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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 2011**

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 2011 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 31 December 2011*

		<b>Six months ended 31 December</b>	
		<b>2011</b>	<b>2010</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	2	<b>203</b>	3,576
Fair value change in investment properties		–	(2,444)
Other operating income	3	<b>468</b>	–
Administrative expenses		<b>(23,874)</b>	(11,573)
Investment and other income	3	<b>1,614</b>	14,843
Finance costs	3	<b>(3,141)</b>	(580)
Share of results of a jointly controlled entity		–	85
		<hr/>	<hr/>
(Loss) profit before taxation		<b>(24,730)</b>	3,907
Taxation	4	–	597
		<hr/>	<hr/>
(Loss) profit for the period		<b>(24,730)</b>	4,504
Other comprehensive loss			
Exchange difference arising on translation of foreign operations recognized directly in equity		–	–
		<hr/>	<hr/>
Total comprehensive (loss) income for the period		<b>(24,730)</b>	4,504
		<hr/> <hr/>	<hr/> <hr/>
(Loss) earnings per share	5		
Basic		<b>(2.95) HK cent</b>	0.54 HK cent
		<hr/> <hr/>	<hr/> <hr/>
Diluted		<b>(2.95) HK cent</b>	0.54 HK cent
		<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***As at 31 December 2011*

	<i>Notes</i>	<b>31/12/2011 (Unaudited) HK\$'000</b>	<b>30/06/2011 (Audited) HK\$'000</b>
<b>Non-current Assets</b>			
Investment properties	6	<b>377,600</b>	377,600
Property, plant and equipment		<b>2,338</b>	1,815
Promissory note receivable from a jointly controlled entity	7	<b>126,981</b>	121,457
Other assets		<b>1,045</b>	1,045
Interest in a jointly controlled entity		<b>–</b>	–
Prepaid lease payments – non-current portion		<b>1,543</b>	1,591
Available-for-sale investments		<b>220</b>	220
		<b>509,727</b>	503,728
<b>Current Assets</b>			
Financial assets at fair value through profit or loss	8	<b>952</b>	29,309
Trade and other receivables	9	<b>3,521</b>	3,685
Amount due from a jointly controlled entity	10	<b>16,640</b>	16,388
Prepaid lease payments – current portion		<b>40</b>	40
Bank balances and cash		<b>22,993</b>	28,516
		<b>44,146</b>	77,938
<b>Current Liabilities</b>			
Bank overdrafts		<b>–</b>	204
Other payables	11	<b>3,284</b>	5,188
Secured bank borrowings		<b>77,456</b>	79,156
		<b>80,740</b>	84,548
<b>Net current liabilities</b>		<b>(36,594)</b>	(6,610)
<b>Total assets less current liabilities</b>		<b>473,133</b>	497,118
<b>Capital and reserves</b>			
Share capital	12	<b>8,378</b>	8,383
Share premium & reserves		<b>426,189</b>	450,974
<b>Total equity</b>		<b>434,567</b>	459,357
<b>Non-current liabilities</b>			
Convertible Notes	13	<b>38,315</b>	37,510
Deferred tax liabilities		<b>251</b>	251
		<b>38,566</b>	37,761
<b>Total equity attributable to owners of the Company</b>		<b>473,133</b>	497,118

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2011

## 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 2011.

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

HKAS 24 (Revised)	Related Party Disclosures
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
Improvements to HKFRSs 2010	Improvements to HKFRSs 2010
Amendments to HKFRS 7	Disclosures – Transfer of Financial Assets
Amendments to HKFRS 1 (Revised)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

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.

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>2</sup>
HKFRS 9	Financial Instrument <sup>5</sup>
HKAS 19	Employee Benefits <sup>3</sup>
HKAS 27 (2011)	Separate Financial Statements <sup>3</sup>
HKAS 28 (2011)	Investments in Associates and Joint Ventures <sup>3</sup>
HKFRS 10	Consolidated Financial Statements <sup>3</sup>
HKFRS 11	Joint Arrangements <sup>3</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>3</sup>
HKFRS 13	Fair Value Measurement <sup>3</sup>
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>2</sup>
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2012

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2012

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2013

<sup>4</sup> Effective for annual periods beginning on or after 1st January, 2014

<sup>5</sup> Effective for annual periods beginning on or after 1st January, 2015

## 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. The directors consider resort development, property investment and investment holding are the Group's major operating segments. 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. The investment holding segment includes holding and trading of investments and other assets. No operating segments have been aggregated.

Segment revenue and results for the six months ended 31 December 2011 are presented below:

	Resort development (Unaudited) <i>HK\$'000</i>	Property investment (Unaudited) <i>HK\$'000</i>	Investment holding (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
<b>Turnover</b>	–	203	–	203
<b>Other revenue and income</b>	–	–	(3,916)	(3,916)
	–	203	(3,916)	(3,713)
<b>Results</b>				
Segment results	–	203	–	203
Unallocated corporate income				1,009
Unallocated corporate expenses				(28,325)
Finance costs				(3,141)
Write back on imputed interest expenses on promissory note receivable from a jointly controlled entity	5,524		–	5,524
Loss before tax				(24,730)
Taxation	–		–	–
Loss for the period				(24,730)

Segment assets and liabilities as of 31 December 2011 and other segment information for the six months ended 31 December 2011 are presented below:

	Resort development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Assets</b>	277,396	245,605	1,997	524,998	28,875	553,873
<b>Liabilities</b>	1,521	536	38,315	40,372	78,934	119,306
Other segment information:						
Additions to property, plant and equipment	–	–	–	–	839	839
Depreciation of property, plant and equipment	–	–	–	–	316	316
Gain on disposal of other assets	–	–	–	–	–	–
Release of prepaid lease payments	–	24	–	24	–	24

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

	Resort development (Unaudited) <i>HK\$'000</i>	Property investment (Unaudited) <i>HK\$'000</i>	Investment holding (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
<b>Turnover</b>	–	3,576	–	3,576
Other revenue and income	–	–	16,261	16,261
	–	3,576	16,261	19,837
<b>Results</b>				
Segment results	85	(899)	–	(814)
Unallocated corporate income				14,843
Unallocated corporate expenses				(9,542)
Finance costs				(580)
Profit before taxation				3,907
Taxation				597
Profit for the period				4,504

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

	Resort development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Assets</b>	384,154	252,400	20,277	656,831	57,009	713,840
<b>Liabilities</b>	2,892	4,223	36,774	43,889	73,856	117,745
Other segment information:						
Depreciation of property, plant and equipment	–	103	–	103	131	234
Release of prepaid lease payments	–	20	–	20	–	20

## 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") and the British Virgin Islands (the "BVI") and Panama.

The following table provides an analysis of (i) the Group's revenue from external customers and a related party and (ii) the Group's non-current assets by geographical market:

	<b>Six months ended 31 December</b>			
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>Turnover</b>		<b>Non-current Assets</b>	
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Geographical market</b>				
Hong Kong	–	1,049	<b>231,708</b>	222,686
Canada	–	144	<b>5,600</b>	4,000
The PRC	<b>203</b>	2,383	<b>11,143</b>	33,954
The BVI	–	–	–	27,676
Panama	–	–	<b>133,600</b>	184,800
	<b>203</b>	3,576	<b>382,051</b>	473,116

### 3. (LOSS) PROFIT BEFORE TAXATION

	<b>Six months ended 31 December</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	<b>316</b>	234
Finance costs		
– Bank borrowing	<b>651</b>	295
– Convertible notes	<b>2,490</b>	285
and after crediting:		
Gains on disposal of property, plant and equipment	<b>468</b>	–
Investment and other income:		
– Gains on disposal of other investment	<b>6</b>	14,843
– Dividend income	<b>95</b>	–
– Interest income	<b>440</b>	–
– Loss on disposal of financial assets at fair value through profit and loss	<b>(3,499)</b>	–
– Net decrease in fair value of financial assets at fair value through profit and loss	<b>(952)</b>	–
– Write back on imputed interest expenses on promissory note receivable from a jointly controlled entity	<b>5,524</b>	–

#### 4. TAXATION

Hong Kong Profits Tax is calculated at the rate of 16.5% (2010: 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 2011 (2010: 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:

	<b>Six months ended 31 December</b>	
	<b>2011</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>2010</b> <b>(Unaudited)</b> <b>HK\$'000</b>
Current tax		
Hong Kong Profits Tax:		
Current period	–	–
Under-provision in previous period	–	–
	<u>–</u>	<u>–</u>
	–	–
Deferred taxation – charge back		
Origination and reversal of temporary differences	–	597
	<u>–</u>	<u>597</u>
	–	597
Total tax charge back for the period	<u>–</u>	<u>597</u>

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

The calculation of the diluted loss (2010: earnings) per share is based on the same as the basic loss (2010: earnings) per share for the period because the exercise price of the share options granted (2010: higher) and convertible notes (2010: higher) are higher than the average market price of shares during the period.

The calculation of the basic loss (2010: earnings) per share for the period is based on the loss attributable to equity holders of the parent for the period of HK\$24,730,000 (2010: profit of HK\$4,504,000) and on the weighted average of 838,022,378 (2010: 838,888,826) ordinary shares of the Company in issue during the period.

#### 6. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
<b>VALUATION/FAIR VALUE</b>	
At 1 July 2010	437,088
Additions – subsequent expenditure	1,805
Reclassified from property, plant and equipment	4,000
Disposal of subsidiaries	(24,388)
Net decrease in fair values	<u>(40,905)</u>
At 30 June 2011, 1 July 2011 and 31 December 2011	<u>377,600</u>

The value of investment properties held by the Group at 30 June 2011 and 31 December 2011 comprises:

	<b>31/12/2011</b> <b>(Unaudited)</b> <i>HK\$'000</i>	30/06/2011 (Audited) <i>HK\$'000</i>
Held in Hong Kong:		
Long-term leases	<b>230,000</b>	230,000
Held outside Hong Kong:		
Medium-term leases	<b>14,000</b>	14,000
Freehold	<b>133,600</b>	133,600
	<b>377,600</b>	377,600

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

	<b>Group</b> <i>HK\$'000</i>
Non-current portion	
At 1 July 2010	–
Reclassified from current portion	171,600
Imputed interest expenses	(50,143)
	<u>121,457</u>
At 30 June 2011 and 1 July 2011	121,457
Write back on imputed interest expenses	5,524
	<u>126,981</u>

Following the expiration of the due date of the promissory note receivable from a jointly controlled entity on 9 April 2011, management of the Group considers that there is objective evidence that an impairment loss on the promissory note has been incurred. Management expects that the full amount of the promissory note will be realisable in approximately four years after the end of the reporting period. Consequently, imputed interest expenses of HK\$50,143,000 measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate of 9% are recognised in the profit or loss to reflect the impairment resulting from the extended period of recovery. The amount is unsecured.

#### 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	<b>31/12/2011</b> <b>(Unaudited)</b> <i>HK\$'000</i>	30/6/2011 (Audited) <i>HK\$'000</i>
Held-for-trading investments at fair value		
Equity securities listed in Hong Kong	<b>952</b>	11,215
Debt instruments listed overseas	–	18,094
	<b>952</b>	29,309

The fair values of the listed investments are determined on the basis of quoted market price at the end of the reporting period.

#### 9. 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\$Nil (30 June 2011: HK\$Nil).



## 10. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

The amount is unsecured, interest-free and has no fixed repayment term. At the end of the reporting period, no provision had been made for non-repayment of the amount due and the carrying amount of the amount due approximates its fair value.

## 11. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK\$Nil (30 June 2011: HK\$Nil).

## 12. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 30 June 2011 and 31 December 2011	<b>6,000,000,000</b>	60,000,000
<i>Issued and fully paid:</i>		
At 1 July 2010	<b>838,888,826</b>	8,388,888
Cancellation upon repurchase of own shares	<b>(580,000)</b>	(5,800)
At 30 June 2011	<b>838,308,826</b>	8,383,088
Cancellation upon repurchase of own shares	<b>(535,000)</b>	(5,350)
At 31 December 2011	<b>837,773,826</b>	8,377,738

## 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 noteholder may convert the whole or part (in minimum amount of HK\$250,000 or integral multiples) of the convertible notes 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>31/12/2011</b>	30/06/2011
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Liability component at beginning of the reporting period	<b>37,510</b>	–
Face value of convertible notes issued	–	41,760
Issue costs	–	(1,108)
Equity component	–	(3,962)
	<hr/>	<hr/>
Liability component at the issuance date	–	36,690
Interest expense	<b>2,489</b>	2,677
Interest paid/payable	<b>(1,684)</b>	(1,857)
	<hr/>	<hr/>
Liability component at the end of the reporting period	<b>38,315</b>	37,510
Portion classified as non-current	<b>(38,315)</b>	(37,510)
	<hr/>	<hr/>
Current portion	<b>–</b>	–
	<hr/> <hr/>	<hr/> <hr/>
Equity component		
At beginning of the reporting period	<b>3,846</b>	–
Convertible notes issued	–	3,962
Issue costs apportioned to equity component	–	(116)
	<hr/>	<hr/>
At the end of the reporting period	<b>3,846</b>	3,846
	<hr/> <hr/>	<hr/> <hr/>

#### 14. CONTINGENT LIABILITIES

As at 30 June 2011 and 31 December 2011, the Group had no significant contingent liabilities.

#### 15. CAPITAL COMMITMENTS

	<b>31/12/2011</b>	30/06/2011
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	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	<b>19,727</b>	19,727
– share of a jointly controlled entity	<b>31,288</b>	31,288
	<hr/>	<hr/>
	<b>51,015</b>	51,015
	<hr/> <hr/>	<hr/> <hr/>

#### 16. RELATED PARTY DISCLOSURES

##### (a) Transaction

The Group has had consultancy fee of HK\$1,054,000 (2010: HK\$Nil) and rental payment of HK\$342,000 to Mr. Hung Kin Sang, Raymond, father of the Chairman, Mr. Hung Kai Mau, Marcus of the Company for the period ended 31 December 2011.

- (b) Remuneration to key management personal including amounts paid to the Company's directors is as follows:

	<b>Group</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Salaries and other benefits	<b>4,671</b>	2,934
Retirement profit scheme	<b>12</b>	18
	<hr/>	<hr/>
	<b>4,683</b>	2,952
	<hr/> <hr/>	<hr/> <hr/>

## **INTERIM DIVIDEND**

The Directors do not recommend an interim dividend for the period ended 31 December 2011 (2010: Nil).

## **RESULTS**

The Group recorded a loss of approximately HK\$24,730,000 for six months ended 31 December 2011 as compared to a profit of approximately HK\$4,504,000 in the corresponding six months period ended 31 December 2010. The loss incurred by the Group for six months ended 31 December 2011 is mainly due to losses resulting from (i) a decrease in rental income of approximately HK\$2,300,000 resulting from the disposal of the entire issued share capital of Applied Electronics Limited by the Group in March 2011 which held investment properties (details of which were stated in the Company's announcement dated 14 December 2010 and the Company's circular dated 11 January 2011); and (ii) an extra-ordinary litigation cost of approximately HK\$15,500,000 incurred in connection with litigation proceedings involving a former director of the Company, Ms. Wong Kar Gee, Mimi ("Ms. Wong") during the period. As compared to the corresponding six-month interim period ended 31 December 2010, the Company earned a significant profit on disposal of other assets of approximately HK\$14,800,000.

## **BUSINESS REVIEW**

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

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

As disclosed in our announcement dated 19 May 2011 and our annual report 2011, the ownership interest in Quorum Island (BVI) Limited ("Quorum") of InterIsle Holdings Limited ("InterIsle"), our joint venture partner in a project (the "BVI Project") located at Beef Island, Tortola, the British Virgin Islands (the "BVI") was to be reduced from 50% to less than 20% (the "Dilution") as originally contemplated under a joint venture agreement (the "Agreement") entered between the Group and InterIsle to develop the BVI Project in August 2006. The BVI Project comprises approximately 660 acres (approximately 267 hectares or 28.75 million square feet) of land. The Company will keep the Shareholders updated with the information in respect of the Dilution. Upon the completion of the Dilution, Quorum will become a subsidiary of the Group.

In August 2011, Quorum received an order from the Court of Appeal of the BVI, as a result of which the planning approval of the development of the BVI Project granted by the Chief Minister and Minister of Planning of the BVI remained valid (the “Reinstatement of Minister’s Approval”). However the sovereign debt crisis in Europe has had a continuous negative influence on the economies of US and Europe, and the development prospects of our BVI Project has also been adversely affected. The Company may consider modifying its strategies to mitigate any adverse influence caused by the sluggish economies, and will keep Shareholders duly informed of any such plans.

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; a golf course and up to 600 high-end residential units including townhomes, beachfront residences, ocean-view villas, and secluded mountain estate homes; as well a unique artisan and retail village at Trellis Bay.

### ***Panama Project***

The Panama Project comprises two pieces of land: (i) a piece of land of approximately 494 hectares (approximately 1,223 acres or 53.27 million square feet) 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 (approximately 22.3 acres or 0.97 million square feet) in the Borough of San Felix, Province of Chiriqui in Panama (the “Hot Spring Property”). The Management has worked with professionals and architects on the relevant plans for the sub-lot region of the Panama Land for submission to the relevant authorities of Panama.

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.

The Group will replicate the business model of the BVI Project, and intends to partner with renowned experts in the resort development industry to develop the Panama Project subject to the prevailing economic climate and conditions of the property market. 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.

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

After the disposal of the entire issued share capital of Applied Electronics Limited, the Group’s remaining investment properties are held in Hong Kong, the People’s Republic of China and Canada. Our Group’s major investment properties, the Severn Villa Properties, have not generated any rental income for the Group since the litigation proceedings with a former director of the Company, Ms. Wong Kar Gee Mimi (“Ms. Wong”) commenced in January 2011. The Board believes that the Severn Villa Properties will generate rental income for the Group if the litigation proceedings with Ms. Wong are concluded in the Group’s favour.

### **(iii) Investment Holding**

In August 2011, the Group realised the majority of its financial assets held by the Group due to the sudden downturn of the market. The management is always seeking for any opportunities which may result in a satisfactory yield for the Group, and the Company currently has no investment plans on hand.

### **OUTLOOK**

Despite the uncertainties of the economies of US and Europe which may continuously affect our Group's two main projects both in BVI and Panama, the Company may consider modifying its strategies to ensure that the Group's overseas resort development projects will bring satisfactory returns to the Group in the near future. The Group still continues to seek other appropriate property investment opportunities or investments which may bring satisfactory return to the Group.

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

Reference is made to the Company's annual report 2011 and announcements dated 31 August 2011 and 3 November 2011 in relation to the following pieces of litigation ("**Actions**") commenced against the Group by Ms. Wong Kar Gee, Mimi ("**Ms Wong**") (a former director who was retired at the last annual general meeting of the Company on 14 January 2011).

*High Court Miscellaneous Proceedings No. 243 and 522/2011 ("**HCMP 243 and 522/2011**")*

Ms. Wong commenced action against the Company and its subsidiary Severn Villa Limited ("SVL") and sought inter alia a declaration that certain properties, car park spaces and gardens registered under the name of SVL at 3 Severn Road, in which she is currently residing (the "Property"), belong to her beneficially.

The Company and SVL also claimed against Ms. Wong for vacant possession of the Property and unpaid licence fees for remaining at the Property until the recovery of possession of the Property by the Company and SVL. The trial has been deferred to May 2012.

*High Court Action No. 424/2011 ("**HCA 424/2011**")*

Ms. Wong originally commenced the claim in the Labour Tribunal against the Company for a total sum of approximately HK\$3,492,000. After a preliminary hearing, the Labour Tribunal transferred the claim to the High Court in February 2011. In the High Court proceedings, Ms. Wong reduced her claim to approximately HK\$1,533,000. The court proceedings are still at an early stage and the trial is unlikely to take place in the near future.

The Directors are of the view that Ms. Wong's Actions above are without merit and have been advised by the Company's legal advisors that the Group holds strong positions in the litigation proceedings with Ms. Wong. The Company 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 on the progress of the Actions and any other material claim, action or proceeding which Ms Wong may commence against the Company in the future.

## **PLEDGE OF ASSETS**

At the end of the reporting period, the Group had provided the following security for the banking facilities granted to a subsidiary of the Company.

- (a) Pledge of investment properties of the Group with a carrying amount of HK\$230,000,000 (30 June 2011: HK\$230,000,000);
- (b) All monies earned by the above pledged investment properties of the Group. During the period, no rental income was generated from these investment properties;
- (c) Property insurance on the pledged investment properties executed by the Group in favour of the bank. At the end of the reporting period, the property insurance coverage was amounting to HK\$9,350,000; and
- (d) Unconditional and irrevocable corporate guarantee given by the Company in respect of all amounts owing by the subsidiary to the bank under the facility.

## **LIQUIDITY AND FINANCIAL INFORMATION**

As at 31 December 2011, the Groups total net assets value and borrowings amount to HK\$434.6 million and HK\$115.8 million respectively, representing a gearing ratio of 26.6% as compared to 17.2% of the corresponding period. As at 31 December 2011, the Group's current assets value and current liabilities excluding bank borrowings over 1 year (based on scheduled payment date) amounted to HK\$44.1 million and HK\$8.0 million respectively, representing a current ratio of 5.5 times. In addition, the majority of the Group's assets and liabilities were denominated in Hong Kong and US dollars, and hence the exposure to foreign exchange risk were insignificant to the Group.

## **EMPLOYEE INFORMATION**

As at 31 December 2011, the Group employed a total of 8 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 2011, the Company repurchased a total of 535,000 shares on the Stock Exchange at an aggregate consideration of HK\$60,000. All the repurchased shares were subsequently cancelled.

Particulars of the repurchases are as follows:

Month of repurchase	Number of ordinary shares repurchased	Purchase price per share		Aggregate Consideration paid <i>HK\$'000</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
September 2011	515,000	0.115	0.105	57
October 2011	20,000	0.115	0.115	3
	535,000			60
	535,000			60

The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the 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 Company's listed securities during the period.

## CORPORATE GOVERNANCE

The Company is committed to adopting the best corporate governance practices and procedures throughout the Group. It strives to enhance transparency and independency of operation through the use of an effective accountability system to enable a healthy and sustainable development of the Company. The Company has complied with the Code on Corporate Governance Practices (the "Code") 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 2011.

The Company has always committed itself to good corporate governance principles and practices to safeguard the interests of its shareholders and uphold accountability, transparency and responsibility of the Company.

The Company regularly reviews its corporate governance practices to ensure that the Company continues to meet the requirements of the Code.

## AUDIT COMMITTEE

The Audit Committee currently comprises all the Independent Non-Executive Directors of the Company, namely, Mr. Lun Tsan Kau (Chairman of the Audit Committee), Mr. Su Ru Jia, Mr. Lo Yun Tai and Mr. Chan Ming Fai, Terence, all of whom have related professional qualifications, accounting or related financial management expertise. The Audit Committee is responsible for reviewing, together with the senior management and the Company's external auditors, the internal and external audit findings of the Group, 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 2011 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 comprises all Directors of the Company, namely one executive Director, Mr. Hung Kai Mau, Marcus, and four Independent Non-Executive Directors, namely, Mr. Lun Tsan Kau, Mr. Su Ru Jia, Mr. Lo Yun Tai and Mr. Chan Ming Fai, Terence. The Remuneration Committee has the responsibility for making 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 have 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 2011 to 31 December 2011.

## 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 director:***

Hung Kai Mau, Marcus (*Chairman*)

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

Lun Tsan Kau

Su Ru Jia

Lo Yun Tai

Chan Ming Fai, Terence

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

Hong Kong, 27 February 2012

\* *For identification purpose only*