



**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 FINAL RESULTS  
FOR THE YEAR ENDED 30 JUNE 2007**

The Board of Directors (the “Directors”) of Applied Development Holdings Limited (the “Company”) announce that the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30 June 2007 with comparative figures for the previous year are as follows:

	<i>Notes</i>	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
<b>Turnover</b>	3	<b>120,613</b>	107,634
Cost of sales		<b>(108,332)</b>	(93,902)
<b>Gross profit</b>		<b>12,281</b>	13,732
Other income		<b>4,774</b>	3,766
Distribution costs		<b>(1,532)</b>	(1,817)
Administrative expenses		<b>(39,871)</b>	(30,013)
Increase in fair value of investment properties		<b>10,530</b>	19,000
Waiver of other borrowings	5	<b>–</b>	19,651
Share-based payment expenses		<b>(379)</b>	(8,233)
Finance costs	6	<b>(3,878)</b>	(5,265)
Gain (loss) on disposal of subsidiaries		<b>127,331</b>	(61)
<b>Profit before taxation</b>		<b>109,256</b>	10,760
Taxation	7	<b>59</b>	(808)
<b>Profit for the year</b>	8	<b>109,315</b>	9,952
<b>Attributable to:</b>			
Equity holders of the parent		<b>110,173</b>	10,757
Minority interests		<b>(858)</b>	(805)
		<b>109,315</b>	9,952
<b>EARNINGS PER SHARE</b>			
Basic and diluted	9	<b>12.83 HKcents</b>	1.22 HKcents

## THE CONSOLIDATED BALANCE SHEET AT 30 JUNE 2007

	<i>Notes</i>	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties		<b>159,030</b>	207,500
Property, plant and equipment		<b>178,313</b>	171,307
Prepaid lease payments – non-current portion		<b>1,957</b>	2,003
Other assets		<b>1,846</b>	1,701
Interest in a jointly controlled entity		<b>36,469</b>	–
Available-for-sale investments		<b>1,144</b>	26,391
Deposits paid on acquisition of investment properties		<b>7,756</b>	–
		<b>386,515</b>	408,902
<b>Current assets</b>			
Inventories		<b>1,898</b>	2,256
Trade and other receivables	<i>10</i>	<b>13,744</b>	46,660
Promissory note receivable from a jointly controlled entity		<b>171,600</b>	–
Amount due from a jointly controlled entity		<b>12,955</b>	–
Prepaid lease payments – current portion		<b>46</b>	46
Pledged bank deposits		<b>3,173</b>	3,059
Bank balances and cash		<b>23,299</b>	37,836
		<b>226,715</b>	89,857
Properties held for sale		<b>59,000</b>	–
		<b>285,715</b>	89,857
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	<b>7,623</b>	10,021
Tax payable		<b>712</b>	1,084
Secured bank borrowings – due within one year		<b>17,853</b>	11,374
Obligations under finance leases – due within one year		<b>3,582</b>	3,732
Bank overdrafts		<b>4,539</b>	4,771
		<b>34,309</b>	30,982
Liabilities associated with properties held for sale		<b>8,880</b>	–
		<b>43,189</b>	30,982
<b>Net current assets</b>		<b>242,526</b>	58,875
		<b>629,041</b>	467,777

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>Capital and reserves</b>		
Share capital	8,804	9,100
Treasury shares	(8,911)	(8,911)
Share premium and reserves	534,731	438,472
	<hr/>	<hr/>
<b>Equity attributable to equity holders of the parent</b>	534,624	438,661
<b>Minority interests</b>	–	858
	<hr/>	<hr/>
<b>Total equity</b>	534,624	439,519
	<hr/>	<hr/>
<b>Non-current liabilities</b>		
Secured bank borrowings – due after one year	92,269	24,846
Obligations under finance leases – due after one year	2,148	3,412
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	94,417	28,258
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	<b>629,041</b>	<b>467,777</b>
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Notes:

#### 1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the Group’s financial year beginning 1 July 2007. 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 is required.

The Group has not early applied the following new or revised standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>2</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment <sup>3</sup>
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions <sup>4</sup>
HK(IFRIC) – INT 12	Service Concession Arrangements <sup>5</sup>
HK(IFRIC) – INT 13	Customer Loyalty Programmes <sup>6</sup>
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 November 2006

<sup>4</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2008

<sup>6</sup> Effective for annual periods beginning on or after 1 July 2008

## 2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated 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 consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

## 3. TURNOVER

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Sales of goods	113,828	99,108
Rental income	6,785	8,526
	<u>120,613</u>	<u>107,634</u>

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

For management purposes, the Group's operations are organised into three operating divisions namely resort development, property investment and manufacture and distribution of electronic products. These divisions are the basis on which the Group reports its primary segment information.

Business segment information for the year ended 30 June 2007 is presented below:

	Resort development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Manufacture and distribution of electronic products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	<u>–</u>	<u>6,785</u>	<u>113,828</u>	<u>120,613</u>
Results				
Segment results	<u>(563)</u>	<u>12,339</u>	<u>27</u>	11,803
Unallocated corporate income				3,627
Unallocated corporate expenses				(29,627)
Finance costs				(3,878)
Gain on disposal of subsidiaries	127,331			<u>127,331</u>
Profit before taxation				109,256
Taxation				<u>59</u>
Profit for the year				<u>109,315</u>

	Resort development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Manufacture and distribution of electronic products <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets	<u>155,767</u>	<u>226,034</u>	<u>25,966</u>	<u>407,767</u>	<u>264,463</u>	<u>672,230</u>
Liabilities	<u>-</u>	<u>11,180</u>	<u>5,160</u>	<u>16,340</u>	<u>121,266</u>	<u>137,606</u>
Other information						
Capital expenditure	151,986	482	4,575	157,043	804	157,847
Depreciation of property, plant and equipment	-	253	2,952	3,205	4,498	7,703
Release of prepaid lease payments	<u>-</u>	<u>41</u>	<u>5</u>	<u>46</u>	<u>-</u>	<u>46</u>

Business segment information for the year ended 30 June 2006 is presented below:

	Resort development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Manufacture and distribution of electronic products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	<u>-</u>	<u>8,526</u>	<u>99,108</u>	<u>107,634</u>
Results				
Segment results	<u>(1,478)</u>	<u>16,120</u>	<u>(1,948)</u>	12,694
Unallocated corporate income				19,651
Unallocated corporate expenses				(16,259)
Finance costs				(5,265)
Loss on disposal of a subsidiary				(61)
Profit before taxation				10,760
Taxation				(808)
Profit for the year				<u>9,952</u>

	Resort development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Manufacture and distribution of electronic products <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets	<u>143,572</u>	<u>265,729</u>	<u>23,404</u>	<u>432,705</u>	<u>66,054</u>	<u>498,759</u>
Liabilities	<u>245</u>	<u>32,712</u>	<u>5,255</u>	<u>38,212</u>	<u>21,028</u>	<u>59,240</u>
Other information						
Capital expenditure	53,494	3,415	5,743	62,652	1,667	64,319
Depreciation of property, plant and equipment	–	3,897	2,893	6,790	246	7,036
Release of prepaid lease payments	–	41	5	46	–	46
Allowance for trade and other receivables	–	179	535	714	–	714
Reversal of impairment loss recognised in respect of property, plant and equipment	–	178	–	178	–	178
Reversal of impairment loss recognised in respect of prepaid lease payments	<u>–</u>	<u>613</u>	<u>–</u>	<u>613</u>	<u>–</u>	<u>613</u>

### Geographical segments

The Group's operations are principally located in Hong Kong, 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:

	Sales revenue by geographical market	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Hong Kong	115,654	102,542
The PRC	4,032	3,893
The BVI	<u>927</u>	<u>1,199</u>
	<u>120,613</u>	<u>107,634</u>

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Hong Kong	208,915	255,936	5,861	10,825
The PRC	40,694	33,171	–	–
United States of America	–	26	–	–
The BVI	2,391	143,572	–	53,494
Panama	155,767	–	151,986	–
	<u>407,767</u>	<u>432,705</u>	<u>157,847</u>	<u>64,319</u>

#### 5. WAIVER OF OTHER BORROWINGS

During the year ended 30 June 2006, the Company received a waiver of claim of other loans with a principal of HK\$18,449,000 and accrued interest of HK\$1,202,000 from the lender of the other loans, without any conditions and consideration as well as any actions to retrocede or claim for any loss or money of the waiver.

#### 6. FINANCE COSTS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest expense on:		
Bank borrowings wholly repayable within five years	3,387	3,597
Bank borrowings not wholly repayable within five years	–	1,324
Finance charges on obligations under finance leases	491	344
	<u>3,878</u>	<u>5,265</u>

#### 7. TAXATION

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
The (credit) charge comprises:		
Hong Kong Profits Tax		
Current year	473	742
(Over)under provision in previous years	(532)	66
	<u>(59)</u>	<u>808</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year.

## 8. PROFIT FOR THE YEAR

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Cost of inventories recognised as expenses	108,332	93,902
Depreciation of property, plant and equipment	7,703	7,036
Loss on disposal of property, plant and equipment	–	461
and after crediting:		
Dividend income from listed available-for-sale investments	805	59
Gain on disposal of available-for-sale investments	1,959	813
Gain on disposal of investment properties	–	1,162
Interest income	850	361
Reversal of impairment loss recognised in respect of property, plant and equipment included in other income	–	178
Reversal of impairment loss recognised in respect of prepaid lease payments included in other income	–	613
	<u>          </u>	<u>          </u>

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the profit attributable to equity holders of the parent for the year of HK\$110,173,000 (2006: HK\$10,757,000) and on the weighted average of 858,835,347 (2006: 879,858,648) ordinary shares of the Company in issue during the year. The weighted average number of shares adopted in calculation of earnings per share has been arrived after eliminating the shares in the Company held by Applied Investment (Asia) Limited.

The calculation of diluted earnings per share has not considered the effect of share options because the exercise price of the share options granted is higher than the average market price of shares for both years.

## 10. 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 receivables of HK\$6,151,000 (2006: HK\$3,777,000) and their aging analysis is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 90 days	5,851	3,588
More than 90 days and within 180 days	300	189
	<u>          </u>	<u>          </u>
	<u>6,151</u>	<u>3,777</u>

Included in trade and other receivables of the Group as at 30 June 2006 were other receivables of HK\$33,654,000 which represent the remaining balance of consideration for the disposal of a 60% owned subsidiary of the Company, 惠陽縣淡水新陽城建設有限公司 (“Danshui”). On 16 October 2003, the Group entered into an agreement to dispose of its equity interest in Danshui at a consideration of HK\$61,956,000. The transaction was completed on 27 June 2006 and the Group received the partial settlement of the consideration of HK\$28,302,000 up to 30 June 2005. The remaining balance of the consideration of HK\$33,654,000 was retained by 惠州市惠陽區淡水鎮人民政府 (“淡水鎮人民政府”), who is the witness of the agreement. The amount was fully repaid by 惠州市大亞灣經濟技術開發集團公司 (“大亞灣集團公司”), an affiliate of 淡水鎮人民政府 during the year.



## 11. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK\$3,459,000 (2006: HK\$4,184,000) and their aging analysis is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 90 days	1,661	3,506
More than 90 days and within 180 days	1,798	678
	<u>3,459</u>	<u>4,184</u>

## DIVIDEND

The Directors do not recommend payment of any dividends for the year ended 30 June 2007 (2006: Nil).

## ANNUAL GENERAL MEETING

The 2007 Annual General Meeting of the Company will be held on Wednesday, 7 November 2007 and the Notice of Annual General Meeting will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in due course.

## CLOSURE OF REGISTER OF MEMBERS

The transfer of books and register of members of the Company will be closed from Friday, 2 November 2007 to Wednesday, 7 November 2007, both days inclusive. To qualify for attending the forthcoming Annual General Meeting of the Company to be held on 7 November 2007, shareholders should ensure that transfers are lodged at the Company's share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 1 November 2007.

## RESULTS

The Group's consolidated profit for the year ended 30 June 2007 amounted to approximately HK\$109,315,000, representing an increase of approximately 998.4% compared to last year. The increase in profit was mainly due to a significant gain on disposal of a 50% equity interest in a wholly-owned subsidiary of the Group, Quorum Island (BVI) Ltd. In addition, in line with to the Hong Kong Financial Reporting Standards and accounting general practice, the cost of investment in a new joint venture in the British Virgin Islands, Quorum Island (BVI) Limited, formerly a wholly-owned subsidiary of the Group, is HK\$36,469,000. If Quorum Island (BVI) Limited's properties under development is carried at market value, the investment in the jointly controlled entity will be HK\$163,800,000 (equivalent to US\$21,000,000) and there is an unrecognized gain of approximately HK\$127,331,000.

## **PLEDGE OF ASSETS**

As at 30 June 2007, the carrying values of investment properties, properties held for sales, prepaid lease payments, property, plant and equipment pledged by the Group to secure banking facilities granted to the Group amounted to HK\$127,080,000 (2006: HK\$178,750,000), HK\$59,000,000 (2006: HK\$Nil), HK\$211,000 (2006: HK\$216,000) and HK\$1,866,000 (2006: HK\$1,398,000) respectively. As at 30 June 2007, the Group has also pledged its a fixed deposit of HK\$3,173,000 (2006: HK\$3,059,000).

## **BUSINESS REVIEW**

### **(I) Resort Development**

#### *British Virgin Islands Project (the “BVI Project”)*

The BVI Project, our signature resort development project, has been progressing well. The Group completed the Joint Venture Agreement (the “JV Agreement”) with Interlink Realty International, Corp. (“Interlink”) and Island Global Yachting Acquisition LLC (“IGY”) on 9 April 2007. Upon the completion of the JV Agreement, the Group received US\$8,000,000 (approximately HK\$62,400,000) in cash from Quorum Island (BVI) Ltd, which is a significant amount of cash inflow to the Group for the year. The value of the BVI Project appreciated by approximately 14.7% to approximately US\$58.5 million (approximately HK\$456,300,000) as confirmed by the valuation appraisal report conducted by the proposed bank.

The approval for the master plan of the BVI Project was obtained from the Chief Minister and the Planning Board of the British Virgin Islands. The site, where a maximum of 663 residential units will be built, will be developed into a mixed-use luxury resort, including a 5-star luxury hotel comprising of a condominium hotel and fractional ownership element, an 18-hole championship golf course, a variety of branded residential units, a marina and a high-end retail commercial area, together with related infrastructure improvements and installation of utilities. The pre-sale of the project was scheduled in the 1st quarter of 2008.

The BVI Project is jointly developed by our Group, Interlink and IGY and supported by an experienced team of resort specialists, including Jack Nicklaus, EDSA, ATM, Hill Glazier, Harris Civil Engineers, Wilson & Associates, Norton Consulting Real Estate and Leisure Advisors, and Robert Charles Lesser & Co. With their strong track record in resort development in the Caribbean Sea, they bring extensive property and resort management experience to the project.

## *Panama Project*

In 2006, before the approval of “the extension of Panama Canal” was granted, the Group acquired an area sized approximately 1,223 acres (495 hectares or 53.3 million square feet) named Playa Grande in lots 1807, 4920, 4921, 4923, 4924, 4935, 4936, 4942, 4943, 4944, 4945, 6921, 20435, 33248, 35039, 41583, 41619, together with all beach front property in Boca Chica, District of San Lorenzo, in the Province of Chiriqui in Panama (“Panama Land”) to for another multi-purpose resort project targeting the fast-growing vacationers worldwide and the retiree sector from the US. The Group completed the acquisition contract in June 2007. As announced by the Company on 17 July 2007, the Group received a verbal offer from an independent third party regarding the purchase of the Panama Land for approximately US\$29,640,000 (approximately HK\$231,192,000), representing an excess of approximately 56.5% over the Group’s acquisition price. Although the management did not choose to accept the above offer, it evidenced potential of the Panama Land where the Panama Project is situated and hence, the favorable prospects of the project.

Seeking to replicate the successful business model of the BVI Project, the Group will partner with renowned expertise in the resort development industry to study and design the project. The project team members would be similar to those of the BVI Project including Jack Nicklaus, EDSA, ATM, Hill Glazier, Harris Civil Engineers and Wilson & Associates, Robert Charles Lesser & Co. and Norton Consulting Real Estate.

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, an 18-hole signature golf course, a branded fractional ownership club, branded ocean-view villas and branded residential lots. After completion, 800-1,000 residential units in the various branded residential will be offered which has a 2.2 km long beach.

Development of the Panama Project is underway smoothly. The Group has developed a master plan for the project, devised golf course routing plans, conducted market studies, environmental studies, IRR studies, and various studies and tests on the project.

The Group will continue to explore other suitable opportunity to further expand our resort business, with a view to bring a sustainable return to our shareholders.

## **(II) Investment Properties**

The Group’s investment properties, mainly in Hong Kong and the PRC, generated a total rental revenue of approximately HK\$6,785,000 during the year.

In light of the increasing value of office premises in the Hong Kong property market, we believe that it is an appropriate time for the Group to realize investments in the local property market. Hence, during the year ended 30 June 2007, the Group entered an agreement (the “agreement”) to sell an investment property (the “Property”) located at 42/F, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong at a consideration of HK\$59,000,000 with its original cost of HK\$33,208,000. The completion date of the agreement is 7 December 2007. With reference to the market value of similar properties in the same location, the Group believes that the price of the disposal is fair and reasonable and will bring the best investment return to our shareholders.

The Group will continue to seek other appropriate property investment opportunities in Hong Kong and the PRC.

### **(III) OEM Business**

During the year ended 30 June 2007, the OEM of electronic business continued to face fierce market competition and was under an adverse environment with lower profit margin. The management of the Group will seek for measures to mitigate the negative impacts of the OEM business to the Group.

## **OUTLOOK**

### **Resort Development**

In view of the promising prospects of the resort and property sector, the management believes that the main growth driver for the Group will be the upscale resort development business. Hence, we are well positioned to develop more resorts in the tropics, with the BVI Project as our first flagship resort development project and followed by the Panama Project as another significant resort project expansion. We will continue to be strategically allied with world-renowned architects, designers, and resort developers to develop future resort projects and source new islands for development and profit.

#### *BVI Project*

The BVI Project continues to bring promising outlook to the Group. Following the completion of the JV Agreement in April 2007, the management expects the BVI Project to generate a substantial amount of profit to the Group.

The BVI Project is intended to feature:

- (1) a 5-star luxury resort with approximately 200 keys condo hotel rooms, spa, restaurants and conference rooms;
- (2) branded residential units of approximately 350 units be located at marina bay, golf residential, Mount Alma and ocean-view residential;
- (3) a fractional ownership club with 60 fractional ownership units;
- (4) an 18-hole Jack Nicklaus Signature golf course;
- (5) a marina village with state-of-the-art mega-yacht facility; and
- (6) an airport commercial with guest house, shops, restaurants, amphitheatre and offices.

The Group expects to launch the presales of residential and fractional units in early 2008.

## *Panama Project*

Panama is emerging as a prime destination for American and European tourists including those seeking second homes or retirement alternatives. The country has low living costs compared to the US and Europe, and is of stable inflation rate. Panama offers a modern American-style healthcare system with reputable hospitals that meets US standard. Driven primarily by the expansion of the Panama Canal and increased tourism, the country records a robust economic growth and a significant uplift of the real estate market. In view of these favorable conditions, the Group is confident that the project will deliver promising returns.

The management believes that by replicating the successful business model of the BVI Project and partnering with renowned expertise in the resort development industry, the Panama Project will take the Group's resort development business to another high.

The Panama Project is intended to feature:

- (1) a 5-star luxury hotel, branded boutique hotel and luxury condo hotel;
- (2) marina facility and marina village;
- (3) an 18-hole signature golf course;
- (4) a branded fractional ownership club; and
- (5) branded residential lots.

Recently, the Group has entered into an agreement for the acquisition of a hot spring, which is located in the Borough of San Felix, Chiriqui, Panama. This hot spring has been certified by ASOTEMPA, an affiliate of an international medical thermal association, as one of the medical hot springs in the world. This hot spring will be an amenity of the Panama Project.

In view of the strong potential for growth of the resort and property sector, the Group is determined to further expand its resort business and consolidate its position as the world's leading resort developer by exploring new islands for resort development in the upcoming years.

## **PORTAL OPERATION**

The Group has established a corporate website [www.applieddev.com](http://www.applieddev.com). The website serves as an electronic channel to enhance relationships between the Company and the shareholders by informing them of the most updated corporate and investor information.

## **LIQUIDITY AND FINANCIAL INFORMATION**

At 30 June 2007, the Group's total net assets value and borrowings amounted to HK\$534.6 million and HK\$120.4 million respectively and the gearing ratio of the total borrowings was 22.5% as compared to 11.0% of the corresponding year.

As at 30 June 2007, the majority of the Group's assets were in Hong Kong or United States dollars and the exposure of foreign exchange and fluctuation of the US dollars were insignificant to the Group.

## EMPLOYEES

At 30 June 2007, the total number of employees of the Group amounted to 435 (2006: 337). The staff of the Group are rewarded by attractive salary packages and comprehensive medical insurance, provident fund and discretionary bonus.

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

During the year, the Company repurchased 29,540,000 ordinary shares on the Stock Exchange at an aggregate consideration of HK\$14,893,000. All of the shares were subsequently cancelled. The nominal value of the cancelled shares of HK\$296,000 was credited to capital redemption reserve and the relevant aggregate consideration of HK\$14,893,000 was charged to the Company's retained profits. Details of the repurchases are as follows:

<b>Month of the repurchases</b>	<b>Total number of the ordinary shares repurchased</b>	<b>Highest price paid per share</b> <i>HK\$</i>	<b>Lowest price paid per share</b> <i>HK\$</i>	<b>Aggregate consideration</b> <i>HK\$'000</i>
July 2006	5,000,000	0.560	0.470	2,509
August 2006	4,160,000	0.550	0.500	2,200
September 2006	2,920,000	0.560	0.540	1,601
October 2006	1,900,000	0.520	0.495	962
November 2006	2,600,000	0.530	0.450	1,294
December 2006	2,130,000	0.470	0.380	947
January 2007	850,000	0.455	0.395	366
February 2007	130,000	0.470	0.450	60
March 2007	945,000	0.460	0.430	427
April 2007	4,385,000	0.500	0.425	2,109
May 2007	2,855,000	0.560	0.460	1,446
June 2007	1,665,000	0.620	0.550	972
	<u>29,540,000</u>			<u>14,893</u>

The purchases were made for the benefit of the shareholders as a whole as they enhanced the net asset value and/or earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the year.

## CORPORATE GOVERNANCE PRACTICE

In the opinion of the directors, the Company has complied through out the relevant financial period with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited ("Listing Rules").

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. The Company has confirmed with all directors that they had complied with the required standard set out in the Model Code throughout the year ended 30 June 2007.

A full description of the operation of the Board, Audit Committee, Remuneration Committee, Internal Control, Codes of Best Practice, Notifiable Transactions and Financial Reporting will be found in the 2007 Annual Report.

## **EXPOSURE TO EXCHANGE RATE FLUCTUATIONS**

The Group does not engage in interest rate or foreign exchange speculative activities. It is the Group's policy to manage foreign exchange risk through matching foreign exchange income with expenses, and where exposure to foreign exchange is anticipated, appropriate hedging instrument will be used.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 30 June 2007 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **ACKNOWLEDGEMENTS**

On behalf of the Board, I would like to take this opportunity to express my heartfelt thanks to all of the staff and business partners for their hard work and dedication.

## **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 Wong Kar Gee, Mimi (*Chairman*)  
Fang Chin Ping  
Hung Kai Mau, Marcus

### *Independent non-executive directors:*

Soo Hung Leung, Lincoln J.P.  
Lo Yun Tai  
Lun Tsan Kau  
Lam Ka Wai, Graham

By order of the Board  
**Applied Development Holdings Limited**  
**Hung Wong Kar Gee, Mimi**  
*Chairman*

Hong Kong, 8 October 2007

\* *For identification purpose only*