



**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 2007**

The Board of Directors (the “Directors”) of Applied Development Holdings Limited (the “Company”) announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2007 as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**

*For the six months ended 31 December 2007*

		<b>(Unaudited)</b>	
		<b>Six months ended 31 December</b>	
		<b>2007</b>	<b>2006</b>
	Notes	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Continuing operations</b>			
Turnover	2	<b>3,926</b>	3,294
Cost of sales		<b>—</b>	—
Gross profit		<b>3,926</b>	3,294
Increase in fair value of investment properties		<b>25,000</b>	5,000
Other operating income		<b>1,793</b>	664
Loss on disposal of investment properties		<b>(374)</b>	—
Administrative expenses		<b>(14,479)</b>	(11,407)
Interest income		<b>68</b>	432
Investment income		<b>9</b>	241
Finance costs		<b>(2,811)</b>	(792)
Gain on disposal of available-for-sale investments/ other securities		<b>—</b>	1,868
Gain on disposal of subsidiaries		<b>—</b>	12,000
Profit before taxation	3	<b>13,132</b>	11,300
Taxation	4	<b>340</b>	—
Profit for the period from continuing operations		<b>13,472</b>	11,300
<b>Discontinued operations</b>			
(Loss) profit for the period from discontinued operations	5	<b>(81)</b>	251
Profit for the period		<b>13,391</b>	11,551

		(Unaudited)	
		Six months ended 31 December	
		2007	2006
Notes		<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:			
	Equity holders of the parent	13,391	11,551
	Minority interests	—	—
		<u>13,391</u>	<u>11,551</u>
Earnings per share			
		6	
From continuing and discontinued operations:			
	Basic and diluted	<u>1.59 HKcents</u>	<u>1.33 HKcents</u>
From continuing operations:			
	Basic and diluted	<u>1.60 HKcents</u>	<u>1.30 HKcents</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Notes	(Unaudited) 31/12/2007 HK\$'000	(Audited) 30/06/2007 HK\$'000
<b>Non-current Assets</b>			
Investment properties	7	213,355	159,030
Property, plant and equipment		182,085	178,313
Prepaid lease payments – non-current portion		1,935	1,957
Other assets		1,846	1,846
Interest in a jointly controlled entity		36,469	36,469
Available-for-sale investments		1,244	1,144
Deposits paid on acquisition of investment properties		–	7,756
		<u>436,934</u>	<u>386,515</u>
<b>Current Assets</b>			
Inventories		1,448	1,898
Trade and other receivables	8	22,400	13,744
Promissory note receivable from a jointly controlled entity	9	171,600	171,600
Amount due from a jointly controlled entity	10	16,268	12,955
Prepaid lease payments – current portion		46	46
Tax refund		433	–
Pledged bank deposits		3,232	3,173
Bank balances and cash		12,729	23,299
		<u>228,156</u>	<u>226,715</u>
Properties held for sale		–	59,000
		<u>228,156</u>	<u>285,715</u>
<b>Current Liabilities</b>			
Trade and other payables	11	7,375	7,623
Tax payable		–	712
Secured bank borrowings – due within one year		13,741	17,853
Obligations under finance leases – due within one year		3,298	3,582
Bank overdrafts		4,873	4,539
		<u>29,287</u>	<u>34,309</u>
Liabilities associated with properties held for sale		–	8,880
		<u>29,287</u>	<u>43,189</u>
<b>Net current assets</b>		<u>198,869</u>	<u>242,526</u>
<b>Total assets less current liabilities</b>		<u><u>635,803</u></u>	<u><u>629,041</u></u>

## CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Notes	(Unaudited) 31/12/2007 HK\$'000	(Audited) 30/06/2007 HK\$'000
<b>Capital and reserves</b>			
Share capital	12	8,743	8,804
Treasury shares		(8,911)	(8,911)
Share premium & reserves		544,144	534,731
		<hr/>	<hr/>
<b>Equity attributable to equity holders of the parent</b>		<b>543,976</b>	534,624
<b>Minority interest</b>		<hr/> <b>–</b>	<hr/> –
<b>Total equity</b>		<hr/> <b>543,976</b>	<hr/> 534,624
<b>Non-current liabilities</b>			
Secured bank borrowings – due after one year		90,642	92,269
Obligations under finance leases – due after one year		1,185	2,148
		<hr/>	<hr/>
		<b>91,827</b>	94,417
		<hr/>	<hr/>
		<b>635,803</b>	629,041
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2007

## 1. BASIS OF PREPARATION AND 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 2007.

In the current interim period, the Group has applied, for the first time, certain new standard, amendment and interpretations (“new HKFRSs”) issued by 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 has been recognised.

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

HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – INT 12	Service Concession Arrangements <sup>2</sup>
HK(IFRIC) – INT 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2008

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008

## 2. SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold to outside customers and rental income from properties under operating leases during the period.

### (a) 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. The Group’s resort development division includes multi-purpose resort communities as well as sales of condo hotels, residential units and club memberships. These divisions are the basis on which the Group reports its primary segment information.

**Business segment information for the six months ended 31 December 2007:**

	Continuing operations			Discontinued operations	Consolidated (Unaudited) HK\$'000
	Resort development (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Manufacture and distribution of electronic products (Unaudited) HK\$'000	
Turnover	<u>515</u>	<u>3,411</u>	<u>3,926</u>	<u>56,988</u>	<u>60,914</u>
Results					
Segment results	<u>515</u>	<u>21,601</u>	22,116	1,040	23,156
Unallocated corporate expenses			(6,173)	–	(6,173)
Profit from operations			15,943	1,040	16,983
Finance costs			(2,811)	(1,121)	(3,932)
Profit (loss) before taxation			13,132	(81)	13,051
Taxation			340	–	340
Profit (loss) for the period			<u>13,472</u>	<u>(81)</u>	<u>13,391</u>

**Business segment information for the six months ended 31 December 2006:**

	Continuing operations			Discontinued operations	Consolidated (Unaudited) HK\$'000
	Resort development (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Manufacture and distribution of electronic products (Unaudited) HK\$'000	
Turnover	<u>557</u>	<u>2,737</u>	<u>3,294</u>	<u>61,387</u>	<u>64,681</u>
Results					
Segment results	<u>557</u>	<u>6,893</u>	7,450	1,542	8,992
Unallocated corporate income			4,642	–	4,642
Profit from operations			12,092	1,542	13,634
Finance costs			(792)	(1,291)	(2,083)
Profit before taxation			11,300	251	11,551
Taxation			–	–	–
Profit for the period			<u>11,300</u>	<u>251</u>	<u>11,551</u>

**(b) Geographical segments**

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

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

	Six months ended 31 December			
	2007		2006	
	Turnover (Unaudited) HK\$'000	Contribution (Unaudited) HK\$'000	Turnover (Unaudited) HK\$'000	Contribution (Unaudited) HK\$'000
<b>Geographical segments</b>				
Continuing operations				
Hong Kong	974	(4,827)	767	(284)
The PRC	2,437	1,428	1,970	886
The BVI	515	515	557	557
	<u>3,926</u>	<u>(2,884)</u>	<u>3,294</u>	<u>1,159</u>
Discontinued operations				
Hong Kong	<u>56,988</u>	<u>1,040</u>	<u>61,387</u>	<u>1,542</u>

**3. PROFIT BEFORE TAXATION**

	Continuing operations		Discontinued operations		Consolidated	
	Six months ended 31 December					
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (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	1,155	380	1,426	-	2,581	380
- Assets held under finance leases	1,315	847	-	-	1,315	847
and after crediting:						
Dividend income from listed available-for-sale investments	<u>9</u>	<u>241</u>	<u>-</u>	<u>-</u>	<u>9</u>	<u>241</u>

#### 4. TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	Six months ended 31 December					
	2007	2006	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The (credit) charge comprises:						
Hong Kong Profits Tax						
Current period provision	-	-	-	-	-	-
Overprovision in previous years	(340)	-	-	-	(340)	-
	(340)	-	-	-	(340)	-
Deferred tax	-	-	-	-	-	-
	(340)	-	-	-	(340)	-

Hong Kong Profits Tax is calculated at the rate of 17.5% (2006: 17.5%) of the estimated assessable profits for the period.

No provision for Hong Kong Profits Tax was made for the period ended 31 December 2007 (2006: Nil) as the Company and its subsidiaries had no assessable profit for that period.

No provision for deferred tax has been made in the period.

#### 5. DISCONTINUED OPERATIONS

On 5 November 2007, the Company entered into the Agreement to sell the entire 51% interest in Wideland Electronics Limited (the "Disposal"), principally engaged in manufacture of electronic products for OEM customers. The Disposal was completed on 3 January 2008.

The results for the period from the discontinued operations is analysed as follows:

- (a) (Loss) profit for the period from the discontinued operations

	(Unaudited)	
	Six months ended 31 December	
	2007	2006
	HK\$'000	HK\$'000
<b>(Loss) profit for the period from discontinued operations</b>		
Revenue	56,988	61,387
Expenses	(57,069)	(61,136)
(Loss) profit before tax	(81)	251
Income tax expense	-	-
(Loss) profit for the period from discontinued operations	<b>(81)</b>	<b>251</b>



(b) The cash flows statement of the discontinued operations

	(Unaudited)	
	Six months ended 31 December	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cash flows from discontinued operations</b>		
Net cash flows from operating activities	545	(977)
Net cash flows from investing activities	(247)	(4,046)
Net cash flows from financing activities	(683)	2,411
	<u>          </u>	<u>          </u>
Net cash flows	<u><u>(385)</u></u>	<u><u>(2,612)</u></u>

(c) The carrying amount of the assets and liabilities of the discontinued operations is as follows:

	(Unaudited)	(Audited)
	31/12/2007	30/6/2007
	<i>HK'000</i>	<i>HK'000</i>
<b>Non-current assets</b>		
Investment properties	2,080	2,080
Property, plant and equipment	10,290	11,462
Prepaid lease payments – non-current portion	203	206
	<u>          </u>	<u>          </u>
	<u>12,573</u>	<u>13,748</u>
<b>Current assets</b>		
Inventories	1,448	1,898
Trade and other receivables	9,802	6,949
Prepaid lease payments – current portion	5	5
Pledged bank deposits	3,232	3,173
Bank balances and cash	143	193
	<u>          </u>	<u>          </u>
	<u>14,630</u>	<u>12,218</u>
<b>Current liabilities</b>		
Trade and other payables	5,436	4,889
Bank and other borrowings – due within one year	12,430	14,853
Obligations under finance leases – due within one year	2,358	2,637
Bank overdrafts	4,873	4,539
	<u>          </u>	<u>          </u>
	<u>25,097</u>	<u>26,918</u>
<b>Net current liabilities</b>	<u>(10,467)</u>	<u>(14,700)</u>
<b>Total assets less current liabilities</b>	<u>2,106</u>	<u>(952)</u>
<b>Non-current liabilities</b>		
Bank and other borrowings – due after one year	4,515	269
Obligations under finance leases – due after one year	710	1,816
	<u>          </u>	<u>          </u>
	<u>5,225</u>	<u>2,085</u>
	<u><u>(3,119)</u></u>	<u><u>(3,037)</u></u>
<b>Capital and reserves</b>		
Share capital	200	200
Reserves	(3,319)	(3,237)
	<u>          </u>	<u>          </u>
	<u><u>(3,119)</u></u>	<u><u>(3,037)</u></u>

## 6. EARNINGS PER SHARE

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\$13,391,000 (2006: HK\$11,551,000) and on the weighted average of 841,327,875 (2006: 866,354,826) ordinary shares of the Company in issue during the period. 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 periods.

### From continuing and discontinued operations

The calculation of the basic earnings per share attributable to the equity holders of the parent company is based on the following data:

	(Unaudited)	
	Six months ended 31 December	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings for the purpose of basic per share (profit for the period attributable to the equity holders of the parent company)	<u>13,391</u>	<u>11,551</u>
	<b>Number of shares</b>	
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>841,327,875</u>	<u>866,354,826</u>

### From continuing operations

The calculation of the basic earnings per share from continuing operations attributable to the equity holders of the parent company is based on the following data:

	(Unaudited)	
	Six months ended 31 December	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings for the purpose of basic per share (profit for the period attributable to the equity holders of the parent company)	13,391	11,551
Add loss/less (profit) for the period from the discontinued operations	<u>81</u>	<u>(251)</u>
Earnings for the purpose of basic per share from continuing operations	<u>13,472</u>	<u>11,300</u>
	<b>Number of shares</b>	
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>841,327,875</u>	<u>866,354,826</u>

## 7. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
VALUATION/FAIR VALUE	
At 1 July 2006	207,500
Disposals	(59,000)
Increase in fair value	<u>10,530</u>
At 30 June 2007 and 1 July 2007	159,030
Purchase	29,325
Increase in fair value	<u>25,000</u>
At 31 December 2007	<u><u>213,355</u></u>

The value of investment properties held by the Group at 30 June 2007 and 31 December 2007 comprises:

	(Unaudited) 31/12/2007 <i>HK\$'000</i>	(Audited) 30/06/2007 <i>HK\$'000</i>
Held in Hong Kong:		
Long-term leases	179,325	125,000
Medium-term leases	2,080	2,080
Held outside Hong Kong:		
Medium-term leases	<u>31,950</u>	<u>31,950</u>
	<u><u>213,355</u></u>	<u><u>159,030</u></u>

## 8. 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\$9,415,000 (30 June 2007: HK\$6,151,000) and their aging analysis is as follows:

	(Unaudited) 31/12/2007 <i>HK\$'000</i>	(Audited) 30/06/2007 <i>HK\$'000</i>
Within 90 days	8,071	5,851
More than 90 days and within 180 days	<u>1,344</u>	<u>300</u>
	<u><u>9,415</u></u>	<u><u>6,151</u></u>

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

The amount is unsecured, interest-free and repayable on or before 9 April 2008.

## 10. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

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

## 11. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK\$2,958,000 (30 June 2007: HK\$3,459,000) and their aging analysis is as follows:

	(Unaudited) 31/12/2007 HK\$'000	(Audited) 30/06/2007 HK\$'000
Within 90 days	1,729	1,661
More than 90 days and within 180 days	1,229	1,798
	<u>2,958</u>	<u>3,459</u>

## 12. SHARE CAPITAL

	Number of Ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 30 June 2007 and 31 December 2007	<u>6,000,000,000</u>	<u>60,000</u>
Issued and fully paid:		
At 1 July 2006	909,982,826	9,100
Cancellation upon repurchases of own shares	(29,540,000)	(296)
At 30 June 2007 and 1 July 2007	880,442,826	8,804
Exercise of shares options	600,000	6
Cancellation upon repurchases of own shares	(6,690,000)	(67)
At 31 December 2007	<u>874,352,826</u>	<u>8,743</u>

## 13. CONTINGENT LIABILITIES

As at 30 June 2007 and 31 December 2007, the Group had no significant contingent liabilities.

## 14. CAPITAL COMMITMENTS

	(Unaudited) 31/12/2007 HK\$'000	(Audited) 30/06/2007 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements		
– the Group	15,000	1,115
– share of a jointly controlled entity	<u>31,000</u>	<u>31,000</u>

## **15. RELATED PARTY DISCLOSURES**

### **(a) Transaction**

At 31 December 2007, a minority shareholder of Wideland Electronics Limited (“Wideland”), which is a 51% owned subsidiary of the Company, had outstanding guarantee, issued in respect of lessors of the leased assets under finance leases arrangement of the Group with an aggregate amount of HK\$463,000 (2006: HK\$649,000).

At 31 December 2007, banking facilities granted to the Group of HK\$18,900,000 (2006: HK\$17,300,000) were also secured by personal guarantee from and properties owned by the minority shareholder of Wideland.

At 31 December 2007, Wideland had outstanding corporate guarantee issued in favour of a bank in respect of credit facilities granted by the bank to a related company amounting to HK\$1,500,000 (2006: HK\$2,000,000). The minority shareholder of Wideland was interested in this transaction as a sole proprietor of the related company.

During the period ended 31 December 2007, the Group paid rental expenses of approximately HK\$192,000 (2006: HK\$192,000) for premises owned by the minority shareholder of Wideland.

### **(b) Balances**

Details of the Group’s outstanding balances with a related party are set out in the condensed consolidated balance sheet and in notes 9 and 10.

### **(c)**

During the period ended 31 December 2007 and 2006, no transactions have been entered with the directors and other members of key management of the Company other than their emoluments paid to them.

## **INTERIM DIVIDEND**

The Directors do not recommend an interim dividend for the period ended 31 December 2007 (2006: Nil).

## **REVIEW OF OPERATIONS**

The Group’s turnover from continuing operations for six months ended 31 December 2007 was approximately HK\$3.9 million representing an increase of 19.2% as compared to the corresponding period ended 31 December 2006. Due to an appreciation of the investment properties held by the Group, the Group has achieved an unaudited net profit of approximately HK\$13.4 million for the six months ended 31 December 2007 which represented an increase of approximately HK\$1.9 million from HK\$11.5 million in the corresponding period ended 31 December 2006.

## **BUSINESS REVIEW**

The Company announced on 5 November 2007 that Elite Industries Limited, an indirect wholly-owned subsidiary of the Company, disposed of its shares in Wideland which represented 51% of the then issued share capital of Wideland. The Disposal completed in January 2008. After the Disposal, there remains two major resort investments in BVI and Panama and certain properties investment in Hong Kong and the PRC with the Group. The Group is then principally engaged in (i) resort and property development and (ii) investment and property holding.

**(i) Resort and Property Development**

*BVI Project*

The Company formed a joint venture with InterIsle Holdings Ltd. (“InterIsle”) to develop a project in Beef Island (the “JV Agreement”) in BVI, sized approximately 660 acres (approximately 267 hectares or 28.75 million square feet). Upon completion of the transactions contemplated under the JV Agreement in April 2007, the Group has received US\$8 million (approximately HK\$62.4 million) in cash and the balance US\$22 million is secured by a promissory note issued by Quorum Island (BVI) Limited (“Quorum Island”), the jointly controlled entity of the Company and InterIsle, to the Company. The repayment of the US\$22 million promissory note is subject to the approval of the initial loan from the proposed bank for the BVI Project (the “Proposed Bank”) which will provide both the initial loan and project loan to Quorum Island.

In late 2007, there is a change in the Prime Minister of the British Virgin Islands and the Virgin Islands Environmental Council (“VIEC”), a non-profit civil environmental organization, has been challenging those outstanding projects in BVI which were approved by the former BVI Government. The BVI Project is one of those challenged projects. Quorum Island, as an interested party to the BVI Project, is prepared to provide detailed analysis and studies to defend the major challenge to the BVI Project – the building of an 180 acres golf course out of 663 acres of the total development for the project. This was one of the conditions in the approved master plan of the BVI Project (the “Master Plan”) requested by the former Prime Minister. Although there may be changes to the Master Plan as a result of the challenge, our experienced JV partners, InterIsle, who developed the St. Regis Resort in Puerto Rico and Yacht Haven Grande St. Thomas, has already started to prepare a new Master Plan to address this matter. The management believes that the new Master Plan which has the golf course eliminated may not only furnish the 180 acres excess land for more residential units to be built and sold and more green facilities but also save construction and yearly maintenance costs of the golf course.

Although the final stage of the grant of the initial loan and project loan to Quorum Island has been reached, the Proposed Bank may delay its financial decision on the provision of loan for the BVI Project due to the abovementioned challenge. The coming trial date of the BVI Project is scheduled on 14 May 2008.

The BVI Project is co-developed by the Group and InterIsle. It is intended that a mixed use luxury resort featuring a luxury hotel comprising a condominium hotel and fractional ownership element, an 18-hole championship golf course with Jack Nicklaus signature (water-front residential units and other green facilities, if in case to be deleted), a variety of residential units, a marina and a high-end retail residential area, together with the related infrastructure improvements and installation of utilities.

### *Panama Project*

The Company also acquired land sized approximately 1,223 acres (approximately 495 hectares or 53.27 million square feet) named Playa Grande in Province of Chiriqui in Panama (“Panama Land”), which has a 2.2 km beach for a consideration of approximately US\$19,500,000 (approximately HK\$152,100,000) in June 2007. To replicate the business model of the BVI Project, the Company will partner with renowned expertise in the resort development industry to study and design the project in Panama (the “Panama Project”). The project team members will be similar to those of the BVI Project and funded by project finance.

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.

In October 2007, the Group acquired a hot spring in October 2007 located in 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 to the Panama Project. Further the acquisition of the hot spring, the Group has signed with Jack Nicklaus another golf course agreement in respect of the Panama Project.

Development of the Panama Project such as environmental land approval and tax holidays 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.

Recently, over ten potential joint venture partners of the Panama Project had shown interests in the Panama Project after their site visits. Some of them are multi-national enterprises.

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

The Group’s investment properties, mainly in Hong Kong and the PRC continue to generate a stable rental income to the Group for the six months ended 31 December 2007.

## **OUTLOOK**

The management believes that the Disposal of Wideland, which was engaged in the manufacture of OEM business which had brought high revenue but a comparative low profit margin to the Group before the Disposal, will improve the liquidity and working capital of the Group (as at 31 December 2007, the current ratio of the Group excluding Wideland was 51 times as compared with the current ratio of the Group including Wideland of 7.8 times) and the Group will concentrate its resources in higher profit margin business such as resort development and property development and investment.

### **BVI Project**

Although the negative impact on the US sub-prime debts was announced recently, there is still healthy development in the resort market in the neighbourhood where the BVI Project is situated. Nevertheless, the management believes that there may be a delay in fund raising of the BVI project as a result of the adverse credit market.

Regarding the major challenge of the BVI Project raised by the VIEC, if possible, the elimination of golf course may not only furnish more the 180 acres excess land and for more residential units to be built and sold, more green facilities but also save construction and yearly maintenance costs of the golf course.

### **Panama Project**

As some multi-national enterprises have recently shown their interests to the Group for the joint development of the Panama Project and that Panama is a prime destination of comparatively low living cost than the US and Europe, and of stable inflation rate, the management still has confidence that its investment in the Panama is a potential project which will contribute satisfactory profit to the Group.

In view of the prospects of the resort and property sector, we will continue to be strategically allied with world-renowned architects, designers, and resort developers to develop future resort projects for development and good profits to the Group and seek other appropriate property investment opportunities in the Asian Region including Hong Kong and the PRC in future to boom up the sources of income to the Group.

### **PLEDGE OF ASSETS**

As at 31 December 2007, the Group pledged the following assets to banks to secure general banking facilities granted to the Group:

	<b>(Unaudited)</b> <b>31/12/2007</b> <b>HK\$'000</b>	(Audited) 30/06/2007 HK\$'000
Investment properties	<b>181,405</b>	127,080
Property, plant and equipment	<b>1,866</b>	1,866
Prepaid lease payments	<b>208</b>	211
Properties held for sale	–	59,000
Bank deposits	<b>3,232</b>	<b>3,173</b>

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

### **LIQUIDITY AND FINANCIAL INFORMATION**

As at 31 December 2007, the Group's total net asset value and borrowings amount to HK\$543.9 million and HK\$113.7 million respectively, representing a gearing ratio of 20.9%. In addition, the majority of the Group's assets were in Hong Kong, and hence US dollars and the exposure to foreign exchange were insignificant to the Group.

### **EMPLOYEE INFORMATION**

As at 31 December 2007, the Group employed a total of 334 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 period under review, the Company repurchased 6,690,000 ordinary shares of the Company ("Shares") on the Stock Exchange at an aggregate consideration of HK\$4,480,000. All of the Shares were subsequently cancelled. The nominal value of the cancelled Shares being HK\$66,900 was credited to the capital redemption reserve and the relevant aggregate consideration of HK\$4,480,000 was paid out from 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>Purchase price per share</b>		<b>Aggregate consideration HK\$'000</b>
		<b>Highest price paid per share HK\$</b>	<b>Lowest price paid per share HK\$</b>	
July 2007	3,115,000	0.890	0.540	2,101
August 2007	2,560,000	0.810	0.500	1,790
September 2007	440,000	0.640	0.610	281
October 2007	90,000	0.640	0.580	57
November 2007	430,000	0.550	0.455	219
December 2007	55,000	0.610	0.550	32
	6,690,000			4,480

The repurchases were made for the benefit of the shareholders as a whole as they enhance 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 relevant period.

## **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 2007.

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. Lo Yun Tai (Chairman of the Audit Committee), Mr. Lun Tsan Kau and Mr. Lam Ka Wai, Graham. 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 2007 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. Lo Yun Tai and Mr. Lam Ka Wai, Graham newly appointed on 24 January 2008 (Mr. Soo Hung Leung, Lincoln J.P. resigned on 24 January 2008). 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 2007 to 31 December 2007.

## **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 Wong Kar Gee, Mimi (*Chairman*)

Hung Kai Mau, Marcus

Fang Chin Ping

*Independent non-executive directors:*

Lo Yun Tai

Lun Tsan Kau

Lam Ka Wai, Graham

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

Hong Kong, 17 March 2008

\* *For identification purpose only*