APPLIED DEVELOPMENT HOLDINGS LTD.

實力建業集團有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 519)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

The Board of Directors (the "Directors") of Applied Development Holdings Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 December 2012 together with the comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2012

		Six months ended 31 December	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**–**	203
Other revenue	*2*	**9**	440
Other income	*3*	**1,344**	569
Other operating expenses	*4*	**–**	(4,451)
Net increase in fair value of investment properties		**5,270**	–
Administrative expenses		**(7,835)**	(23,874)
Interest income on promissory note receivable from a jointly controlled entity		**5,966**	5,524
Finance costs	*6*	**(3,253)**	(3,141)
Share of results of a jointly controlled entity		**–**	–
Profit (Loss) before tax	*7*	**1,501**	(24,730)
Taxation	*8*	**–**	–
Profit (Loss) for the period, attributable to equity holders of the Company		**1,501**	(24,730)
Other comprehensive income		**–**	–
Total comprehensive income (loss) for the period, attributable to equity holders of the Company		**1,501**	(24,730)
Earnings (Loss) per share	*9*		
Basic		**0.18 HK cents**	(2.95) HK cents
Diluted		**0.18 HK cents**	(2.95) HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2012

	Notes	31/12/2012 (Unaudited) HK$'000	30/06/2012 (Audited) HK$'000
Non-current assets			
Investment properties		**336,900**	336,900
Property, plant and equipment		**4,710**	5,134
Promissory note receivable from a jointly controlled entity	*10*	**138,354**	132,388
Other assets		**1,973**	1,045
Interest in a jointly controlled entity		**–**	–
Prepaid lease payments – non-current portion		**1,530**	1,551
Available-for-sale investments		**220**	220
		483,687	477,238
Current assets			
Financial assets at fair value through profit or loss	*11*	**273**	1,033
Trade and other receivables	*12*	**28,000**	23,526
Amount due from a jointly controlled entity	*13*	**16,763**	16,763
Prepaid lease payments – current portion		**40**	40
Bank balances and cash		**3,532**	7,824
		48,608	49,186
Assets classified as held for sale		**22,048**	16,778
		70,656	65,964
Current liabilities			
Amount due to a director	*14*	**3,450**	–
Other payables		**3,208**	3,644
Convertible notes	*16*	**39,960**	–
Secured bank borrowings		**74,052**	75,758
Obligation under a finance lease		**1,143**	1,124
		121,813	80,526
Liabilities associated with assets classified as held for sale		**9,956**	1,928
		131,769	82,454
Net current liabilities		**(61,113)**	(16,490)
Total assets less current liabilities		**422,574**	460,748

	Notes	**31/12/2012 (Unaudited)** *HK$'000*	30/06/2012 (Audited) *HK$'000*
Capital and reserves			
Share capital	*15*	**8,378**	8,378
Share premium and reserves		**407,656**	406,155
Total equity		**416,034**	414,533
Non-current liabilities			
Convertible notes	*16*	**–**	39,099
Obligation under a finance lease		**1,181**	1,757
Deferred tax liabilities		**5,359**	5,359
		6,540	46,215
		422,574	460,748

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Audit Committee of the Company. These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments which are measured at fair values.

The accounting policies used in the condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 30 June 2012, except for the adoption of the following new/revised Hong Kong Financial Reporting Standards ("HKFRS") effective from the current interim period.

Amendments to HKAS 12	*Deferred Tax: Recovery of Underlying Assets*
Amendments to HKAS 1 (Revised)	*Presentation of Items of Other Comprehensive Income*

The adoption of the above new/revised HKFRSs had no significant effect on the results and financial position of the Group for the current or prior accounting periods.

The Group has not early applied the following new/revised HKFRSs that have been issued but are not yet effective for the current period. The Directors anticipate that the application of these HKFRS will have no significant impact on the results and financial position to the Group.

HKAS 19 (2011)	*Employee Benefits* [1]
HKAS 27 (2011)	*Separate Financial Statements* [1]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [1]
HKFRS 10	*Consolidated financial statements* [1]
HKFRS 11	*Joint Arrangements* [1]
HKFRS 12	*Disclosures of Interests with Other Entities* [1]
Amendments to HKFRS 10, HKFRS 11, HKFRS 12	*Additional transition relief – Consolidated financial statements, Joint Arrangements, Disclosures of Interests with Other Entities* [1]
HKFRS 13	*Fair value measurement* [1]
Amendments to HKFRS 1	*First-time Adoption of Hong Kong Financial Reporting Standards* [1]
HK(IFRIC) – Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [1]
Various HKFRSs	*Annual Improvements Project – 2009-2011 Cycle* [1]
Amendments to HKFRS 7	*Disclosure – Offsetting Financial Assets and Financial Liabilities* [1]
Amendments to HKAS 32	*Presentation – Offsetting Financial Assets and Financial Liabilities* [2]
Amendments to HKAS 27 (2011), HKFRS 10, HKFRS 12	*Investment Entities – Amendments to Separate Financial Statements, Consolidated Financial Statements, Disclosures of Interests with Other Entities* [2]
HKFRS 9	*Financial Instruments* [3]
Amendments to HKFRS 9 and HKFRS 7	*Mandatory Effective Date of HKFRS 9, Financial Instruments, and Transition Disclosure* [3]

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 January 2014
[3] Effective for annual periods beginning on or after 1 January 2015

2. TURNOVER AND REVENUE

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Turnover		
Gross rental income from investment properties	**–**	203
Other revenue		
Interest income		
– Financial assets at fair value through profit or loss	**–**	440
– Others	**9**	–
	9	440
Total revenue	**9**	643

3. OTHER INCOME

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Dividend income	**9**	95
Gain on disposal of financial assets at fair value through profit or loss	**408**	–
Gain on disposal of other assets	**–**	6
Gain on disposal of property, plant and equipment	**–**	468
Sundry income – compensation on disposal of an investment property	**927**	–
	1,344	569

4. OTHER OPERATING EXPENSES

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss on disposal of financial assets at fair value through profit or loss	**–**	3,499
Net decrease in fair value of financial assets at fair value through profit and loss	**–**	952
	–	4,451

5. SEGMENT INFORMATION

Management identifies operating segments based on internal reports that are regularly reviewed by the chief operating decision maker, who are the directors, for the purposes of allocating resources to segments and assessing their performance. The directors consider resort development, property investment and investment holding are the Group's major operating segments. The Group's resort development segment includes multi-purpose resort communities as well as sale of condo hotels, residential units and club memberships. No revenue has been earned by the resort development segment which is still under development. The property investment segment includes mainly residential and commercial properties that are held for capital appreciation or to earn rentals. The investment holding segment includes holding and trading of investments and other assets. No operating segments have been aggregated.

Segment revenue and results for the six months ended 31 December 2012 are presented below:

	Resort development (Unaudited) *HK$'000*	Property investment (Unaudited) *HK$'000*	Investment holding (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Turnover	–	–	–	–
Other revenue and income	–	935	418	1,353
	–	935	418	1,353
Results				
Segment results	(58)	5,495	(210)	5,227
Unallocated corporate expenses				(6,439)
Finance costs				(3,253)
Interest income on promissory note receivable from a jointly controlled entity	5,966			5,966
Profit before tax				1,501
Taxation				–
Profit for the period				1,501

Segment assets and liabilities as of 31 December 2012 and other segment information for the six months ended 31 December 2012 are presented below:

	Resort development (Unaudited) *HK$'000*	Property investment (Unaudited) *HK$'000*	Investment holding (Unaudited) *HK$'000*	Segment total (Unaudited) *HK$'000*	Unallocated (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Assets	258,107	253,627	2,865	514,599	39,744	554,343
Liabilities	2,703	15,351	43,801	61,855	76,454	138,309
Other segment information:						
Assets classified as held for sale	–	22,048	–	22,048	–	22,048
Liabilities associated with assets classified as held for sale	–	9,956	–	9,956	–	9,956
Additions to property, plant and equipment	–	–	219	219	–	219
Increase in fair value of investment properties	–	5,270	–	5,270	–	5,270
Depreciation of property, plant and equipment	–	144	36	180	463	643
Release of prepaid lease payments	–	21	–	21	–	21

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

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

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

	Resort development (Unaudited) *HK$'000*	Property investment (Unaudited) *HK$'000*	Investment holding (Unaudited) *HK$'000*	Segment total (Unaudited) *HK$'000*	Unallocated (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Assets	277,396	245,605	1,997	524,998	28,875	553,873
Liabilities	1,521	536	38,315	40,372	78,934	119,306
Other segment information:						
Additions to property, plant and equipment	–	–	–	–	839	839
Depreciation of property, plant and equipment	–	–	–	–	316	316
Release of prepaid lease payments	–	24	–	24	–	24

There was no revenue generated from inter-segment transactions for both periods. Revenue from the property investment segment reported above represents rental income earned from external customers. Segment results represent profit or loss attributable to each segment without allocation of central administration costs, share of the results of a jointly controlled entity, finance costs and income tax expense. Segment assets and liabilities represent all assets and liabilities of reportable segments other than those that have been eliminated in consolidation.

Geographical information

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

The following table provides an analysis of the Group's revenue from external customers by geographical market:

	Turnover by geographical market Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PRC	**–**	203

The following is an analysis of the carrying amounts of non-current assets by geographical area in which the assets are located:

	Carrying amounts of non-current assets	
	31/12/2012	31/12/2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong	**236,001**	231,708
Canada	**–**	5,600
Panama	**106,900**	133,600
PRC	**2,212**	11,143
	345,113	382,051

6. FINANCE COSTS

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on convertible notes	**2,545**	2,490
Interest expenses on bank borrowings – wholly repayable more than five years	**664**	651
Finance charges on obligation under a finance lease	**44**	–
	3,253	3,141

7. PROFIT (LOSS) BEFORE TAX

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit (Loss) for the period has been arrived at after charging:		
Staff costs, including directors' emoluments		
Salaries and other benefits	**4,704**	5,634
Retirement benefit scheme contribution	**47**	42
Total staff costs	**4,751**	5,676
Other items		
Depreciation of property, plant and equipment	**643**	316
Operating lease payments on premises	**920**	1,215
Release of prepaid lease payments	**21**	24

8. TAXATION

Hong Kong Profits Tax had not been provided as the Group had no assessable profit for the period ended 31 December 2012 and 2011. No provision for deferred tax has been made in the period.

Taxation arising in the PRC and overseas jurisdiction, if applicable, are calculated at the rates prevailing in the relevant jurisdictions based on existing legislation, interpretations and practices in respect thereof.

9. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (2011: loss) per share for the period is based on the profit attributable to equity holders of the Company of HK$1,501,000 (2011: loss of HK$24,730,000) and on the weighted average of 837,773,826 (2011: 838,022,378) ordinary shares of the Company in issue during the period.

The diluted earnings (2011: loss) per share is the same as the basic earnings (2011: loss) per share for the period because the exercise price of the convertible notes is higher than the average market price of shares during the periods ended 31 December 2012 and 2011.

10. PROMISSORY NOTE RECEIVABLE FROM A JOINTLY CONTROLLED ENTITY

	HK$'000
At 30 June 2012 (Audited)	**132,388**
Interest income	**5,966**
At 31 December 2012 (Unaudited)	**138,354**

Following the expiration of the due date of the promissory note receivable from a jointly controlled entity on 9 April 2011, management of the Group considers that there is objective evidence that an impairment loss on the promissory note has incurred.

As at 30 June 2011, management expected that the full amount of the promissory note would be realisable in approximately four years after 30 June 2011. Consequently, impairment loss of HK$50,143,000 measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate of 9% are recognised in the profit or loss as a result of the extended period of recovery. The same effective interest rate will be used for discounting future cash flows at the end of each subsequent reporting period.

As at 31 December 2012, there was a reduction of HK$5,966,000 in impairment loss, which is attributable to cash flow discounting. The reduction in impairment has been recognised as an interest income in profit or loss using 9% per annum, the rate of interest used to discount the future cash flows in previous period.

The amount is unsecured. At 31 December 2012 and 30 June 2012, the promissory note was past due more than one year. For protection of the interest of all shareholders of the Company, the Company filed a claim against Quorum Island (BVI) Limited ("Quorum") for non payment of the promissory note in December 2012 [details stated in this announcement].

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31/12/2012	30/06/2012
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Held-for-trading investments at fair value		
Equity securities listed in Hong Kong	**273**	1,033

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

12. TRADE AND OTHER RECEIVABLES

The Group allows credit period ranging within 90 days to its trade customers. Included in trade and other receivables of the Group are trade debtors of HK$Nil (30 June 2012: HK$Nil).

As at 31 December 2012, other receivables mainly represented an estimation of management amounted to HK$21,281,000 (30 June 2012: HK$19,281,000) that the Group would be able to recover the legal costs as a result of the consent judgment of the High Court cases.

13. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

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

14. AMOUNT DUE TO A DIRECTOR

The amount is unsecured, interest-free and has no fixed repayment term.

15. SHARE CAPITAL

	Number of ordinary shares	**Amount**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 30 June 2012 and 31 December 2012	6,000,000,000	60,000
Issued and fully paid:		
At 30 June 2012 and 31 December 2012	837,773,826	8,378

16. CONVERTIBLE NOTES

On 10 December 2010, the Group issued 8% convertible notes in the aggregate principle amount of HK$41,760,000. The noteholders may convert the whole or any part, in minimum amount of HK$250,000 or integral multiples, of the convertible notes into share at conversion price of HK$0.24, subject to adjustments, with the term of 3 years from 10 December 2010. The Company has no intention to exercise its rights to early redeem the whole or any part of the convertible notes until the maturity date even though the Company has the right at its sole and absolute discretion at any time after 1 year from 10 December 2010 to redeem the whole or any principle amount, in minimum amount of HK$250,000 or integral multiples, of the convertible notes.

The fair value of the liability component and the equity conversion component were determined at issuance of the convertible notes. The fair value of the liability component was calculated using an annual market interest rate of 12.2%. The residual amount, representing the value of the equity conversion component, has been included in the convertible notes reserve.

The convertible notes recognised at the end of the reporting period are calculated as follows:

	Group and Company	
	31/12/2012	30/06/2012
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Liability component		
At beginning of the reporting period	**39,099**	37,510
Interest expenses	**2,545**	4,930
Interest paid/payable	**(1,684)**	(3,341)
At end of the reporting period	**39,960**	39,099
Equity component		
At beginning and at end of the reporting period	**3,846**	3,846

17. CONTINGENT LIABILITIES

As at 30 June 2012 and 31 December 2012, the Group had no significant contingent liabilities.

18. CAPITAL COMMITMENTS

	31/12/2012	30/06/2012
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of investment properties and property, plant and equipment contracted for but not provided for in the consolidated financial statements		
– the Group	**19,393**	19,203
– share of a jointly controlled entity	**31,288**	31,288
	50,681	50,491

19. RELATED PARTY TRANSACTIONS

(a) Prior to the re-appointment of Mr. Hung Kin Sang, Raymond ("Mr. Hung') as an executive director of the Company on 15 August 2012, the Group has had consultancy fee of HK$232,258 (2011: HK$1,054,000) and rental payment of HK$114,000 (2011: HK$342,000) for Mr. Hung Kin Sang, Raymond, father of the Chairman, Mr. Hung Kai Mau, Marcus of the Company for the six months ended 31 December 2012 pursuant to the service agreement between Mr. Hung and a wholly owned subsidiary of the Company.

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Salaries and other benefits	**3,928**	4,671
Retirement benefit scheme contributions	**15**	12
	3,943	4,683

20. COMPARATIVE FIGURES

Certain comparative figures in the condensed consolidated statement of comprehensive income and notes to condensed consolidated financial statements have been reclassified to conform to the current period's presentation.

INTERIM DIVIDEND

The Directors do not recommend an interim dividend for the period ended 31 December 2012 (2011: Nil).

RESULTS

The Group recorded a slight profit of approximately HK$1,501,000 for the six months ended 31 December 2012 as compared to a loss of approximately HK$24,730,000 in the corresponding six months period ended 31 December 2011. The slight profit recorded by the Group for the six months ended 31 December 2012 was mainly due to (i) an increase in fair value of investment properties classified as held for sale of approximately HK$5,270,000; (ii) a decrease in administrative expenses for the six months ended 31 December 2012 as compared to an extra-ordinary litigation cost of approximately HK$15,500,000 incurred in connection with litigation proceedings with a former director of the Company, Ms. Wong Kar Gee, Mimi ("Ms. Wong") during the corresponding six months period ended 31 December 2011 and (iii) net gain on disposal of financial assets at fair value and other income of approximately HK$1,353,000 for the six months ended 31 December 2012 as compared to a net loss on other investments and assets of approximately HK$3,882,000 for the corresponding six months period ended 31 December 2011.

BUSINESS REVIEW

(i) Resort and Property Development

BVI Project

As disclosed in our annual report 2012, the ownership interest in Quorum held by InterIsle Holdings Limited ("InterIsle"), our joint venture partner in a project (the "BVI Project") located at Beef Island, Tortola, the British Virgin Islands (the "BVI") was to be reduced from 50% to less than 20% (the "Dilution") as originally contemplated under a joint venture agreement (the "Agreement") entered between the Group and InterIsle to develop the BVI Project in August 2006. After several rounds of negotiation between InterIsle and the Company, the Company has not finalized details of the Dilution with InterIsle and the position of both parties after the Dilution, in particular, the terms and conditions of engagement of the development manager for the BVI Project. To protect the interest of all shareholders of the Company, the Company commenced legal proceedings in the High Court of the British Virgin Islands in December 2012 and filed (i) a claim against InterIsle and relevant parties for the transfer of over 30% interest in Quorum to Applied Enterprises Limited, a wholly owned subsidiary of the Company and (ii) a claim against Quorum for the non-payment of the promissory note in the principal amount of US$22 million (approximately HK$171.6 million) (together, the "Claims"). The management of the Company believes that the Company has strong position in respect of the Claims as advised by its BVI legal counsels. The Company will keep the Shareholders updated with information in respect of the Claims. The BVI Project comprises approximately 660 acres (approximately 267 hectares or 28.75 million square feet) of land with the planning approval for the development of the BVI Project granted by the Chief Minister and Minister of Planning of the BVI.

The BVI Project is envisioned to be a master-planned resort community which will include: a five-star luxury resort hotel with approximately 200 hotels and condo-hotel units, destination spa, signature restaurants and conference rooms; a first-class marina with approximately 135 ships, including facilities for 15 mega-yachts over 80 feet; a golf course and up to 600 high-end residential units including townhomes, beachfront residences, ocean-view villas, and secluded mountain estate homes; as well a unique artisan and retail village at Trellis Bay.

Panama Project

The airport of Province of Chiriqui which is nearby our Panama Project had been upgraded in January 2013 for the massive tourists/travelers from oversea countries as well as the improvement of property market in Panama. In view of this, the Company will proceed to start the Panama Project subject to the recovery of US economy and luxurious property market in Panama.

The Panama Project comprises two pieces of land: (i) a piece of land of approximately 494 hectares (approximately 1,223 acres or 53.27 million square feet) named Playa Grande in Boca Chica, District of San Lorenzo, Province of Chiriqui in Panama (the "Panama Land"); and (ii) a hot spring with a land size of approximately 9 hectares (approximately 22.3 acres or 0.97 million square feet) in the Borough of San Felix, Province of Chiriqui in Panama (the "Hot Spring Property"). The management has worked with professionals and architects on the relevant plans for the sub-lot region of the Panama Land for submission to the relevant authorities of Panama.

The Panama Project plans to feature a luxury hotel, a marina facility and a marina village, a 18-hole signature golf course, a branded fractional ownership club, branded ocean-view villas and branded residential lots. After completion of the Panama Project, 2,000 residential units in the various branded residential lots will be offered for sale.

(ii) Property Investment and Holding

After the expiry of the purchase and sale agreement of an investment property located at the People's Republic of China (the "PRC Property") on 30 September 2012 [details of which were set out in the Company's announcement dated 31 July 2012], the Company is open to be offerred for the PRC Property at the prevailing price. Except for the PRC Property and the Panama Project, the Company expects that the remaining investment properties will contribute rental income to the Group for the second half of the financial year ending 30 June 2013.

(iii) Investment Holding

During the six months ended 31 December 2012, the Group realised all the remaining financial assets held by the Group with a slight profit. The management is always seeking for opportunities which may result in a satisfactory yield for the Group, and the Company currently has no investment plans on hand.

OUTLOOK

Following the recent improvement of the economies of the US, the Company will proceed to start the Group's overseas resort development projects subject to the conditions of the property market in the relevant region. The management believes that both of the Group's overseas projects will bring satisfactory returns to the Group in the near future.

In addition, Mr. Hung Kin Sang, Raymond was re-appointed as our Managing Director in August 2012 and it is expected that he will effectively and efficiently handle and manage the two main projects of the Group. His re-appointment will also give assurance to the project partners of the Group's commitment in those projects.

The management believes that the Group's investment properties and the developments in the BVI will bring in satisfactory returns to the Group in the near future. The Group still continues to seek other appropriate property investment opportunities or investments which may bring satisfactory return to the Group.

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

Reference is made to the Company's Annual Report 2012. After the dismissal of Ms. Wong's claims against the Company and its wholly owned subsidiaries in May 2012 and Ms. Wong was also ordered to pay all legal cost to the relevant defendants, there are no significant legal proceedings between Ms. Wong and the Company.

PLEDGE OF ASSETS

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

(a) Pledge of investment properties of the Group with a carrying amount of HK$230,000,000 (30 June 2012: HK$230,000,000);

(b) All monies earned by the above pledged investment properties of the Group. During the period, no rental income was generated from these investment properties;

(c) Property insurance on the pledged investment properties executed by the Group in favour of the bank. At the end of the reporting period, the property insurance coverage was amounting to HK$15,840,000 (30 June 2012: HK$15,840,000); and

(d) Unconditional and irrevocable corporate guarantee given by the Company in respect of all amounts owing by the subsidiary to the bank under the facility.

LIQUIDITY AND FINANCIAL INFORMATION

As at 31 December 2012, the Group's total net asset value and borrowings amounted to HK$416.0 million and HK$116.3 million respectively, representing a gearing ratio of 28.0% as compared to 26.6% of the corresponding period. As at 31 December 2012, the Group's current asset value (including investment properties classified as held for sale) and current liabilities (excluding bank borrowing over 1 year (based on scheduled payment date)) amounted to HK$70.7 million and HK$61.2 million respectively, representing a current ratio of 1.2 times.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

The majority of the Group's assets and liabilities were denominated in Hong Kong and US dollars, and hence the exposure to foreign exchange risk were insignificant to the Group.

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.

EMPLOYEE INFORMATION

As at 31 December 2012, the Group employed a total of 10 full-time employees.

The Group's emolument policies are formulated on the basis of performance of individual employees and are reviewed annually. The Group also provides medical insurance coverage and provident fund scheme (as the case may be) to its employees depending on the location of such employees.

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

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to adopting the best corporate governance practices and procedures throughout the Group. It strives to enhance transparency and independency of operation through the use of an effective accountability system to enable a healthy and sustainable development of the Company.

The Company has complied with provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in the Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") throughout the six months ended 31 December 2012.

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

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

AUDIT COMMITTEE

The Audit Committee comprises four Independent Non-executive Directors, namely, Mr. Lun Tsan Kau (Chairman of the Audit Committee), Mr. Su Ru Jia, Mr. Lo Yun Tai and Mr. Chan Ming Fai, Terence. All of them have appropriate professional qualifications or accounting or related financial management expertise in accordance with the Listing Rules.

The Audit Committee is responsible for reviewing and assessing with senior management and external auditor of the Company, the internal control system and external auditing process and findings, the accounting principles and practices adopted by the Group, Listing Rules and statutory compliance. The members of the Audit Committee also meet to discuss matters relating to auditing, internal control, risk management and financial reporting (including the unaudited interim consolidated financial statements of the Group for the six months ended 31 December 2012 before recommending it to the Board for approval). The Audit Committee is satisfied that the internal controls and accounting systems of the Group are adequate.

REMUNERATION COMMITTEE

The Remuneration Committee was formed by a majority of Independent Non-executive Directors which comprises of two Executive Directors, Mr. Hung Kin Sang, Raymond (re-appointed on 15 August 2012) and Mr. Hung Kai Mau, Marcus and four Independent Non-executive Directors, namely, Mr. Lun Tsan Kau (Chairman of the Remuneration Committee), Mr. Su Ru Jia, Mr. Lo Yun Tai and Mr. Chan Ming Fai, Terence.

The purpose of the Remuneration Committee is to assist the Board of the Company in determining the policy and structure for the remuneration of executive Directors, evaluating the performance of executive Directors, reviewing incentive schemes and Directors' service contracts and fixing the remuneration packages for all Directors and senior management.

NOMINATION COMMITTEE

The Nomination Committee of the Company was established on 15 August 2012 and includes a majority of Independent Non-executive Directors. The Nomination Committee comprises one Executive Director, Mr. Hung Kin Sang, Raymond and three Independent Non-executive Directors, namely Mr. Lun Tsan Kau, Mr. Lo Yun Tai (Chairman of the Nomination Committee) and Mr. Chan Ming Fai, Terence.

Prior to the establishment of the Nomination Committee, the Board as a whole was responsible for the function of the Nomination Committee. The Nomination Committee is responsible for making recommendations to the Board on proposed changes to the Board and senior management of the Company to complement the Company's corporate strategy after its reviews of the structure, size and composition of the Board and senior management from time to time.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiries of all the Directors, all the Directors have confirmed that they had complied with the required standard set out in the Model Code during the accounting period covered by the interim report for the six months from 1 July 2012 to 31 December 2012.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

This results announcement and interim report containing the information required by the Listing Rules will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.applieddev.com) in due course.

MEMBERS OF THE BOARD

At the date hereof, the members of the board are as follows:

Executive Directors:
Hung Kin Sang, Raymond *(Managing Director)*
Hung Kai Mau, Marcus *(Chairman)*
Ng Kit Ling

Independent Non-executive Directors:
Lun Tsan Kau
Su Ru Jia
Lo Yun Tai
Chan Ming Fai, Terence

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

Hong Kong, 21 February 2013

* *For identification purpose only*