20</u>	<u>20</u>	<u>–</u>	<u>20</u>

Segment revenue and results for the six months ended 31 December 2009 are presented below.

	<b>Resort development (Unaudited) HK\$'000</b>	<b>Property investment (Unaudited) HK\$'000</b>	<b>Total (Unaudited) HK\$'000</b>
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

Segment assets and liabilities as of 31 December, 2009 and other segment information for the six months ended 31 December, 2009 are presented below:

	<b>Resort development HK\$'000</b>	<b>Property investment HK\$'000</b>	<b>Segment total HK\$'000</b>	<b>Unallocated HK\$'000</b>	<b>Total HK\$'000</b>
Assets	364,755	209,700	574,455	34,219	608,674
Liabilities	–	1,505	1,505	65,932	67,437
Other segment information:					
Depreciation of property, plant and equipment	–	639	639	283	922
Release of prepaid lease payments	–	20	20	–	20

**(b) Geographical segments**

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

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

	Six months ended 31 December			
	2010		2009	
	Turnover (Unaudited) HK\$'000	Contribution (Unaudited) HK\$'000	Turnover (Unaudited) HK\$'000	Contribution (Unaudited) HK\$'000
<b>Geographical segments</b>				
Hong Kong	1,049	1,049	–	–
Canada	144	144	–	–
The PRC	2,383	1,318	2,400	1,270
The BVI	–	85	–	117
	<u>3,576</u>	<u>2,596</u>	<u>2,400</u>	<u>1,387</u>

**3. PROFIT BEFORE TAXATION**

	Six months ended 31 December	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) 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	234	639
– Assets held under finance leases	–	283
Finance costs		
– Bank borrowing	295	233
– Convertible notes	285	–
and after crediting:		
Dividend income from listed available-for-sale investments	–	2
Net other operating income - a further receipt of an additional consideration of the disposal of a subsidiary in 2006	–	9,993
Investment and other income – gains on disposal of other investment (antiques)	<u>14,843</u>	<u>–</u>

#### 4. TAXATION

Hong Kong Profits Tax is calculated at the rate of 16.5% (2009: 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 2010 (2009: 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.

Taxation arising in the PRC and overseas jurisdiction are calculated at the rates prevailing in the relevant jurisdictions based on existing legislation, interpretations and practices in respect thereof.

The tax charge back comprises:

	Six months ended 31 December	
	2010 HK\$'000	2009 HK\$'000
Current tax		
Hong Kong Profits Tax:		
Current year	-	-
Under-provision in previous year	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
Deferred taxation – charge back		
Origination and reversal of temporary differences	597	-
	<hr/>	<hr/>
	597	-
	<hr/>	<hr/>
Total tax charge back for the year	<b>597</b>	-
	<hr/> <hr/>	<hr/> <hr/>

#### 5. EARNINGS PER SHARE

The calculation of the diluted earnings per share is based on the same as the basic earnings per share for the period because the exercise prices of the share options granted (2009: higher) and convertible notes (2009: Nil) are higher than the average market price of shares during the period.

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\$4,504,000 (2009: profit of HK\$1,160,000) and on the weighted average of 838,888,826 (2009: 838,888,826) ordinary shares of the Company in issue during the period.

#### 6. INVESTMENT PROPERTIES

	HK\$'000
<b>VALUATION/FAIR VALUE</b>	
At 1 July 2009	204,400
Additions – subsequent expenditure	2,525
Reclassified from property, plant and equipment	165,711
Net increase in fair values	<hr/> 64,452
At 30 June 2010 and 1 July 2010	437,088
Reclassified from plant and equipment	2,556
Net decrease in fair value	<hr/> (2,444)
At 31 December 2010	<hr/> <hr/> 437,200

The value of investment properties held by the Group at 30 June 2010 and 31 December 2010 comprises:

	<b>31/12/2010</b> <b>(Unaudited)</b> <i>HK\$'000</i>	30/06/2010 (Audited) <i>HK\$'000</i>
Held in Hong Kong:		
Long-term leases	<b>220,000</b>	220,000
Held outside Hong Kong:		
Medium-term leases	<b>25,400</b>	32,288
Freehold	<b>191,800</b>	184,800
	<b>437,200</b>	437,088

## 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\$74,000 (30 June 2010: HK\$73,000) and their aging analysis is as follows:

	<b>31/12/2010</b> <b>(Unaudited)</b> <i>HK\$'000</i>	30/06/2010 (Audited) <i>HK\$'000</i>
Within 90 days	<b>74</b>	73

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

The amount is unsecured, interest-free and repayable on or before 9 April 2011.

## 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 2010: Nil).

## 11. AMOUNTS DUE TO DIRECTORS

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

## 12. SHARE CAPITAL

	<b>Number of</b> <b>Ordinary shares</b>	<b>Amount</b> <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 30 June 2010 and 31 December 2010	6,000,000,000	60,000
<i>Issued and fully paid:</i>		
At 1 July 2009	873,217,826	8,732
Cancellation upon repurchase of own shares	(34,329,000)	(343)
At 30 June 2010, 1 July 2010 and 31 December 2010	838,888,826	8,389



### 13. CONVERTIBLE NOTES

On 10 December 2010, the Company had issued 8% convertible notes in the aggregate principal amount of HK\$41,760,000. The bondholder may convert the whole or part (in minimum amount of HK\$250,000 or integral multiples) of the convertible bond into share at conversion price of HK\$0.24, subject to adjustments, with the term of 3 years from 10 December 2010. The Company have no intention to redeem the whole the right 8% convertible notes till the maturity as the Company have the right (at its sole and absolute discretion) at any time after 1 year from 10 December 2010 to redeem the whole or any principal amount (in minimum amount of HK\$250,000 or integral multiples) of the convertible notes.

The fair values of the liability component and the equity conversion component were determined at issuance of the convertible notes. The fair value of the liability component was calculated using a market interest rate of 12.2%. The residual amount, representing the value of the equity conversion component, has been included in the convertible notes reserve.

The convertible notes recognised in the balance sheet date are calculated as follows:

	<b>Group and Company</b>	
	<b>2010</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Liability component at 1 July	–	–
Face value of convertible notes issued	<b>41,760</b>	–
Issue costs	<b>(1,224)</b>	–
Equity component	<b>(3,846)</b>	–
	<hr/>	<hr/>
Liability component at the issuance date	<b>36,690</b>	–
Interest expense	<b>285</b>	–
Interest paid/payable	<b>(201)</b>	–
	<hr/>	<hr/>
Liability component at 31 December	<b>36,774</b>	–
Portion classified as non-current	<b>(36,774)</b>	–
	<hr/>	<hr/>
Current portion	<b>–</b>	–
	<hr/> <hr/>	<hr/> <hr/>
Equity component at 31 December	<b>3,846</b>	–
	<hr/> <hr/>	<hr/> <hr/>

### 14. CONTINGENT LIABILITIES

As at 30 June 2010 and 31 December 2010, the Group had no significant contingent liabilities.

### 15. CAPITAL COMMITMENTS

	<b>31/12/2010</b>	<b>30/06/2010</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<b>19,203</b>	19,203
– share of a jointly controlled entity	<b>31,288</b>	31,288
	<hr/>	<hr/>
	<b>50,491</b>	50,491
	<hr/> <hr/>	<hr/> <hr/>

## 16. RELATED PARTY DISCLOSURES

### (a) Balances

Details of the Group's outstanding balances with a related party are set out in the consolidated balance sheet and in notes 8 and 9.

- (b) Except the above disclosed, the Group had a licence agreement of using certain units of Severn Villa for HK\$174,000 per month (2009: waived due to free accommodation provided to the executive director) (the "Licence Agreement") with Ms Wong Kar Gee, Mimi ("Ms Wong"), a former director of the Company. On 18 December, 2010, the Group terminated the Licence Agreement and Ms Wong was required to move out by 18 January 2011.

## 17. SUBSEQUENT EVENT

Reference made with the circular of the Company dated 11 January 2011 and the approval obtained from the shareholders in the special general meeting dated 14 February 2011, the Company will proceed the Disposal of the entire issued share capital of Applied Electronics Limited ("AEL") (the "Disposal") by 9 March 2011 with the total consideration of RMB15 million (approximately HK\$17.5 million). AEL holds a wholly-owned subsidiary only, Applied Electronics (Bahamas) Ltd ("AE(B)"). After completion of the Disposal, AEL and AE(B) will no longer be subsidiaries of the Company.

## INTERIM DIVIDEND

The Directors do not recommend an interim dividend for the period ended 31 December 2010 (2009: Nil).

## REVIEW OF OPERATIONS

The Group's turnover for six months ended 31 December 2010 was approximately HK\$3,576,000 (2009: HK\$2,400,000). The Group recorded a profit of approximately HK\$4,504,000 (2009: profit of HK\$1,158,000) representing to an increase of approximately HK\$3,344,000. During the period ended 31 December 2010, even though the Company achieved the gain on disposal of the investment – antiques of approximately HK\$14.8 million and an increase of rental income of certain investment properties held by the Group, the Company had to provide the estimated cost of approximately HK\$4.4 million in respect of Ms Wong Kar Gee, Mimi's (the director retired in the last Annual General Meeting of the Company dated 14 February 2011) Actions to the regulatory departments and the court against the Group.

## BUSINESS REVIEW

### (i) Resort and Property Development

#### *BVI Project*

Following the extension of 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) the Quorum Note and (iii) the Deferred Purchase Price, both changed to 9 April 2011 as requested by InterIsle, our JV partner who needed more time to arrange the Initial Land and Development Loan after the settlement of the current challenge of the BVI Project and submission of the revised Master Plan of the golf course on 11 June 2010 in satisfaction of the requirements of relevant authorities in the BVI, InterIsle expressed its optimism of obtaining the finances of BVI Project once the approval of the Master Plan obtained. Therefore, the Management believes that the pre-sale of the residential of BVI Project will start upon the finances of BVI Project obtained.

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 golf course 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 Management recently has worked on the relevant plans of the sub-lot region of the Panama Land with the professionals and architects for the submission to the relevant authorities of Panama. 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 luxury 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, 2,000 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\$3.6 million for the Group for the six months ended 31 December 2010.

Following the shareholders’ approval of disposal of Applied Electronics Limited’s (“AEL”) entire shares who mainly holds Ping Wu Properties as defined in the Company’s circular dated 11 January 2011 obtained in the Special General Meeting dated 14 February 2011, the Management would proceed the sales of the entire AEL’s shares by 9 March 2011. If after the completion of the above disposal, the Management will foresee the rental income to generate from other investment properties remainly held by the Group.

### **(iii) Financing**

On 10 December 2010, the Company had issued 8% convertible notes in aggregate principal amount of HK\$41,760,000 of maturity term of 3 years. The holders of the convertible notes may convert the whole or part of the convertible notes into shares at conversion price of HK\$0.24 subject to adjustments. The Company also has the right at anytime after 9 December 2011 to redeem the whole or any principal amount of the convertible note (please refer to this note 13 of this announcement for more details).

## OUTLOOK

Following the recovery of the global economy and the property market in Hong Kong, the management believes that the Group's investment properties in Hong Kong and Panama and the developments in the BVI will bring in satisfactory returns to the Group.

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

## LITIGATION WITH A FORMER DIRECTOR, MS WONG KAR GEE, MIMI

Reference is made to the Company's announcements dated 23 February 2011 and 25 February 2011 in relation to the following litigation ("**Action**") commenced against the Group by Ms Wong Kar Gee, Mimi ("**Ms Wong**") (a former director was retired in the last annual general meeting of the Company on 14 January 2011).

### *High Court Miscellaneous Proceedings No. 1602/2010*

- (a) On 24 August 2010, Ms Wong commenced legal proceedings against Mr Raymond Hung Kin Sang and the Company seeking, among other things, to inspect certain books of accounts, statutory records and documents of the Company. By way of update, as Ms Wong is no longer a Director, she has continued with her application under this Action in her capacity as a Shareholder. This Action is presently ongoing in the Hong Kong High Court and a hearing of her application has presently been fixed for 10 March 2011.

### *High Court Miscellaneous Proceedings No. 243/2011 ("**HCMP 243/2011**") and matrimonial proceedings*

- (b) On 18 December 2010, the Company and Severn Villa Limited (a wholly-owned subsidiary of the Company) gave notice to Ms Wong to move out and return possession of the Severn Villa properties (namely, Flat A on 1st floor, Flat B on 1st floor and Flat B on 2nd floor, 3 Severn Road, The Peak, Hong Kong) (collectively, the "**Severn Villa properties**") by 18 January 2011. Ms Wong did not move out of the Severn Villa Properties on 18 January 2011.
- (c) On 18 January 2011, Ms Wong applied to the Hong Kong High Court to join the Company and Severn Villa Limited as intervening parties to the matrimonial proceedings (between Ms Wong and Mr Raymond Hung Kin Sang (an executive director of the Company)), seeking determination and declaration as to the beneficial and/or proprietary ownership of and/or interests in the Severn Villa properties (the "**Application**").
- (d) On 18 February 2011, Ms Wong commenced proceedings in HCMP 243/2011 against the Company and Severn Villa Limited for certain declarations relating to the beneficial and/or proprietary ownership of and/or interests in the Severn Villa properties. This Action is presently ongoing.
- (e) The Board believes that Ms Wong's above claim might relate to the recent notification to Ms. Wong to move out and return possession of the Severn Villa properties.
- (f) On 24 February 2011, Deputy High Court Judge Carlson stayed the Application pending the determination of HCMP 243/2011.

- (g) On 28 January, 2011, Ms Wong filed a claim with the Labour Tribunal against the Company seeking alleged: (i) arrears of wages; (ii) long service payment; (iii) damages for the Company's alleged breach of her employment contract; (iv) credit card allowance; and (v) other unpaid wages and reimbursements. The total amount of her claim (excluding item (iii) above, in which she has applied for damages to be assessed and determined) is approximately HK\$3.492 million. On 24 February 2011, the Labour Tribunal ordered that the matter be transferred to the Hong Kong High Court.

The Directors are of the view that the Ms Wong's Actions above are without merit. The Company has instructed lawyers to handle the Actions and will continue to use its best endeavors to protect the interests of the Company and the Shareholders as a whole in its conduct thereof. The Company will continue to keep its Shareholders updated about the progress of the Actions and any other material claim, action or proceeding which Ms Wong may commence in the future.

### **PLEDGE OF ASSETS**

As at 31 December 2010, the Group pledged the investment properties totaling to HK\$220,000,000 (30 June 2010: HK\$220,000,000) to banks to secure general banking facilities granted to the Group.

As agreed with the bank, the pledge of the Group's properties held for sale will be released when the properties are sold.

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

As at 31 December 2010, the Group's total net asset value and borrowings amount to HK\$596.1 million and HK\$102.7 million respectively, representing a gearing ratio of 17.2%. As at 31 December 2010, the Group's current assets and current liabilities amount to HK\$243.4 million and HK\$77.3 million respectively, representing a current ratio of 3.1 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.

### **EMPLOYEE INFORMATION**

As at 31 December 2010, the Group employed a total of 16 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 2010, 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 2010.

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 2010 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 2010 to 31 December 2010.

## **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*)

Hung Kai Mau, Marcus (*Chairman*)

***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, 25 February 2011

\* *For identification purpose only*