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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)**

**(1) RECENT DEVELOPMENTS IN RESPECT OF THE STOCK PURCHASE  
AND JOINT VENTURE AGREEMENT**

**(2) PRICE SENSITIVE INFORMATION - PROFIT WARNING**

**RECENT DEVELOPMENTS IN RESPECT OF THE STOCK PURCHASE AND JOINT  
VENTURE AGREEMENT**

The Board of the Company wishes to update Shareholders and potential investors on recent developments relating to the Agreement. After the expiration of the latest date by which (i) Quorum was obliged to pay the Quorum Note in the principal amount of US\$22 million (approximately HK\$171.6 million) and (ii) InterIsle was obliged to pay the final installment of the Deferred Purchase Price in the amount of US\$10.5 million (approximately HK\$81.9 million), being 9 April 2011, InterIsle has written to the Company to update the Company on the status of the Project and its intentions. InterIsle has informed the Company that due to a revaluation of the Real Property, the Initial Land and Development Loan cannot be arranged under the current valuation and market conditions. InterIsle has proposed that in lieu of payments to be made by InterIsle to Quorum or Applied Enterprises under the Agreement as amended, its subscription obligation for shares and its resulting ownership interest in Quorum be reduced from 50% as originally contemplated under the Agreement to less than 20%, and that the obligation to pay the final installment of the Deferred Purchase Price be cancelled.

**PRICE SENSITIVE INFORMATION – PROFIT WARNING**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

The Board wishes to inform Shareholders and potential investors that, absent a significant contribution from other investment properties held by the Group, the Group may be expected to record a possible loss for the year ended 30 June 2011 as compared to a profit for the year ended 30 June 2010. The Board believes that such possible loss may be mainly due to a decrease in the value of the Project as at 21 March 2011, being US\$23.1 million (approximately HK\$180.2 million) according to an appraisal by an independent valuer, CB Richard Ellis on an “as is” basis, i.e. with the existing permits in place (as provided by InterIsle), or impairment charges (if any) relating to an increase in Applied Enterprises’ equity stake in Quorum, if this is proceeded with.

This is compared to the total carrying value of the Project as stated in the interim report of the Company for the six months ended 31 December 2010, of approximately HK\$215.7 million.

**Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

## **RECENT DEVELOPMENTS IN RESPECT OF THE STOCK PURCHASE AND JOINT VENTURE AGREEMENT**

Reference is made to the circular issued by the Company dated 31 August 2006 (the “Circular”) about, amongst other things, the agreement (the “Agreement”) entered into by and among Quorum, InterIsle, Applied Enterprises and Applied Toys on 11 August 2006 in relation to the formation of a joint venture arrangement to develop the property in Beef Island, the British Virgin Islands. The Agreement was amended by way of amendment agreements, as announced by the Company in announcements dated 30 November 2006, 30 January 2007, 10 April 2007, 8 April 2008, 16 July 2009 and 9 June 2010 (the “Announcements”). Terms used herein have the meanings ascribed to them in the Circular and the Announcements unless the context otherwise requires.

After the expiration of the latest date by which (i) Quorum was obliged to pay the Quorum Note in the principal amount of US\$22 million (approximately HK\$171.6 million) and (ii) InterIsle was obliged to pay the final installment of the Deferred Purchase Price in the amount of US\$10.5 million (approximately HK\$81.9 million), being 9 April 2011, InterIsle has written to the Company to update the Company on the status of the Project and its intentions, which includes, amongst other things that:

- (1) An appraisal of the Real Property has recently been conducted by an independent valuer, CB Richard Ellis and as at 21 March 2011, the market value attributed to the Real Property on an “as is” basis, i.e. with all existing permits in place, was US\$23.1 million (approximately HK\$180.2 million). InterIsle has indicated that the Initial Land and Development Loan cannot be arranged under the current valuation and market conditions;
- (2) InterIsle has proposed that in lieu of payments to be made by InterIsle to Quorum or Applied Enterprises under the Agreement as amended, its subscription obligation for shares and its resulting ownership interest in Quorum be reduced from 50% as originally contemplated under the Agreement, to less than 20% [subject to mutual agreement] and that the obligation to pay the final installment of the Deferred Purchase Price be cancelled; and
- (3) InterIsle would expect that the Development and Management Agreement between Quorum and InterIsle Development Ltd would continue to remain in place.

The possible results of the proposals put forward by InterIsle, amongst other things, is that Quorum would become a non-wholly owned subsidiary of the Company, in which the Company would have over 80% ownership.

The Company is studying the possibility and feasibility of developing the whole of the Project by itself, subject to further agreement and re-structure of the Agreement.

Based on InterIsle's proposal, the Board believes that, save as for the information set out below under the heading "Price Sensitive Information - Profit Warning", there is no material impact in the financial and operations of the Group.

The Company will update the Shareholders as and when there are material developments with respect to InterIsle's proposals.

### **PRICE SENSITIVE INFORMATION – PROFIT WARNING**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

The Board wishes to inform Shareholders and potential investors that, absent a significant contribution from other investment properties held by the Group, the Group may be expected to record a possible loss for the year ended 30 June 2011 as compared to a profit for the year ended 30 June 2010. The Board believes that such possible loss may be mainly due to a decrease in the value of the Project as at 21 March 2011, being US\$23.1 million (approximately HK\$180.2 million) according to an appraisal by an independent valuer, CB Richard Ellis on an "as is" basis, i.e. with the existing permits in place, or impairment charges (if any) relating to an increase in Applied Enterprises' equity stake in Quorum, if this is proceeded with. This is compared to the total carrying value of the Project as stated in the interim report of the Company for the six months ended 31 December 2010, of approximately HK\$215.7 million.

The information contained in this announcement is only a preliminary assessment by the management of the Company which is based on the appraisal report dated 31 March 2011 provided by InterIsle (details stated as above) which would be subject to a final appraisal and reported on as at 30 June 2011 by the Company's external professional valuer, and which has not been audited or reviewed by the Company's auditors. Shareholders and potential investors are advised to refer to details in the annual results announcement of the Company for the year ended 30 June 2011 which is expected to be released in September 2011.

**Shareholders and potential investors are therefore advised to exercise caution when dealing in the shares of the Company.**

Save as disclosed above or as has been disclosed in previous announcements published by the Company, the Board confirms that there are no negotiations or agreements relating to any intended acquisitions or realizations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

Made by the order of the Board, the directors of which collectively and individually accept responsibility for the accuracy of this announcement.

By order of the Board  
Applied Development Holdings Limited  
Hung Kai Mau, Marcus  
Chairman

Hong Kong, 19 May 2011

As at the date hereof, Mr. Hung Kai Mau, Marcus is an executive director of the Company; Mr. Lun Tsan Kau, Mr. Lam Ka Wai, Graham and Mr. Su Ru Jia are independent non-executive directors of the Company.

*\* for identification only*