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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Applied Development Holdings Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)**

**VERY SUBSTANTIAL DISPOSAL**

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A notice convening a special general meeting of Applied Development Holdings Limited to be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Central, Hong Kong on 14 February 2011 (Monday) at 1:30 p.m. is set out on pages 43 to 44 of this circular. Whether or not shareholders are able to attend the meeting in person, they are advised to read the notice and complete the enclosed form of proxy in accordance with the instructions printed thereof as soon as possible and return it to the Company's head office and principal place of business at Units 3402-03, 34/F China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting or any adjourned meeting if they so wish.

11 January 2011

\* for identification purpose only

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## **RESPONSIBILITY STATEMENT**

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This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

“AE(B) Ltd”	Applied Electronics (Bahamas) Limited, a company incorporated in Bahamas and an indirectly wholly owned subsidiary of the Company
“AEL”	Applied Electronics Limited, (in Chinese 實力電子有限公司) a company incorporated in Hong Kong and a wholly owned subsidiary of Applied Properties Limited
“AEL’s Group”	AEL and AE(B) Ltd., all will be disposed under this Agreement
“Agreement”	the agreement dated 10 December 2010 entered into between the Purchaser, and the Seller in relation to the disposal of the Sale Shares
“APL”	Applied Properties Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company
“Board”	the board of Directors
“Company”	Applied Development Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Latest Practical Date”	7 January 2011 being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Management”	all executive directors and senior management of the Company (excluding all non-executive directors of the Company)
“Ping Wu Properties”	Da Huang Gong Industrial Zone, Pinghu Town, Longgang country, Shenzhen City, Guangdong Province, the PRC and a parcel of land and various buildings located at No 207 Pong Hu Main Street, Pinghu Town, Longgang County, Shenzhen City, Guangdong Province, the PRC
“PRC”	the People’s Republic of China, which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	黃萬賢 (in English “Wong Man Yee”), a PRC business man, who is independent of the Company, its subsidiaries and their respective connected persons
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	430,000,000 shares
“Seller”	Applied Properties Limited
“SFO”	the Securities and Futures Ordinance (Cap.571 of the laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held for the Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“%”	Percent

*Unless otherwise specified in this circular, sums in RMB have been translated into HK\$ in this circular, for illustration only, at the rate of RMB8.55 to HK\$10. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at that rate or at any other rate.*

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Hung Kin Sang, Raymond (*Managing Director*)

Mr. Hung Kai Mau, Marcus (*Chairman*)

*Independent Non-executive Directors:*

Mr. Lun Tsan Kau

Mr. Lam Ka Wai, Graham

Mr. Su Ru Jia

*Non-executive Director*

Ms. Wong Kar Gee, Mimi

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head Office and Principal Place  
of Business:*

Units 3402-3, 34/F

China Merchants Tower

Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

11 January 2011

*To the Shareholders*

Dear Sir/Madam,

## VERY SUBSTANTIAL DISPOSAL

### INTRODUCTION

### THE AGREEMENT

It was announced on 14 December 2010 that the Company signed an agreement in respect of the Disposal of Sale Shares on 10 December 2010. The Seller, a wholly-owned subsidiary of the Company, entered into the Agreement pursuant to which the Purchaser agreed to purchase and the Seller agreed to sell the Sale Shares, representing the entire issued share capital in AEL for an aggregate consideration of RMB15 million (approximately HK\$17.5 million) which shall be paid in cash on or before 9 March 2011. AEL holds a wholly-owned subsidiary, AE(B) Ltd who is the legal lessee of the Ping Wu Properties. The completion of the sale of the Sale Shares is conditional on the passing by the Shareholders of all necessary resolutions at the SGM approving the Agreement and the transactions contemplated thereunder.

\* for identification purpose only

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## LETTER FROM THE BOARD

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As one of the relevant percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the disposal of the Sale Shares exceeds 75%, the transactions contemplated under the Agreement constitute a very substantial disposal of the Company under the Listing Rules and is therefore subject to the approval by the Shareholders at the SGM. As the Purchaser is independent of the Company and its connected persons and no Shareholder has a material interest in the Agreement which is different from that of the other Shareholders, no Shareholder is required to abstain from voting in respect of the resolution to approve the disposal of the Sale Shares at the SGM.

The purpose of this circular is to provide Shareholders with, among other things, further details of the Agreement, information relating to the Group and the Purchaser, the notice of the SGM, a property valuation report on Ping Wu Properties, and other information as required under the Listing Rules.

### THE AGREEMENT

- Date** : 10 December 2010
- Parties** : The Seller  
The Purchaser
- Negotiation** : Mr Fang Chin Ping (“Mr Fang”), who retired his directorship with the Company in the last AGM dated 24 November 2009 and is not a shareholder of the Company, an ex-director of the Company received an offer of this Disposal of Sold Shares from the Purchaser, who is an independent party of Mr Fang, a few months ago and then he immediately acquainted the Purchaser to the Company. After the consideration of the reasons of the Disposal of Sold Shares by the Board and several negotiations of the aggregate consideration of the Sold Shares during these few months, the terms of the Agreement were finalized, confirmed and agreed on 10 December 2010.

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, the Purchaser and its ultimate beneficial shareholder as well as Mr Fang are independent of the Company, its subsidiaries and their respective connected persons and there has no business transactions or relationship between the Group and the Purchaser prior to the entering of the Agreement.

### Assets to be disposed of

The Sale Shares represent the entire issued share capital of AEL, a wholly owned subsidiary of APL and who holds a wholly-owned subsidiary, AE(B) Ltd. AE(B) Ltd is the legal lessee of a development site located at Da Huang Gong Industrial Zone, Pinghu Town, Longgang country, Shenzhen City, Guangdong Province, the PRC and a parcel of land and various

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## LETTER FROM THE BOARD

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buildings located at No 207 Ping Hu Main Street, Pinghu Town, Longgang County, Shenzhen City, Guangdong Province, the PRC (the “Ping Wu Properties”). The Group obtained the legal lease of using “Ping Wu Properties” for a total consideration of approximately HK\$3 million in between 1990 and 1991. Although the total carrying value of the Ping Wu Properties and the total net asset value of AEL’s Group as at 30 June 2010 were approximately HK\$24.4 million and HK\$23.67 million respectively, the Board believes that the disposal of the Sale Shares for an aggregate consideration of RMB15 million (approximately HK\$17.5 million) will be for the best interest of all shareholders of the Company after the consideration of the recent rigid development requirements requested by the relevant PRC official authorities and its yielding of the Ping Wu Properties in future.

As per the audited financial statements for the three financial years ended 30 June 2008, 2009 and 2010, all the net loss before and after taxation and extraordinary items suffered by to AEL were approximately HK\$10.2 million, HK\$6 million and HK\$4 million respectively.

As per the audited financial statements for the two financial years ended 30 June 2008 and 2009, the net profits before and after taxation and extraordinary items attributable to AE(B) Ltd were approximately HK\$7 million and, HK\$628,000 respectively. For the financial year ended 30 June 2010, the net profit before taxation and extraordinary items attributable to AE(B) Ltd was HK\$94,000 and the net loss after taxation and extraordinary items attributable to AE(B) Ltd was HK\$2 million.

As per unaudited financial statement as stated in the Appendix III of this Circular, the total assets less total liabilities of the Remaining Group as at 30 June 2010 was approximately HK\$575.3 million and after Disposal of this Sale Shares, taking up the net decrease in assets value of AEL’s Group of approximately HK\$23.67 million, the net sale proceed of the Disposal of Sale Shares received of approximately HK\$16 million and the effect on pre-completion arrangement of approximately HK\$4.75 million, the total assets less current liabilities of the Remaining Group as at 30 June 2010 (after the completion of the Disposal of Sale Shares) would be HK\$577.4 million. Based on the above of the disposal of the Sale Shares, the Company will record an estimated loss on this disposal of the Sale Shares of approximately HK\$7.67 million.

Also although the Seller agreed to indemnify the Purchaser against all outstanding liabilities including the waiver of the above-stated shareholders’ loan to AEL as of the date of Completion, to the best knowledge of the Company, AEL and AE(B) Ltd do not have any liabilities apart from that shareholders’ loan which is covered by the indemnity mentioned above and the waiver of the shareholders’ loan to AEL will not incur any losses of the Company after the disposal of Sale Shares as the shareholders’ loan to AEL has been recognised by the Group as the accumulated losses for the previous years ended 30 June 2010.

AEL and AE(B) Ltd will no longer be subsidiaries of the Company after completion of the sale and purchase of the Sale Shares.

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## LETTER FROM THE BOARD

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### **Consideration**

The deposit of RMB3 million (approximately HK\$3.5 million), representing of 20% of the total consideration of RMB\$15 million was received upon the signing of the Agreement and the balance of RMB12 million (approximately HK\$14 million), representing of 80% of the total consideration of RMB\$15 million shall be due and payable upon completion of the sale and purchase of the Sale Shares, which (approximately HK\$17.5 million) is expected to be on or before 9 March 2011. The deposit of RMB3 million (approximately HK\$3.5 million) shall be non-refundable. Apart from the following condition of the Agreement, the disposal of shares shall not be revoked by both the Seller and the purchaser.

The consideration was determined after arm's length negotiations between the Purchaser and the Seller, with reference to the fair value of the Sale Shares. The fair value of the Sale Shares, representing the aggregate consideration of the Sale Shares agreed by the Seller and the Purchaser is approximately RMB15 million (approximately HK\$17.5 million), determined on the basis of the market value of Ping Wu Properties of "no commercial value" as at 30 November 2010 revalued by an independent valuer, Asset Appraisal Limited as stated in the Appendix IV of this Circular and taking into accounts of the rigid development requirement requested by the relevant PRC official authorities and its estimated yield in foreseeable future as well as the economic contribution from AEL's Group's major asset-Ping Wu Properties will reduce gradually to the non-profitable level as explained in the below "Reasons for and Benefits of Entering into the Agreement" in this Circular.

### **Condition**

The completion of the sale of the Sale Shares will be conditional on the passing by the Shareholders of all necessary resolutions at the SGM approving the Agreement and the transactions contemplated thereunder.

### **Completion**

Completion is expected to be on or before 9 March 2011. Upon the Completion, as agreed by the Purchaser and the Seller, the Company's external auditor will conduct the relevant audit on AEL's Group to ensure all the pre-completion transactions to be taken into the account of the forthcoming audit for the year ended 30 June 2011 of the Company.

## **INFORMATION ON THE GROUP**

The Group is principally engaged in resort and property development, property and investment holding.

Both of AEL and AE(B) Ltd are investment holding and investment properties holding companies and AEL holds a wholly-owned subsidiary, AE(B) Ltd who is the legal lessee of the Ping Wu Properties.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE PURCHASER

The Purchaser is a PRC business man who is an independent party with the Company and its associates and its related parties comprises all directors of the Group.

### REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

(i) Recent rigid development requirements on Ping Wu Properties

The Group has obtained the land use right of Ping Wu Properties since between 1990 and 1991 for a total consideration of approximately HK\$3 million with a lease term of 50 years from the local village community association. Recently, the Group has tried to obtain the legal titles of the land use right of Ping Wu Properties but there were certain rigid development requirements such as (i) excessive taxes and duties to be levied, (ii) forbiddance of re-development of the old buildings located at Ping Wu Properties “the old buildings” (iii) also, the old buildings would not be qualified as safety buildings under requirements of PRC official fire and building structure authorities.

(ii) Yielding in future on Ping Wu Properties

The Management of the Company was shown the intentions to move out Ping Wu Properties from the majority of existing tenants of Ping Wu Properties with their remaining lease terms of less than 18 months. One of the reasons is the old buildings will not enable the existing tenants of Ping Wu Properties to obtain the relevant legal “Enterprises Business Registration Certificate”. The Board will foresee that the rental income contributed by Ping Wu Properties will be gradually reduced to the non-profitable level within 18 months.

(iii) Although the total net assets value of AEL’s Group was approximately HK\$23.67 million after the elimination of the accumulated losses of approximately HK\$154.81 million, representing the exact shareholder’s loan to AEL provided by the Group, suffered by the Group for the previous years ended 30 June 2010. Based on the net proceeds of the disposal of the Sale Shares of HK\$16 million, the Company will record an estimated loss on this disposal of the Sale Shares of approximately HK\$7.67 million. The Board believes that the disposal of the Sale Shares would be for the best interest of all shareholders of the Company after the consideration of the recent rigid development requirements from the relevant PRC official authorities and its yielding of the Ping Wu Properties in future.

The net proceeds of the disposal of the Sale Shares, after deducting the related expenses, are estimated to be approximately HK\$16 million. As a result of the disposal of the Sale Shares, the Group will suffer an estimated loss of disposal of approximately HK\$7.67 million. The Board believes that the disposal of the Sale Shares is for the best interest of all shareholders of the Company and such proceed is intended to be used as general working capital of the Group.

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## LETTER FROM THE BOARD

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### EFFECT OF TRANSACTION ON EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

Reference made with item 2 of Appendix III of this Circular – Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Remaining Group, the Group's total comprehensive income for year ended 30 June 2010 was HK\$47,666,000 and the Unaudited Pro Forma Remaining Group's total comprehensive income for the year ended 30 June 2010 would be HK\$35,243,000 after taking the effect of the Disposal.

Reference made with item 1 of Appendix III of the Circular - Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group, the Company's total assets, total liabilities and the net asset value for the year ended 30 June 2010 will both decrease by HK\$15.77 million, HK\$3.35 million and HK\$12.42 million respectively to HK\$651.96 million, HK\$76.63 million and HK\$575.32 million respectively, after taking up the completion of the Disposal of Sale Shares.

The Group will record an estimated disposal loss of HK\$7.67 million representing the decrease of the total net assets of the Group after taking up the completion of the Disposal and the effect on pre-completion arrangement (detail stated in Note 4 of item 1, Appendix III of this Circular). Also, pursuant to the Agreement after the Disposal, the Group will waive the shareholders loan to AEL which had been recognised as the accumulated loss for the previous year ended 30 June 2010 and therefore the Group did not suffer any loss on this waiver.

Except the above effect of the Disposal, the directors believe that there are no significant changes to the assets and liabilities of the Group after the completion of the Disposal.

### EFFECT OF THE DISPOSAL/BUSINESS OF THE REMAINING GROUP

After the disposal of Sale Shares, the Company will receive an immediate cash of RMB15 million (approximately HK\$17.5 million) rather than taking any risks of any excessive taxes and duties to be levied and the shrinking of rental income of Ping Wu Properties. The Group has its majority business of (i) resort and property development in BVI Project and Panama Project and (ii) investment properties – Severn Villa Properties as follows:

#### (1) BVI Project

Reference made to the 2010 Annual Report of the Company, the revised Master Plan of the golf course was submitted on 11 June 2010. As informed by InterIsle Holdings Ltd (“InterIsle”), our JV partner, although the approval of the master plan from the BVI government has not yet been obtained, InterIsle is still optimistic to obtain the finances of BVI Project once the approval of the Master Plan obtained. As at the Latest Practicable date, the Management of the Company believes that the pre-sale of the residential of BVI project will start shortly following the finances of BVI Project obtained by InterIsle and the Company will update the development of BVI Project upon the receipt of the relevant information such as the grant of the relevant master plan for pre-sale of the residential units immediately. As at the Latest Practicable Date, there was no expected time of obtaining the finance by InterIsle, the pre-sale and development schedule and the expected completion date. As per the audited financial statements of the company as at 30 June 2010, the carrying value of the BVI Project was approximately HK\$215.66 million.

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## LETTER FROM THE BOARD

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The BVI Project is envisioned to be a 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 of over 80 feet; and 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.

### **(2) Panama Project**

The Management recently has worked on the relevant master plans of the sub-lot region of the Panama Land with the professionals and architects for the submission to the relevant authorities of Panama. The Board also has been considering any possible JV partners of Panama Project or sales of the whole Panama Project if a suitably attractive offer made by potential buyers. As per the audited financial statement of the company as at 30 June 2010, the carrying value of the Panama Project was approximately HK\$184.8 million.

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, a 18-hole signature golf course, a branded fractional ownership club, branded ocean-view villas and branded residential lots.

### **(3) Severn Villa Properties**

Pursuant to the license fee agreement of using 3 out of 4 units of Severn Villa properties between a non-executive director, Ms Wong Kar Gee, Mimi (“Ms Wong”) and the Company, Severn Villa Properties began to generate its rental income of approximately HK\$122,000, not formed as a director remuneration for the period from 10 June 2010 to 30 June 2010 to the Group in the financial year ended 30 June 2010 when Ms Wong was re-designated as a non executive director of the Company on 10 June 2010. The terms of the license fee agreement have been agreed at arm length’s basis since January 2004 when Ms Wong was an executive director of the Company and entitled to be provided a free accommodation by the Company. Although Ms Wong has continued to pay monthly licence fee to the Group since due to no offers of rental in respect of those units of Severn Villa Properties received from any independent parties of the Group in the market, the Management terminated the licence of using certain units of Severn Villa granted to Ms Wong (the “Licence”) by one month notice dated 18 December 2010 with the termination date of 18 January 2011 as this Licence has been defined as a continuing connection transaction as defined in the Chapter 14A under the Listing Rules. Once the Licence has been terminated, the Company will not foresee any matter in respect of any transactions of the Company as required by and complied with the Chapter 14A of the Listing Rules. As per the audited financial statement of the Company as at 30 June 2010, the carrying value of Severn Villa Properties was approximately HK\$220 million.

The Board has its view that Severn Villa Properties will continue to generate rental income from any independent parties of the Group after the above termination of the licence and the other two oversea projects will bring their revenue soon following the approval of their relevant master plans. As at the latest Practicable Date, the Company is under negotiation with new tenants who are independant parties of the Group in respect of the tenancy of Severn Villa Properties.

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## LETTER FROM THE BOARD

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### MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

The Board believes that the Disposal is the best interest of the all Shareholders of the Company after consideration of the reasons for the Disposal and the gradual decrease of rental income from Ping Wu Properties to the non-profitable level within 18 months though the Company will have no rental income contributed by Ping Wu Properties held by the AEL's group as defined under segment revenue and results from the Property Investment of the Group and which had contributed a significant revenue to the Group for the past financial years. As stated in item 2 of Appendix III of this Circular – Unaudited Pro Forma Consolidated Statement of comprehensive income of the Remaining Group, the Remaining Group will record turnover of HK\$517,000 (2008: HK\$1,351,000 and 2009: HK\$378,000), comprising the rental income of HK\$122,000 from Severn Villa for a period of 21 days from 10 June 2010. The Management expects that Severn Villa Properties will continuously contribute rental income to the Group and other two oversea projects – BVI project and Panama project will contribute their revenue or income of pre-sales of residential unites to the Group upon the grant of the relevant of master plan and finance on two projects accordingly. As at the practical date, there is no fixed date of pre-sales of the residential units of BVI project and Panama Project.

As stated as the above, the effect of the transactions on assets and liabilities, the total net assets of the Remaining Group will decrease by HK\$12.42 million to HK\$575.3 million (2008: approximately HK\$534.8 million and 2009: approximately HK\$522.3 million). The Management believes that there is no significant impacts on the assets and liabilities of the Remaining Group after the Completion of the Disposal. On the other hand, if the Company continues to hold AEL's group, there will have a possible extensive tax or duties to be levied on Ping Wu Properties and the decreasing of rental income from Ping Wu Properties which will increase the burden of the Group.

After the Completion of the Disposal, the Remaining Group's major businesses still are (i) resort and investment properties in BVI project and Panama Project and (ii) investment properties and the total carrying value of the major business of (i) and (ii), after taking the Completion of the Disposal, will be approximately HK\$628.36 million. The Management will forsee Severn Villa Properties together with the other investment properties held by the Group will contribute their rental income to the Group and the pre-sale of the residential units of the BVI project will start as soon as possible. The Company is seeking for any potential resorts projects or investment properties in Asian regions which will further contribute revenue of income to the Group shortly.

### LIQUIDITY AND FINANCIAL INFORMATION

Based on the latest audited balance sheet as at 30 June 2010, the total asset and the net asset of the Remaining Group were HK\$635,955,000 and HK\$559,322,000 respectively (2008: HK\$560,427,000 and HK\$518,816,000 respectively and 2009: HK\$565,710,000 and HK\$506,324,000 respectively).

The current assets of the Remaining Group comprise short-term promissory notes receivable and other receivables equal to a total sum of over HK\$188.6 million together with a bank balance of HK\$18.4 million, which includes the sales proceeds from the Disposal to be received by 9 March 2011 in total of HK\$207 million.

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## LETTER FROM THE BOARD

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As at the close of business on 30 November 2010 the Remaining Group had outstanding secured bank borrowings of approximately HK\$66,000,000.

### 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. In addition, the majority of the Group's assets were in Hong Kong and US dollars, and hence the exposure to foreign exchange were insignificant to the Group.

### PLEDGE OF ASSETS

Based on the latest balance sheet as at 30 June 2010, the carrying value of investment properties and properties held for sales pledged by the Remaining Group to secure banking facilities amounted to HK\$220,000,000 (2008: HK\$153,500,000, 2009: HK\$170,000,000).

### CAPITAL STRUCTURE

On 12 February 2010, the Company cancelled 34,329,000 shares (the "cancellation"), shares in the Company held by its wholly-owned subsidiary, Applied Investment (Asia) Limited and its issued share Capital was reduced to 838,888,826 shares after the cancellation.

Reference made to the Company's Announcement dated 10 December 2010 in respect of the Completion of the Placing of 3 years 8% coupon convertible notices in the aggregate principal amount of HK\$41,760,000 of the relevant conversion rights if there were fully exercised at the initial conversion Price of HK\$0.24 per share, the maximum shares of the Company would be issued by 174,000,000 shares to 1,012,888,860 shares.

Except the above, for the past three years ended 30 June 2008, 2009 and 2010, there have been no significant changes to the capital structure of the Remaining Group.

### GEARING RATIO

Based on the latest audited balance sheet as at 30 June 2010, the gearing ratio of the total borrowing of the Remaining Group including sales proceeds of HK\$17,500,000 was 9.9% (2009: 11.1% and 2008: 8.0%), the net asset value of the Remaining Group was HK\$576,822,000 (2009: HK\$523,824,000 and 2008: 536,316,000) and the total borrowing of the Remaining Group was HK\$57,021,000 (2009: HK\$58,230,000 and 2008: HK\$42,842,000). This indicates that the Group still has a strong and healthy liquidity ratio and financial status after the Disposal.

### EMPLOYEES

The total number of employees of the Remaining Group was 16 as at 30 June 2010 (2008: 21 and 2009: 18). The Directors expect that the number of the employees at the head office of Hong Kong and overseas project site will increase upon the commencement of the resort development of the Group.

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## LETTER FROM THE BOARD

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### FINANCIAL AND TRADING PROSPECT OF THE GROUP

After the Disposal of Sale Shares, the Company will receive an immediate cash of RMB15 million (approximately HK\$17.5 million) rather than taking any risks of any excessive taxes and duties to be levied and the shrinking of rental income of Ping Wu Properties held by AEL and the remain investment properties – Severn Villa will generate rental income to the Group as expected by the Management of the Company. Following the recovery of the global economic environment and the credit market in U.S., the Group’s remaining principal business – resort and investment properties in 2 oversea projects of BVI project and Panama project will contribute revenue to the Group once the approval of the relevant master plan obtained. On the other hand, the Company is seeking for any potential resorts projects or properties investments in the Asian regions which the Management believes that they will bring their contribution to the Group shortly. As at the Latest Practicable date, the Company has no acquisition transaction on the potential projects or investment was agreed, confirmed and signed.

### CONTINGENT LIABILITIES

As at 30 June 2008, 30 June 2009 and 30 June 2010 as well as the close of business on 30 November 2010, the Remaining Group had no contingent liabilities.

### MISCELLANEOUS

Save as disclosed above under “Effect of the disposal/Business of the Remaining Group” the Remaining Group holds no other significant investments and has no other business segments. The Remaining Group also has no future plans for material investments.

### SGM

As one of the relevant percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the disposal of the Sale Shares exceeds 75%, the transactions contemplated under the Agreement constitute a very substantial disposal of the Company under the Listing Rules and is therefore subject to the approval by the Shareholders at the SGM. The SGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder.

As the Purchaser is independent of the Company and its connected persons and no Shareholder has a material interest in the Agreement which is different from that of the other Shareholders, no Shareholder is required to abstain from voting in respect of the resolution to approve the disposal of the Sale Shares at the SGM.

### ADJOURNMENT AND POSTPONEMENT OF THE AGM

Reference made with the Company’s announcement dated 22 October 2010, the Company is seeking for a legal order to disclose or inform any relevant matters or those things in respect of any impacts on the voting in any forthcoming shareholders meeting including the SGM for this Disposal of Sale Shares of the Company. Once the legal order is approved, the Company will inform the relevant information to all shareholders as soon as possible.

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## LETTER FROM THE BOARD

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Pursuant to the Bye-Laws 57 and 58 of the Company, the Company does the proper procedures to convene the SGM for this Disposal of Sale Shares and the shareholding disputes among shareholders will not affect the SGM of this Disposal of Sale Shares.

### VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any votes of the Shareholders at a special meeting must be taken by poll. Therefore, pursuant to bye-law 66(a) of the bye-laws, the chairman of the SGM will demand that voting on all resolutions put forward at the SGM shall be taken by way of poll. The Company will appoint scrutineers to handle vote-taking procedures at the SGM. The results of the poll will be published on the websites of the Stock Exchange and the Company as soon as possible in accordance with Rule 13.39(5) of the Listing Rules.

This document includes particulars given in compliance with the Rules of The Stock Exchange and the directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

### RECOMMENDATION

For the reasons stated in the paragraph headed “Reasons for and benefits of entering into the Agreement” above, the Board considers that the terms of the Agreement are fair and reasonable as far as the Shareholders as a whole are concerned. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution at the SGM to approve the Agreement.

### ADDITIONAL INFORMATION

Your attention is also drawn to the financial information relating to the Group and the Remaining Group and other information set out in the appendices to this circular, and the notice of the SGM.

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

**(A) AUDITED ANNUAL FINANCIAL INFORMATION**

The audited consolidated financial statements of the Group (i) for the year ended 30 June 2010 is disclosed in the 2010 annual report of the Company published on 7 September 2010, from pages 32 to 105; (ii) for the year ended 30 June 2009 is disclosed in the 2009 annual report of the Company published on 28 October 2009, from pages 31 to 101; and (iii) for the year ended 30 June 2008 is disclosed in the 2008 annual report of the Company published on 22 October 2008, from pages 33 to 108, all of which have been published on the website of Hong Kong Exchanges and Clearing Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.applieddev.com](http://www.applieddev.com)).

**(B) INDEBTEDNESS****Borrowings**

As at the close of business on 30 November 2010, being the latest practicable date of ascertaining certain information relating to this indebtedness statement, the Group had outstanding secured bank borrowings of approximately HK\$66,000,000 and amounts due to directors of approximately HK\$7,836,000.

**Pledge of assets and guarantees**

As at the close of business on 30 November 2010, certain investment properties with net carrying values of approximately HK\$220,000,000 were pledged to secure the Group's banking facilities.

**Contingent liabilities**

As at the close of business on 30 November 2010, the Group had no contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, as at the close of business on 30 November 2010, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

**(C) MATERIAL ADVERSE CHANGE**

As at the close of business on 30 November 2010 and up to the date of this Circular, the Directors are not aware of any material adverse change in the financial or trading position of the Group subsequent to 30 June 2010, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**(D) WORKING CAPITAL**

Having made due and careful enquiries, the Directors are of the opinion that, after taking into account the classification of term loan as set out in HK Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" issued by the Hong Kong Institute of Certified Public Accountants and based on the Group's internal resources and the banking facilities available, the Group has sufficient working capital for its requirements for the next 12 months from the date of this circular after the completion of this Disposal of the Sale Shares.

## REVIEW REPORT ON FINANCIAL INFORMATION OF APPLIED ELECTRONICS LIMITED



**MAZARS CPA LIMITED**  
**瑪澤會計師事務所有限公司**  
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The Board of Directors  
Applied Development Holdings Limited  
Unit 3402-3, 34th Floor  
China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

Dear Sirs

We have reviewed the accompanying consolidated statements of financial position of Applied Electronics Limited (“AEL”) and its subsidiaries (hereinafter collectively referred to as the “AEL Group”), all of which were wholly-owned subsidiaries of Applied Development Holdings Limited (the “Company”) as at 30 June 2008, 2009 and 2010 and 31 July 2010, and the related consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years/period then ended. This financial information, which has been prepared under the same accounting policies of the Company, is the responsibility of the directors of the Company. Our responsibility is to issue a report on this financial information based on our review.

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 “Engagements to Review Financial Statements” issued by the Hong Kong Institute of Certified Public Accountants. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial information are free of material misstatement. A review is limited primarily to inquiries of personnel of the Company and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information does not give a true and fair view in accordance with Hong Kong Financial Reporting Standards.

**Mazars CPA Limited**  
*Certified Public Accountants*  
Hong Kong, 11 January 2011

**Eunice Y M Kwok**  
Practising Certificate number: P04604

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 June			1 month ended
	2008	2009	2010	31 July 2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Continuing operations</b>				
<b>Turnover</b>	4,560	4,680	4,330	342
Other income	312	489	2,421	27
Net increase (decrease) in fair values of investment properties	4,850	(2,300)	(2,512)	–
Gain on disposal of subsidiaries	3,648	–	–	–
Administrative expenses	(8,082)	(7,799)	(8,288)	(419)
<b>Profit (Loss) before taxation</b>	5,288	(4,930)	(4,049)	(50)
Taxation	–	–	(2,144)	–
<b>Profit (Loss) for the year/period from continuing operations</b>	5,288	(4,930)	(6,193)	(50)
<b>Discontinued operations</b>				
Loss attributable to discontinued operations	(81)	–	–	–
<b>Profit (Loss) for the year/period</b>	5,207	(4,930)	(6,193)	(50)
<b>Other comprehensive income (loss)</b>				
Net (loss) gain on fair value changes of available-for-sale investments	(191)	(6)	73	–
Transfer to profit or loss on disposal of available-for-sale investments	–	(505)	–	–
Exchange difference arising on translation of foreign operations	(25)	–	–	–
<b>Other comprehensive income (loss) for the year/period, net of tax</b>	(216)	(511)	73	–
<b>Total comprehensive income (loss) for the year/period, attributable to equity holders of the Company</b>	<u>4,991</u>	<u>(5,441)</u>	<u>(6,120)</u>	<u>(50)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June			As at
	2008	2009	2010	31 July
	HK\$'000	HK\$'000	HK\$'000	2010
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Non-current assets</b>				
Investment properties	29,200	26,900	24,388	24,388
Property, plant and equipment	1,601	623	662	662
Other assets	1,845	1,845	1,545	1,545
Prepaid lease payments – non-current portion	1,712	1,671	1,631	1,631
Available-for-sale investments	775	86	159	159
	<u>35,133</u>	<u>31,125</u>	<u>28,385</u>	<u>28,385</u>
<b>Current assets</b>				
Trade and other receivables	961	771	3,322	815
Amount due from a fellow subsidiary	359	567	–	–
Prepaid lease payments – current portion	40	40	40	40
Bank balances and cash	106	33	23	94
	<u>1,466</u>	<u>1,411</u>	<u>3,385</u>	<u>949</u>
<b>Current liabilities</b>				
Other payables	1,317	1,506	1,203	1,137
Amount due to ultimate holding company	157,123	158,312	161,825	159,505
	<u>158,440</u>	<u>159,818</u>	<u>163,028</u>	<u>160,642</u>
<b>Net current liabilities</b>	<u>(156,974)</u>	<u>(158,407)</u>	<u>(159,643)</u>	<u>(159,693)</u>
<b>Total assets less current liabilities</b>	<u>(121,841)</u>	<u>(127,282)</u>	<u>(131,258)</u>	<u>(131,308)</u>
<b>Capital and reserves</b>				
Share capital	86,000	86,000	86,000	86,000
Reserves	(207,841)	(213,282)	(219,402)	(219,452)
<b>Total deficit</b>	<u>(121,841)</u>	<u>(127,282)</u>	<u>(133,402)</u>	<u>(133,452)</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	–	–	2,144	2,144
<b>Total deficit and non-current liabilities</b>	<u>(121,841)</u>	<u>(127,282)</u>	<u>(131,258)</u>	<u>(131,308)</u>

## CONSOLIDATED STATEMENT OF CHANGE OF EQUITY

	Attributable to equity holders of the Company				
	Share capital HK\$'000 (unaudited) (note)	Investment revaluation reserve HK\$'000 (unaudited)	Translation reserve HK\$'000 (unaudited)	Accumulated losses HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
At 1 July 2007	86,000	561	–	(213,393)	(126,832)
Profit for the year	–	–	–	5,207	5,207
<i>Other comprehensive loss for the year</i>					
Net loss on fair value changes of available-for-sale investments	–	(191)	–	–	(191)
Exchange difference arising on translation of foreign operations	–	–	(25)	–	(25)
At 30 June 2008	<b>86,000</b>	<b>370</b>	<b>(25)</b>	<b>(208,186)</b>	<b>(121,841)</b>
At 1 July 2008	86,000	370	(25)	(208,186)	(121,841)
Loss for the year	–	–	–	(4,930)	(4,930)
<i>Other comprehensive loss for the year</i>					
Net loss on fair value changes of available-for-sale investments	–	(6)	–	–	(6)
Transfer to profit or loss on disposal of available-for-sale investments	–	(505)	–	–	(505)
At 30 June 2009	<b>86,000</b>	<b>(141)</b>	<b>(25)</b>	<b>(213,116)</b>	<b>(127,282)</b>
At 1 July 2009	86,000	(141)	(25)	(213,116)	(127,282)
Loss for the year	–	–	–	(6,193)	(6,193)
<i>Other comprehensive income for the year</i>					
Net gain on fair value changes of available-for-sale investments	–	73	–	–	73
At 30 June 2010	<b>86,000</b>	<b>(68)</b>	<b>(25)</b>	<b>(219,309)</b>	<b>(133,402)</b>
At 1 July 2010	86,000	(68)	(25)	(219,309)	(133,402)
Loss for the period	–	–	–	(50)	(50)
<b>At 31 July 2010</b>	<b>86,000</b>	<b>(68)</b>	<b>(25)</b>	<b>(219,359)</b>	<b>(133,452)</b>

Note: Share capital represents 430,000,000 ordinary shares of HK\$0.20 each

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 30 June			1 month ended 31 July
	2008 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
<b>OPERATING ACTIVITIES</b>				
Profit (Loss) before taxation				
From continuing operations	5,288	(4,930)	(4,049)	(50)
From discontinued operations	(81)	–	–	–
	<u>5,207</u>	<u>(4,930)</u>	<u>(4,049)</u>	<u>(50)</u>
Adjustments for:				
Depreciation of property, plant and equipment	1,160	978	65	–
Amortisation of prepaid lease payments	40	41	40	–
Net (increase) decrease in fair values of investment properties	(4,850)	2,300	2,512	–
Dividend income	(17)	(11)	(3)	–
Gain on disposal of subsidiaries	(3,648)	–	–	–
Gain on disposal of available-for-sale investments	–	(226)	–	–
Gain on disposal of other assets	–	–	(2,196)	–
Impairment loss recognised in respect of trade and other receivables	768	235	196	–
Impairment loss on amount due from a fellow subsidiary	–	–	725	11
	<u>(1,340)</u>	<u>(1,613)</u>	<u>(2,710)</u>	<u>(39)</u>
<b>Operating cash flows before changes in working capital</b>				
Changes in working capital:				
Trade and other receivables	(548)	(45)	(2,747)	2,507
Other payables	297	189	(303)	(66)
	<u>(1,591)</u>	<u>(1,469)</u>	<u>(5,760)</u>	<u>2,402</u>
<b>Net cash (used in) from operating activities</b>				
<b>INVESTING ACTIVITIES</b>				
Advance to a fellow subsidiary	(359)	(208)	(158)	(11)
Dividend received	17	11	3	–
Proceeds from disposal of subsidiaries, net Proceeds from disposal of available-for-sale investments	4,845	–	–	–
Proceeds from disposal of other assets	–	410	–	–
Purchase of available-for-sale investments	–	–	2,496	–
	<u>–</u>	<u>(6)</u>	<u>–</u>	<u>–</u>
<b>Net cash from (used in) investing activities</b>	<u>4,503</u>	<u>207</u>	<u>2,341</u>	<u>(11)</u>
<b>FINANCING ACTIVITIES</b>				
(Repayment to) Advance from ultimate holding company	(2,986)	1,189	3,409	(2,320)
<b>Net cash (used in) from financing activities</b>	<u>(2,986)</u>	<u>1,189</u>	<u>3,409</u>	<u>(2,320)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	(74)	(73)	(10)	71
<b>Cash and cash equivalents at beginning of year/period</b>	<u>180</u>	<u>106</u>	<u>33</u>	<u>23</u>
<b>Cash and cash equivalents at end of year/period, represented by bank balances and cash</b>	<u>106</u>	<u>33</u>	<u>23</u>	<u>94</u>

**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING  
GROUP****INTRODUCTION**

The following is a summary of an illustrative and unaudited pro forma consolidated statement of financial position, pro forma consolidated statement of comprehensive income and pro forma consolidated statement of cash flows (collectively referred to as the “Pro Forma Financial Information”) of the Remaining Group, which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed disposal (the “Disposal”) of the Group’s 100% interest in AEL and its subsidiaries (collectively referred to as the “AEL Group”), which are principally engaged in investment holding, holding of property, plant and equipment and holding of Ping Wu Properties, as if the Disposal had taken place on 30 June 2010 for the pro forma consolidated statement of financial position and as if the Disposal had taken place on 1 July 2009 for the pro forma consolidated statement of comprehensive income and pro forma consolidated statement of cash flows.

This unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, based on the judgements, estimations and assumptions of the Directors, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Remaining Group as at the date covered by the unaudited Pro Forma Financial Information or any future date; or
- the results and cash flows of the Remaining Group for the periods covered by the unaudited Pro Forma Financial Information or for any future periods.

The unaudited Pro Forma Financial Information of the Remaining Group should be read in conjunction with the audited consolidated financial information of the Group for the year ended 30 June 2010 as disclosed in the 2010 annual report of the Company published on 7 September 2010, from pages 32 to 105, which have been published on the website of Hong Kong Exchanges and Clearing Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.applieddev.com](http://www.applieddev.com)) and other financial information included elsewhere in this circular.

**1. Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group**

The unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2010 has been prepared based on the audited consolidated statement of financial position of the Group as at 30 June 2010, which have been extracted from the annual report of the Company for the year then ended, after making pro forma adjustments relating to the Disposal that are directly attributable to the transaction and factually supportable.

	<b>The Group</b>				<b>Unaudited pro forma Remaining Group</b>
	<b>as at</b>	<b>Pro forma</b>	<b>Pro forma</b>	<b>Pro forma</b>	
	<b>30 June 2010</b>	<b>adjustment</b>	<b>adjustment</b>	<b>adjustment</b>	<b>Group</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 4)</i>	
<b>Non-current assets</b>					
Investment properties	437,088	(24,388)			412,700
Property, plant and equipment	5,174	(662)			4,512
Other assets	1,546	(1,545)			1
Interest in a jointly controlled entity	27,676				27,676
Prepaid lease payments – non-current portion	1,632	(1,631)			1
Available-for-sale investments	220	(159)			61
Amounts due from subsidiaries	–		161,825	(161,825)	–
	<u>473,336</u>				<u>444,951</u>
<b>Current assets</b>					
Trade and other receivables	3,817	(3,322)			495
Promissory note receivable from a jointly controlled entity	171,600				171,600
Amount due from a director	146				146
Amount due from a jointly controlled entity	16,383				16,383
Prepaid lease payments – current portion	40	(40)			–
Bank balances and cash	2,403	(23)		16,000	18,380
	<u>194,389</u>				<u>207,004</u>

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

	The Group as at 30 June 2010 <i>HK\$'000</i> <i>(Note 1)</i>	Pro forma adjustment <i>HK\$'000</i> <i>(Note 2)</i>	Pro forma adjustment <i>HK\$'000</i> <i>(Note 3)</i>	Pro forma adjustment <i>HK\$'000</i> <i>(Note 4)</i>	Unaudited pro forma Remaining Group <i>HK\$'000</i>
<b>Current liabilities</b>					
Other payables	3,347	(1,203)			2,144
Tax payable	26				26
Amounts due to directors	15,317				15,317
Secured bank borrowings – due within one year	57,000				57,000
Obligations under finance leases – due within one year	21				21
Amounts due to ultimate holding company	–	(161,825)	161,825		–
	<u>75,711</u>				<u>74,508</u>
<b>Net current assets</b>	<u>118,678</u>				<u>132,496</u>
<b>Total assets less current liabilities</b>	<u>592,014</u>				<u>577,447</u>
<b>Capital and reserves</b>					
Share capital	8,389				8,389
Share premium and reserves	579,356			(12,423)	566,933
<b>Total equity</b>	<u>587,745</u>				<u>575,322</u>
<b>Non-current liabilities</b>					
Deferred tax liabilities	4,269	(2,144)			2,125
<b>Total equity and non-current liabilities</b>	<u>592,014</u>				<u>577,447</u>

*Notes:*

- (1) The balances have been extracted, without adjustments, from the annual report of the Group for the year ended 30 June 2010.
- (2) The adjustment represents the exclusion of the assets and liabilities attributable to the AEL Group from the consolidated statement of financial position of the Group as at 30 June 2010.
- (3) The adjustment represents waiver of shareholder's loan to the AEL Group as at 30 June 2010 pursuant to the agreement dated 10 December 2010 (the "Agreement") between APL and the Purchaser regarding the Disposal whereby, amongst other things, APL agreed to indemnify the Purchaser against all liabilities resulting from the Group's actions up to the Completion Date. The Group intends that the amount of shareholder's loan will be waived upon completion of the Agreement. To the best knowledge of the Directors, AEL Group does not have any liabilities apart from the shareholder's loan which is covered by the indemnity as mentioned.
- (4) The adjustment represents the estimated total net consideration to be received from the Disposal, which is calculated as follows:

	<i>HK\$'000</i>
Sales consideration	17,500
Less:	
Payment of fees and expenses in connection with the Disposal	(1,500)
	<u>16,000</u>
Estimated net cash proceeds	<u><u>16,000</u></u>

The adjustment to the Group's reserves represents the estimated unaudited loss on disposal of the AEL Group which is calculated as follows:

	<i>HK\$'000</i>
Sales consideration	17,500
Less:	
Net liabilities of the AEL Group as at 30 June 2010	133,402
Waiver of shareholder's loan to the AEL Group ( <i>Note 3</i> )	(161,825)
Payment of fees and expenses in connection with the Disposal	(1,500)
	<u>(12,423)</u>
Estimated unaudited loss on disposal	(12,423)
Less:	
Effect on the pre-completion arrangements*	4,753
	<u>(7,670)</u>
Estimated unaudited loss on disposal after the effect on the pre-completion arrangements	<u><u>(7,670)</u></u>

The consideration of approximately HK\$17,500,000 (RMB15 million) is payable in cash by the Purchaser to the Group on or before 9 March 2011 (the "Completion Date").

\* *It reflects transfer of certain assets and liabilities from AEL to other group companies with net carrying amounts of HK\$4,753,000 prior to the completion of the Disposal which includes transfer of its investments in other assets, available-for-sale investments and 100% interest in Applied Mission Limited and Applied Toys Limited. The pre-completion arrangements had been completed as required for the Group's restructuring before signing of the Agreement and do not form any conditions or terms of the Agreement. As a result, the estimated unaudited loss on disposal after the effect on the pre-completion arrangements will be approximately HK\$7.67 million.*

**2. Unaudited Pro Forma Consolidated Statement of comprehensive income of the Remaining Group**

The unaudited pro forma consolidated statement of comprehensive income of the Remaining Group has been prepared based on the audited consolidated statement of comprehensive income of the Group for the year ended 30 June 2010, which have been extracted from the annual report of the Group for the year then ended, after making pro forma adjustments relating to the Disposal that are directly attributable to the transaction, factually supportable and clearly identified as to those adjustments which are expected to have/have no continuing effect on the Remaining Group.

	<b>The Group for the year ended 30 June 2010</b>	<b>Pro forma adjustment</b>	<b>Pro forma adjustment</b>	<b>Unaudited pro forma Remaining Group</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 5)</i>	<i>(Note 6)</i>	<i>(Note 7)</i>	
<b>Turnover</b>	4,847	(4,330)		517
Other income	11,399	(2,421)		8,978
Net increase in fair values of investment properties	64,452	2,512		66,964
Loss on disposal of subsidiaries	–		(18,543)	(18,543)
Administrative expenses	(23,344)	8,288		(15,056)
Share-based payments	(5,332)			(5,332)
Finance costs	(462)			(462)
Share of results of a jointly controlled entity	308			308
<b>Profit before taxation</b>	51,868			37,374
Taxation	(4,295)	2,144		(2,151)
<b>Profit for the year</b>	47,573			35,223
<b>Other comprehensive income for the year, net of tax</b>				
Net gain on fair value changes of available-for-sale investments	93	(73)		20
<b>Total comprehensive income for the year, attributable to equity holders of the Company</b>	<u>47,666</u>			<u>35,243</u>

*Notes:*

- (5) The amounts have been extracted, without adjustments, from the annual report of the Group for the year ended 30 June 2010.
- (6) The adjustment represents the exclusion of the income and expenses attributable to the AEL Group from the consolidated statement of comprehensive income of the Group for the year ended 30 June 2010, as if the Disposal had taken place on 1 July 2009. This adjustment will not have continuing profit or loss effect to the Remaining Group.
- (7) The adjustment represents the estimated unaudited loss on disposal of the AEL Group, assuming that the Disposal had taken place on 1 July 2009, which is calculated as follows:

	<i>HK\$'000</i>
Sales consideration	17,500
Less:	
Net liabilities of the AEL Group as at 1 July 2009	127,282
Waiver of shareholder's loan to the AEL Group ( <i>Note 3</i> )	(161,825)
Payment of fees and expenses in connection with the Disposal	(1,500)
	<u>          </u>
Estimated unaudited loss on disposal, assuming that the Disposal had taken place on 1 July 2009	<u><u>(18,543)</u></u>

This adjustment will not have continuing profit or loss effect to the Remaining Group.

**3. Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group**

The unaudited pro forma consolidated statement of cash flows of the Remaining Group has been prepared based on the audited consolidated statement of cash flows of the Group for the year ended 30 June 2010, which have been extracted from the annual report of the Company for the year then ended, after making pro forma adjustments relating to the Disposal that are directly attributable to the transaction, factually supportable and clearly identified as to those adjustments which are expected to have/have no continuing effect on the Remaining Group.

	<b>The Group for the year ended 30 June 2010</b>	<b>Pro forma adjustment</b>	<b>Pro forma adjustment</b>	<b>Unaudited pro form Remaining Group</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 8)</i>	<i>(Note 9)</i>	<i>(Note 10)</i>	
<b>OPERATING ACTIVITIES</b>				
Profit before taxation	51,868	4,049	(18,543)	37,374
Adjustments for:				
Depreciation of property, plant and equipment	1,659	(65)		1,594
Dividend income	(3)	3		-
Finance costs	462			462
Gain on disposal of other assets	(2,196)	2,196		-
Loss on disposal of subsidiaries	-		18,543	18,543
Share-based payments	5,332			5,332
Impairment loss recognised in respect of trade and other receivables	196	(196)		-
Interest income	(2)			(2)
Net increase in fair values of investment properties	(64,452)	(2,512)		(66,964)
Release of prepaid lease payments	40	(40)		-
Share of results of a jointly controlled entity	(308)			(308)
Impairment loss on amount due from a fellow subsidiary	-	(725)	725	-
<b>Operating cash flows before changes in working capital</b>	<b>(7,404)</b>			<b>(3,969)</b>
Changes in working capital:				
Trade and other receivables	(2,433)	2,747	(3,976)	(3,662)
Other payables	253	303		556
Net advance from a director	3,429			3,429
<b>Net cash used in operating activities</b>	<b>(6,155)</b>			<b>(3,646)</b>

	<b>The Group for the year ended 30 June 2010</b>	<b>Pro forma adjustment</b>	<b>Pro forma adjustment</b>	<b>Unaudited pro forma Remaining Group</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 8)</i>	<i>(Note 9)</i>	<i>(Note 10)</i>	
<b>INVESTING ACTIVITIES</b>				
Advance to a jointly controlled entity	(6)			(6)
Dividend received	3	(3)		–
Interest received	2			2
Proceeds from disposal of other assets	2,496	(2,496)		–
Additions to investment properties	(2,525)			(2,525)
Proceeds from disposal of subsidiaries, net	–		16,000	16,000
Purchase of property, plant and equipment	(206)			(206)
Advance to a fellow subsidiary	–	158	(158)	–
	<u>          </u>			<u>          </u>
<b>Net cash (used in) from investing activities</b>	<b>(236)</b>			<b>13,265</b>
	<u>          </u>			<u>          </u>
<b>FINANCING ACTIVITIES</b>				
Finance charges paid in respect of obligations under finance leases	(10)			(10)
Interest paid	(452)			(452)
Net advances from directors	10,333			10,333
New bank borrowings raised	4,000			4,000
Repayment of bank borrowings	(4,000)			(4,000)
Repayment of obligations under finance leases	(250)			(250)
Advance from ultimate holding company	–	(3,409)	3,409	–
	<u>          </u>			<u>          </u>
<b>Net cash from financing activities</b>	<b>9,621</b>			<b>9,621</b>
	<u>          </u>			<u>          </u>
<b>Net increase in cash and cash equivalents</b>	<b>3,230</b>			<b>19,240</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>(827)</b>	<b>(33)</b>		<b>(860)</b>
	<u>          </u>			<u>          </u>
<b>Cash and cash equivalents at end of the year</b>	<b>2,403</b>			<b>18,380</b>
	<u>          </u>			<u>          </u>

*Notes:*

- (8) The amounts have been extracted, without adjustments, from the annual report of the Company for the year ended 30 June 2010.
- (9) The adjustment represents exclusion of the cash flows attributable to the AEL Group from the consolidated statement of cash flows of the Group for the year ended 30 June 2010, as if the Disposal had taken place on 1 July 2009. This adjustment will not have continuing cash flows effect to the Remaining Group.
- (10) The adjustment represents the estimated unaudited loss on disposal of the AEL Group of approximately HK\$18.5 million, net of cash consideration received of approximately HK\$16 million and reclassification of the effect of cash flows between the Remaining Group and the AEL Group for the year end 30 June 2010, assuming that the Disposal had taken place on 1 July 2009. This adjustment will not have continuing cash flows effect to the Remaining Group.

**B. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP**

*The following is the text of the report, prepared for the purpose of incorporation in this circular, received from our reporting accountants, Mazars CPA Limited, in respect of the unaudited pro forma financial information of the Remaining Group as set out in this appendix:*



**MAZARS CPA LIMITED**  
**瑪澤會計師事務所有限公司**  
42nd Floor, Central Plaza,  
18 Harbour Road, Wan Chai, Hong Kong  
香港灣仔港灣道18號中環廣場42樓  
Tel電話: (852) 2909 5555  
Fax傳真: (852) 2810 0032  
Email電郵: info@mazars.com.hk  
Website網址: www.mazars.com.hk

The Board of Directors  
Applied Development Holdings Limited  
Unit 3402-3, 34th Floor  
China Merchants Tower  
Shun Tak Center  
168-200 Connaught Road Central  
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of Applied Development Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), set out in Appendix III to the circular dated 11 January 2011 (the “Circular”) which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed disposal of the Company’s 100% equity interests in Applied Electronics Limited and its subsidiaries which are principally engaged in holding of investment properties in the People’s Republic of China pursuant to a sale and purchase agreement dated 10 December 2010 might have affected the relevant financial information of the Group. The basis of preparation of the unaudited pro forma financial information is set out in Appendix III to the Circular.

**Respective responsibilities of directors of the Company and reporting accountants**

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29 (7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29 (1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 June 2010 or any future date; or
- the results and cash flows of the Group for the year ended 30 June 2010 or any future periods.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29 (1) of the Listing Rules.

**Mazars CPA Limited**  
*Certified Public Accountants*  
Hong Kong, 11 January 2011

**Eunice Y M Kwok**  
Practising Certificate number: P04604

*The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Ltd., an independent valuer, in connection with its valuation as at 30 November 2010 of the property interests held by the Group.*



**Asset Appraisal Limited**  
**資產評值顧問有限公司**

Add Rm 802 8/F On Hong Commercial Building  
145 Hennessy Road Wanchai Hong Kong  
地址 香港灣仔軒尼詩道145號安康商業大廈8樓802室  
Tel: (852) 2529 9448  
Fax: (852) 3521 9591

11 January 2011

**The Board of Directors**

**Applied Development Holdings Limited**

Unit 3402-03, 34th Floor,  
China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

Dear Sirs,

**Re: Valuation of property interests situated in the People's Republic of China**

In accordance with the instructions from **Applied Development Holdings Limited** (referred to as the "Company") to value the property interests (referred to as the "Ping Wu properties") held by the Company or its subsidiaries (altogether referred to as the "Group") situated in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections of the Ping Wu properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Ping Wu properties as at **30 November 2010** (the "date of valuation").

**BASIS OF VALUATION**

Our valuation of the Ping Wu properties represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

**VALUATION METHODOLOGY**

The Ping Wu properties are valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital value.

The Ping Wu properties have no commercial value due to the fact that the land grant procedures including land premium payment for the Ping Wu properties have not yet been completed as at the valuation date.

### **ASSUMPTIONS**

Our valuation has been made on the assumption that owners sell the Ping Wu properties on the market in their existing state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Ping Wu properties.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

### **TITLESHP**

We have been provided with copies of legal documents regarding the Ping Wu properties. However, we have not verified ownership of the Ping Wu properties and the existence of any encumbrances that would affect ownership of them.

We have also relied upon the legal opinion provided by the PRC legal advisers, namely Beijing City Zhongyin (Shenzhen) Law Firm (北京市中銀(深圳)律師事務所), to the Company on the relevant laws and regulations in the PRC, on the nature of land use rights or leasehold interests in the Ping Wu properties situated in the PRC.

### **LIMITING CONDITIONS**

No allowance has been made in our report for any charges, mortgages or amounts owing on the Ping Wu properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Ping Wu properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value. Our valuation have been made on the assumption that the seller sells the Ping Wu properties on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the Ping Wu properties.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the Ping Wu properties but have assumed that the site and floor areas shown on the title documents and official site plans handed to us are correct. All legal documents have been used as reference only and all dimensions, measurements and areas are approximations.

We have carried out inspections of the Ping Wu properties. However, no structural survey has been made. In the course of our inspection, we did not note any serious defects. We are unable to report whether the buildings and structures of the Ping Wu properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services of the buildings and structures of the Ping Wu properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the Ping Wu properties, we have complied with all the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities on the Main Board and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1 January 2005.

Unless otherwise stated, all monetary sums stated in this report are in Renminbi (RMB).

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,  
for and on behalf of  
**Asset Appraisal Ltd.**  
**Tse Wai Leung**  
*MFin BSc MRICS MHKIS RPS(GP)*  
*Director*

*Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.*

## SUMMARY OF VALUATION

	<b>Market value in existing state as at 30 November 2010 RMB</b>
<b>Ping Wu Properties</b>	
<b>Property interest held by Group for investment</b>	
1. Buildings and Land at Da Wang Gong Industrial Area, Ping Hu Town, Longgang District, Shenzhen City, Guangdong Province, the PRC.	No commercial value
2. Applied Electronics Factory Complex at No.207 Pinghu Avenue, Ping Hu Town, Longgang District, Shenzhen City, Guangdong Province, the PRC.	No commercial value
<b>Grand Total</b>	No commercial value

## VALUATION CERTIFICATE

## Property interest held by the Group for investment

Property	Description and tenure	Particulars of occupancy	Market Value in Existing state as at 30 November 2010 RMB
1. Buildings and Land at Da Wang Gong Industrial Area, Ping Hu Town, Longgang District, Shenzhen City, Guangdong Province, the PRC.	<p>The property comprises an even development site of approximately 4,200 square metres in irregular shape on which a 5-storey dormitory building and two single storey commercial buildings are erected between 1987 and 1992.</p> <p>The aforesaid buildings have a total gross floor area of approximately 4,388 square metres.</p> <p>Pursuant to a Land Lease Agreement (details please see the footnote no.1), the property is leased to the latter for a term of 50 years commencing from 6 May 1991 and expiring on 6 May 2041.</p>	The property is leased for a term of 5 years commencing on 1 November 2008 and expiring on 31 October 2013 at a total monthly rent of RMB12,000.	No Commercial Value

## Notes:

1. Pursuant to a Land Lease Agreement dated 6 May 1991 entered between Baoan Ping Hu Village Committee and Applied Electronics (Bahamas) Ltd., the property is leased to the latter for a term of 50 years commencing from 6 May 1991 and expiring on 6 May 2041 subject to the following conditions:
  - 1.1 The property can be developed as factory, dormitory, canteen, shops, cinema, warehouse, playground, etc.. The partial or the whole of the property right, operation right, land use right can be transferred or leased to third parties.
  - 1.2 The lessor shall undertake any compensation and removal works arising from the said lease.
  - 1.3 The lessor shall settle any dispute regarding the land title of the property.
  - 1.4 In case of resumption of the property by the government during the lease period, the lessee shall be compensated either by a replacement site or monies compensation which shall not be lower than the market price of the property.
  - 1.5 Upon expiration of the said lease, the lessee shall have the right to renew the lease at a concession rent.
2. The property has no commercial value due to the fact that the land grant procedures including land premium payment for the property have not yet been completed as at the valuation date.
3. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the followings:
  - (i) The property is held by Applied Electronics (Bahamas) Ltd. under a Land Lease Agreement for a term of 50 years and all the land lease fee was fully settled;
  - (ii) The land use rights of the property are in the nature of collective owned and Baoan Ping Hu Village Committee are not permitted to lease the land use rights of the property;
  - (iii) The land grant procedures and the construction approvals for the buildings and structures erected on the subject land have not yet completed;
  - (iv) The title registrations for the land use rights and the buildings and structures erected on the subject land parcel are under application; and
  - (v) Upon completion all the land grant procedures (including payment for land premium and title registrations) and all the aforesaid the approvals, the legal title certificates for the aforesaid buildings and structures will be issued accordingly.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in Existing state as at 30 November 2010 RMB
2. Applied Electronics Factory Complex at No.207 Pinghu Avenue, Ping Hu Town, Longgang District, Shenzhen City, Guangdong Province, the PRC.	<p>The property comprises a development site of approximately 30,000 square metres in L-shape roughly on which a single storey warehouse, two 3-storey workshops, two 2-storey workshops, two 5-storey dormitories, a 2-storey canteen, a 3-storey house, four single storey workshops, three 4-storey workshops, four single storey ancillary buildings and various single storey temporary structures were erected in between 1990s and 2007.</p> <p>The aforesaid buildings and structures have a total gross floor area of 45,470 square metres.</p> <p>The property is held for a term of 50 years commencing on 6 May 1991 and expiring on 6 May 2041</p>	As at the date of our valuation, the property is leased to various third parties at a total monthly rent of RMB189,330 for various terms with the latest expiry date expiring on 31 October 2013.	No Commercial Value

*Notes:*

1. Pursuant to a Land Lease Agreement dated 6 May 1991 entered between Baoan Ping Hu Village Committee and Applied Electronics (Bahamas) Ltd., the property is leased to the latter for a term of 50 years commencing from 6 May 1991 and expiring on 6 May 2041 subject to the following conditions.
  - 1.1 The property can be developed as factory, dormitory, canteen, shops, cinema, warehouse, playground, etc.. The partial or the whole of the property right, operation right, land use right can be transferred or leased to third parties.
  - 1.2 The lessor shall undertake any compensation and removal works arising from the said lease.
  - 1.3 The lessor shall settle any dispute regarding the land title of the property.
  - 1.4 In case of resumption of the property by the government during the lease period, the lessee shall be compensated either by a replacement site or monies compensation which shall not be lower than the market price.
  - 1.5 Upon expiration of the said lease, the lessee shall have the right to renew the lease at a discounted concession rate.
2. The property has no commercial value due to the fact that the land grant procedures including land premium payment for the property have not yet been completed as at the valuation date.
3. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the followings:
  - (i) The property is held by Applied Electronics (Bahamas) Ltd. under a Land Lease Agreement for a term of 50 years and all the land lease fee was fully settled;
  - (ii) The land use rights of the property are in the nature of collective owned and Baoan Ping Hu Village Committee are not permitted to lease the land use rights of the property;
  - (iii) The land grant procedures and the construction approvals for the buildings and structures erected on the subject land have not yet completed;
  - (iv) The title registrations for the land use rights and the buildings and structures erected on the subject land parcel are under application; and
  - (v) Upon completion all the land grant procedures (including payment for land premium and title registrations) and all the aforesaid the approvals, the legal title certificates for the aforesaid buildings and structures will be issued accordingly.

## 1. DISCLOSURE OF INTERESTS

### (a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO were as follows:

#### (i) Long positions in Shares

Name of Shareholder	Beneficial	Founder of a discretionary trust and discretionary object	Total number of Shares	Approximate % shareholding		
				As at the Latest Practicable Date	If the Repurchase Mandate is exercised in full	If the 3 years 8% Bonds is exercise in full
Hung Kin Sang, Raymond ("Mr. Hung")	333,912,701	75,022,883 <i>(Note)</i>	408,935,584*	48.75%	54.16%	40.37%
Wong Kar Gee, Mimi ("Ms. Wong")	9,310,056	-	9,310,056	1.11%	1.23%	0.92%
Hung Kai Mau, Marcus	2,960,000	-	2,960,000	0.35%	0.39%	0.29%

Notes:

- (1) These Shares are held by the following corporate entities controlled by Mr. Hung:

	Number of Shares
Malcolm Trading Inc.	44,362,883
Jaytime Overseas Ltd.	30,660,000
	<u>75,022,883</u>

- \* The Company is aware that some or all of the shares held by Mr. Hung and companies controlled by him are said to be held in trust with Ms. Wong being one of the beneficiaries of that trust. There is a dispute (the "Dispute") between Mr. Hung and Ms. Wong as regard their respective beneficial interest in that trust and who is entitled to exercise the voting rights in the shares that are held by the trust. The Company is not in a position to determine the relative merits of Mr. Hung and Ms. Wong's conflicting arguments regarding these shares and the trust. The above therefore represents the shareholdings on the face of the register of members only. The Company does not believe that the Dispute will have a material impact on the Company's business operations and financial position.

*(ii) Derivative interests in the Shares*

Name of Director	Date of grant of share options	Outstanding options at the Latest Practicable Date	Exercise price <i>HK\$</i>
Hung Kin Sang, Raymond	21 October 2009	22,700,000	0.29
Wong Kar Gee, Mimi	21 October 2009	13,330,000	0.29
Hung Kai Mau, Marcus	21 October 2009	<u>8,400,000</u>	0.29
Total		<u><u>44,430,000</u></u>	

*Notes:*

- (1) The exercise period of the share options of the Company granted to all above directors is five years from the date of grant and there is no minimum vesting period for the share options of the Company.
- (2) The closing price of the shares of the Company immediately before the date of grant of share options is HK\$0.29.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO.

As at the Latest Practicable Date, none of the Directors had any interest, either direct or indirect, in any assets which have been, since 30 June 2010, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

**(b) Interests of Substantial Shareholders**

As at the Latest Practicable Date, so far as is known to the Directors and the chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

<b>Name</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>% shareholding</b>
Malcolm Trading Inc.	Beneficial	44,362,883 <i>(Note 1 above)</i>	5.29%
Jaytime Overseas Ltd.	Beneficial	30,660,000 <i>(Note 1 above)</i>	3.65%

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company are not aware of any other persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10 per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any other member of the Group, or had options in respect of such capital.

**2. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors has entered into any service contract with any member of the Group nor are there any other service contracts proposed which will not expire or be determinable by the Company within one year without payment of compensation (other than statutory compensation).

**3. LITIGATION**

As at the Latest Practicable date, the Company has the following litigation involving Ms. Wong Kar Gee, Mimi (“Ms. Wong”), a non-executive director and a retiring director in the forthcoming AGM, as a party:

- (i) On 3 August 2010, the Company commenced legal proceedings against Ms. Wong seeking a return of a number of antiques and artwork which are the Company’s assets and which in the past have been placed in the custody of Ms. Wong and which she has not returned to the Company.
- (ii) On 24 August 2010, Ms. Wong commenced legal proceedings against Mr. Hung Kin Sang, Raymond and the Company seeking, among other things, to inspect certain books of accounts, statutory records and documents of the Company.

As at the Latest Practicable Date, apart from the above, no member of the Group was engaged in any litigation, arbitration proceedings or claims of material importance and there were no litigation, arbitration proceedings or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

#### **4. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or any of his/her associates (as such term is defined in the Listing Rules) had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group required to be disclosed pursuant to rule 8.10 of the Listing Rules other than those businesses to which the Directors were appointed to represent the interests of the Company and/or the Group.

#### **5. QUALIFICATIONS OF EXPERTS AND CONSENTS**

The following are the qualifications of the experts whose letters and reports (as the case may be) are contained in this circular:

Mazars CPA Limited (“Mazars”)	Certified Public Accountants
Asset Appraisal Limited (“Asset”)	Independent Property Valuer

As at the Latest Practicable Date, each of Mazars and Asset has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its reports as set out in this circular and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of Mazars and Asset was beneficially interested in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interest in any assets which were, since 30 June 2010 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Group.

#### **6. MATERIAL CONTRACTS**

The following contracts, not being contracts in the ordinary course of business, were entered into by the Group within two years immediately preceding the date of this circular, and are or may be material:

- (i) the Agreement.
- (ii) the Placing Agreement dated 1 December 2010.

**7. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS**

As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which had been, since 30 June 2010 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors were materially interested in any contact or arrangement which is significant in relation to the business of the Group.

**8. GENERAL**

- (i) The secretary and qualified accountant of the Company is Ng Kit Ling, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and fellow member of the Association of Chartered Certified Accountants in United Kingdom.
- (ii) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company in Hong Kong is Units 3402-03, 34/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong.
- (iii) The Hong Kong branch share registrar and transfer office of the Company in Hong Kong is located at Computershare Hong Kong Investor Services Limited of 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iv) The English version of this circular shall prevail over the Chinese text.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the Company's principal place of business in Hong Kong at Units 3402-03, 34/F China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong during normal business hours on any weekdays other than public holidays up to and including 18 January 2011:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the annual reports of the Company for the two years ended 30 June 2008 and 2009;
- (iii) the accountants' report on the Group, the text of which is set out in Appendix II of this circular;
- (iv) the unaudited pro forma financial information of the Remaining Group and the letter from Mazars CPA Limited, the text of which is set out in Appendix III of this circular;
- (v) the property valuation report on the Property, the texts of which are set out in Appendix IV to this circular;
- (vi) the written consents as referred to in the paragraphs headed "Experts and consents" in this appendix; and
- (vii) the material contracts as referred to in the paragraphs headed "Material contracts" in this appendix.

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NOTICE OF SGM

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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)

**NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a special general meeting of Applied Development Holdings Limited (the “**Company**”) will be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Central, Hong Kong on 14 February 2011 (Monday) at 1:30 p.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution:

**ORDINARY RESOLUTION**

“**THAT:**

- (a) the agreement dated 10 December 2010 (the “**Agreement**”) entered into between Applied Properties Limited (“**APL**”), a wholly-owned subsidiary of the Company, 黃萬賢 (in English “Wong Man Yee”) (the “**Purchaser**”) (a copy of which has been produced to this meeting marked “A” and initialed by the chairman of this meeting for the purpose of identification) in relation to the sale by APL of 430,000,000 fully paid ordinary shares of HK\$0.20 each in the capital of a Applied Electronics Limited (“**AEL**”), representing the entire issued share capital of AEL, to the Purchaser and all transactions contemplated thereunder (details of which are summarized in the circular of the Company dated 11 January 2011) be and are hereby approved, ratified and confirmed; and
- (b) the directors of the Company or be and are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by them to be incidental to, ancillary to or in connection with the matters contemplated in the Agreement as they may consider necessary, desirable or expedient.”

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

Hong Kong, 11 January 2011

\* for identification purpose only

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## NOTICE OF SGM

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*Executive Directors:*

Mr. Hung Kin Sang, Raymond  
Mr. Hung Kai Mau, Marcus

*Independent Non-executive Directors:*

Mr. Lun Tsan Kau  
Mr. Lam Ka Wai, Graham  
Mr. Su Ru Jia

*Non-executive Director:*

Ms. Wong Kar Gee, Mimi

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Principal place of business:*

Units 3402-3, 34/F  
China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

*Notes:*

- 1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. On a poll, votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member of the Company who is the holder of two or more shares of the Company may appoint more than one proxy to represent him and vote on his behalf at the special general meeting.*
- 2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.*
- 3. A form of proxy for use at the meeting is enclosed.*
- 4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority shall be deposited at the principal place of business of the Company at Units 3402-3, 34/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.*
- 5. The register of members of the Company will be closed from Wednesday, 9 February 2011 to Monday, 14 February 2011 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend the Annual General Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 8 February 2011.*
- 6. No instrument appointing a proxy shall be valid after expiration of twelve months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within twelve months from such date.*
- 7. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person on any or all resolutions on which he is entitled to vote at the meeting or poll concerned, and in such event any vote cast by his proxy on the same resolution shall be null and void.*
- 8. All resolution will be voted on by way of poll.*