THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 stockbroker or other registered dealer in securities, 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, together with the accompanying form of proxy, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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 RELATING TO THE DISPOSAL OF WIDELAND ELECTRONICS LIMITED

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 27 December 2007 (Thursday) at 3:00 p.m. is set out on pages 88 to 89 of this circular. Whether or not you are able to attend the meeting in person and vote at such meeting, you 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 Unit 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 or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting if you so wish.

* *For identification purpose only*

5 December 2007

CONTENTS

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

"Agreement"	the agreement dated 5 November 2007 entered into between the Company and the Purchaser in relation to the sale and purchase of the Sale Shares;
"Announcement"	the announcement dated 5 November 2007 of the Company;
"Associate"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;
"Business Day(s)"	a day other than a Saturday, Sunday or a public holiday on which banks in Hong Kong are open for general business;
"BVI"	the British Virgin Islands;
"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;
"Completion"	completion of the Agreement;
"Completion Date"	28 December 2007 or such other date as Elite may specify;
"Conditions"	the conditions precedent of the Agreement;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Consideration"	the aggregate consideration of HK$100,000 payable in cash by the Purchaser to Elite for the Sale Shares under the Agreement;
"Directors"	the directors of the Company;
"Disposal"	the disposal of Sale Shares;

"Elite"	Elite Industries Limited, an indirect wholly-owned subsidiary of the Company and is an investment holding company;
"Group"	the Company and its subsidiaries;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Latest Practicable Date"	4 December 2007, 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;
"Long Stop Date"	3 January 2008, one week after the date of the SGM;
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"Purchaser"	Crown Peace Asia Limited, a company incorporated in Hong Kong which is independent of the Company, its subsidiaries and their respective connected persons;
"Remaining Group"	the Group excluding Wideland;
"Sale Shares"	102,000 fully paid ordinary shares of HK$1.00 each in the capital of Wideland, representing 51% of the entire issued share capital of Wideland before Completion;
"SGM"	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the disposal of the Sale Shares under the Agreement;
"Share(s)"	share(s) of HK$0.01 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;

"Wideland"	Wideland Electronics Limited, an investment holding company incorporated in Hong Kong with limited liability and Wideland is an indirect 51% subsidiary of the Company before Completion;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"USD"	United States dollars, the lawful currency of the United States of America; and
"%"	Per cent.

Unless otherwise specified in this circular, conversions of US$ into HK$ are made in this circular, for illustration only, at the rate of US$1.00 to HK$7.80. No representation is made that any amounts in US$ or HK$ could have been or could be converted at that rate or at any other rate.

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

Independent non-executive Directors:
Mr. Soo Hung Leung, Lincoln J.P.
Mr. Lo Yun Tai
Mr. Lun Tsan Kau
Mr. Lam Ka Wai, Graham

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head office and principal place of business:
Unit 3402-03, 34/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

4 December 2007

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL
RELATING TO THE DISPOSAL OF
WIDELAND ELECTRONICS LIMITED

INTRODUCTION

On 5 November 2007, the Company entered into the Agreement with the Purchaser pursuant to which the Company agreed to sell, and the Purchaser agreed to purchase, the Sale Shares, for a Consideration of HK$100,000.

* *For identification purpose only*

As the relevant percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the disposal of the Sale Shares exceeds 75%, the entering into of the Agreement constitutes a very substantial disposal of the Company under the Listing Rules and is therefore subject to Shareholders' approval. The SGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the disposal of the Sale Shares under the Agreement. As the Purchaser is independent of the Company and its connected person and no Shareholder has a material interest in the Agreement which is different from the other Shareholders, no Shareholder is required to abstain from voting in respect of the relevant resolution to approve the disposal of the Sale Shares under the Agreement at the SGM.

The purpose of this circular is to provide the Shareholders with, among other things, further information on the Agreement, financial information in relation to the Group and the Remaining Group, the notice of the SGM and other information as required under the Listing Rules.

THE AGREEMENT

Date : 5 November 2007

Parties : Elite, being the vendor and an indirect wholly-owned subsidiary of the Company

Crown Peace Asia Limited, being the Purchaser

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Purchaser and its ultimate beneficial shareholders are independent of the Company, its subsidiaries and their respective connected persons.

Assets to be disposed of

The Sale Shares represents 51% of existing issued share capital of Wideland. Before Completion, Wideland is a direct 51% owned subsidiary of Elite which is an indirect wholly-owned subsidiary of the Company. Wideland is principally engaged in the manufacture and trading of electronic products. On Completion, the Group will cease to have any interest in Wideland which will accordingly cease to be a subsidiary of the Company.

The audited asset value of Wideland was approximately HK$1,503,957, HK$1,024,550 (negative asset value) and HK$3,037,610 (negative asset value) as at 30 June 2005, 30 June 2006 and 30 June 2007 respectively. For the three years ended 30 June 2005, 30 June 2006 and 30 June 2007, the audited net losses before taxation and extraordinary items attributable to Wideland were approximately HK$1,630,074, HK$2,935,506 and HK$2,013,060 respectively. During the same period, the audited net losses after taxation and extraordinary items attributable to Wideland were approximately HK$1,495,156, HK$2,957,077 and HK$2,013,060 respectively.

Consideration

The Consideration of HK$100,000 shall be payable in cash upon signing of the Agreement which shall be applied in full satisfaction of the Consideration upon Completion.

The Consideration was determined after arm's length negotiations between Elite and the Purchaser with reference to the historical performance, including the unaudited consolidated negative asset value of Wideland of approximately HK$3 million and its tax loss asset of Wideland of approximately HK$1.8 million as at 30 September 2007, and the future prospects of the business of Wideland.

Condition

Completion is conditional on the passing by the Shareholders of the Company of all necessary resolutions at the SGM approving the Agreement and the transactions contemplated thereby (the "**Condition**").

Completion

Completion shall take place on the Completion Date.

If the Agreement cannot be completed due to the Condition not having been fulfilled before the Long Stop Date, the Agreement shall terminate and Elite shall refund the Consideration to the Purchaser without interest within one month after such termination. If the Buyer fails to complete the purchase of the Sale Shares for any reasons (other than non-fulfilment of the Condition), the Agreement shall terminate and Elite shall be entitled to forfeit the Consideration.

INFORMATION ON THE GROUP

The Group is principally engaged in resort and property development, property and investment holding and design, manufacturing, marketing and distribution of consumer electronic products.

INFORMATION ON THE PURCHASER

The Purchaser is an investment holding company and, through its subsidiaries, is principally engaged in trading in components and computer parts.

INFORMATION ON ELITE

Elite is a company incorporated in British Virgin Islands, an indirect wholly-owned subsidiary of the Company and an investment holding company.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE AGREEMENT

Wideland is an indirect 51% subsidiary of the Company before Completion. Wideland is engaged in the manufacture and trading of electronic products. For the past few years, Wideland has continued to face fierce market competition and was under an adverse environment with lower profit margin. The management of the Company believes that Wideland's future performance will not contribute significant profit to the Group. The disposal of the Sale Shares will enable the Group to realise the value of its interest in Wideland and help the Group to further concentrate its resources to resort development and property investment and development.

Based on the unaudited accounts of Wideland as at 30 September 2007, a gain on disposal of the Sale Shares of approximately HK$90,000 (representing the aforesaid sale proceeds less the estimated costs and expenses of HK$10,000 relating to the Disposal before expenses and tax) from the immediate cash sale proceeds is expected to arise as a result of the sale of the Sale Shares. As the net asset value of Wideland is negative, the sale proceeds of HK$100,000 of the disposal of the Sale Shares, which is over the negative book value of Wideland, is intended to be used for the Group's general working capital. There will be an increase of HK$3,137,000 in the expected earnings of the Group after the transactions. The impact on the earnings of the Group caused by the Disposal is shown in Appendix III of this Circular.

The Board considers that the terms of the Agreement are fair and reasonable, and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

EFFECT OF THE DISPOSAL

Based on the unaudited pro forma financial information of the Remaining Group in Appendix III, immediately after Completion, the net asset value of the Remaining Group will increase by approximately HK$3,137,000 which represents the negative assets value of Wideland plus the sale proceeds of HK$100,000. The current liabilities of the Remaining Group will significantly decrease by approximately HK$26,918,000 to HK$16,271,000 which will lead to a significant increase in the current ratio of the Remaining Group from 6.6 times to 16.8 times (current assets over current liabilities). Also, the net asset value of the Remaining Group which excludes the negative assets value of Wideland and includes the sales proceed of HK$100,000, is HK$537,761,000 (as stated in Appendix III of this Circular).

The management of the Group understands that Wideland has contributed significant revenue to the Group but with a comparatively lower profit margin in the markets and insignificant total asset value portion of the Group of HK$25,966,000, representing 3.86% of the total asset value of the Group before the Disposal. As at the year ended 30 June 2007, Wideland suffered an accumulated loss of HK$3.3 million under continually fierce market competition and an adverse environment. The management of the Group believes that the Disposal will not only improve significantly the liquidity and working capital of the Group (the current ratio will increase from 6.6 times to 16.8 times as explained as in this Circular), but will also bring higher profit to the Group as the Group will concentrate its resources to resort development and property investment and development.

With reference to Appendix III, the estimated total earning from the Disposal will be HK$3,137,000 which represents the sales proceed of HK$100,000 payable in cash and the negative asset value of Wideland amounting to HK$3,037,000 as at the year ended 30 June 2007.

The management of the Group believes that the operation in the resort development, property development and investment holding will become the principal revenue contributor to the Group after the Disposal.

BUSINESS OF THE REMAINING GROUP

After the Disposal of Wideland, the Remaining Group will have two major investments in BVI and Panama respectively and certain properties investment in Hong Kong and PRC with their related total relevant investment values of approximately HK$221,024,000, HK$151,984,000 and HK$156,950,000 respectively. The business segment of the Remaining Group will be (i) resort and property development and (ii) investments and properties holding.

(i) Resort and Property Development

(a) BVI project

With the expectation of the pre-sales of the BVI project carrying out in early 2008, the management of the Group believes that the source of income from the resort development will start to generate profit to the Group after the Disposal.

The Company formed a joint venture with InterIsle Holdings Ltd to develop Beef Island (the "JV agreement") in BVI sized approximately 660 acres (approximately 267 hectares or 28.75 million square feet) at the agreed land value of US$51 million (approximately HK$397.8 million). Upon the completion of the JV Agreement, the Group received US$8 million (approximately HK$62.4 million) in cash and expects that the rest of US$22 million in lieu of the promissory note issued by the jointly controlled entity, Quorum Island (BVI) Limited will be received shortly. The BVI project also will be funded by project finance.

The approval for the master plan of the BVI project was obtained from the Chief Minister and the Planning Board of the BVI. The site, where a maximum of 663 residential units will be built, will be developed into a mixed-use luxury resort, including a 5-star luxury hotel comprising of a condominium hotel and fractional ownership element, an 18-hole championship golf course, a variety of branded residential units, a marina and a high-end retail commercial area, together with related infrastructure improvements and installation of utilities. The project is backed by a prestigious group of contractors including Jack Nicklaus, EDSA, Applied Technology & Management Inc., Hill Glazier, Wilson & Associates, Norton Consulting Real Estate and Leisure Advisors, and Robert Charles Lesser & Co. The pre-sale of the project was schedules in the first half year of 2008.

As at 30 June 2007, BVI project did not contribute profit to the Group and its book value of a jointly-controlled entity (i.e. this BVI's JV) was approximately HK$36,469,000. Also, included in the current asset as at 30 June 2007, the short-term promissory note and amount due from the jointly-controlled entity were HK$171,600,000 and HK$12,955,000 respectively. The further investment fund required by BVI project will be funded by project finance and the Group will not inject further fund to BVI project except unforeseeable circumstance.

(b) Panama Project

Following the acquisition of the Panama Land with is the second resort project of the Group in June 2007, the development of the Panama Project is underway smoothly and the Group has development its master plan, conducted market studies, environment studies, IRR studies and various studies and tests on the project. The acquired land in Panama sized approximately 1,223 acres (approximately 495 hectares or 53.27 million square feet) named Playa Grande in Province of Chiriqui in Panama for a consideration of approximately US$19,500,000, which has a 2.2 km beach.

The Panama Project is planned to feature a 5-star luxury hotel, a branded boutique hotel and a luxury condo hotel, a marina facility and a marina village, an 18-hole signature golf course, a branded fractional ownership club, branded ocean-view villas and branded residential lots. After completion, 800-1,000 residential units in the various branded residential will be offered.

Seeking to replicate the successful business model of the BVI project, the Group will partner will renowned expertise in the resort development industry to study and design the project. The project team members will be similar to those of the BVI project and funded by project finance also.

Recently, the Group acquired a hot spring in October 2007, which is located in Borough of San Felix, Chiriqui, Panama. This hot spring has been certified by ASOTEMPA, an affiliate of an international medical thermal association, as one of the medical hot springs in the world. This hot spring will be an amenity of the Panama Project. Further the acquisition of the hot spring, the Group has signed another golf course agreement in respect of the Panama Project with Jack Nicklaus.

As at 30 June 2007, the net book value of Panama Project was approximately HK$151,984,000. The further capital expenses required by Panama project but not costly will be funded by the Group until the formation of joint venture for the commencing of the development of Panama Project.

(ii) Investments and Properties Holding

The Group's investment properties, mainly in Hong Kong and the PRC continues generate a stable rental income to the Group after the Disposal. As at 30 June 2007, the net book value of investment properties of the remaining group (i.e. excluding Wideland) was approximately HK$156,950,000 (2005: HK$303,900,000 and 2006: HK$205,750,000).

For the past three years ended 30 June 2005, 2006 and 2007, the investment properties of the Remaining Group's revenues were HK$9.98 million, HK$8.53 million and HK$6.79 million respectively.

The Group will continue to seek other appropriate property investment opportunities in Hong Kong and the PRC in order to generate more stable rental income to the Group in future. The management of the Group believes that the future profit and the asset value of the Remaining Group will be satisfactory after the Disposal.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

The discussion and analysis in this section is based on the accountants' report in Appendix I of this circular which show the Group's results for the three years ended 30 June 2005, 2006 and 2007 with the business of Wideland shown as discontinued operation separately. For the past three years ended 30 June 2005, 2006 and 2007, the Remaining Group's revenues were HK$9.98 million, HK$8.53 million and HK$6.79 million respectively, representing 9.48%, 7.92% and 5.63% of the corresponding revenues respectively. The Remaining Group's revenues were mainly derived from rental income of investment properties as the resort development began upon the completion of the JV agreement of BVI project in April 2007.

The management of the Group noted that the Disposal will bring a discontinued operation of manufacture of OEM business and significantly impact the revenue from this discontinued operation. The revenue of the Remaining Group for the past three years ended 2007 were contributed less than 10% of the total of the revenue of the Group including the Wideland's revenue but the profit of the Remaining Group for the past three years ended 2007 were contributed significantly to the Group, amounting to HK$104.3 million, HK$12.9 million and HK$111.3 million (details refer to Appendix I of this circular).

LIQUIDITY AND FINANCIAL INFORMATION

Based on the latest audited balance sheet as at 30 June 2007, the total asset and the net asset of the Remaining Group including the sales proceeds of HK$100,000 was HK$646,364,000 and HK$537,761,000 respectively (2005: HK$578,440,000 and HK$468,565,000; 2006: HK$475,355,000 and HK$440,544,000).

The current assets of the Remaining Group comprise of short-term promissory notes receivable and other receivable equal to a total sum of over HK$184.5 million together with the balance of sales proceed from the disposal of an investment property to be completed in December of HK$50 million, that will result in a higher liquidity in current asset other than cash balance held by the Group, it will substantially fund the Group's further resort projects or property investments when there are good opportunities.

CAPITAL STRUCTURE OF THE GROUP

For the past three years ended 30 June 2005, 2006 and 2007, the capital structure of the Remaining Group has no significant changes.

GEARING RATIO

Based on the latest audited balance sheet as at 30 June 2007, the gearing ratio of the total borrowing of the Remaining Group including sales proceeds of HK$100,000 was 17.9% (2005: 14.5% and 2006: 6.6%), the net asset value of the Remaining Group was HK$537,761,000 (2005: HK$468,565,000 and 2006: HK$440,554,000) and the total borrowing of the Remaining Group was HK$96,277,000 (2005: HK$67,787,000 and 2006: HK$28,961,000). It represents that the Group still has a strong and healthy liquidity ratio and financial status after the Disposal.

EXCHANGE RATE EXPOSURE

For the past three years ended 2005, 2006 and 2007, the majority of the Remaining Group's assets were still in HK$ or USD. The management of the Group do not expect any material exposure to fluctuations in foreign exchange rates.

PLEDGE OF ASSETS

Based on the latest audited balance sheet as at 30 June 2007, the carrying value of investment properties and properties held for sales pledged by the Remaining Group to secure banking facilities amounted to HK$125,000,000 and HK$59,000,000 respectively (2005: HK$274,200,000 and nil, 2006: HK$177,000,000 and nil).

EMPLOYEES

The total number of employees of the Remaining Group was approximately 35 based on the record as at 30 June 2007 (30 June 2005: 35 and 30 June 2006: 37). The management of the Group expects that the number of the employees at the head office of Hong Kong and overseas project site will increase due to the extension of the resort development of the Group. The management of the Group believes that the business operation of the Group will be more efficient and effective as the salary and wages expenses of the Group will decrease after the Disposal.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Barring any unforeseeable circumstances, the management of the Group does not have any present intention to continue the business of manufacturing and trading of electronic products after the Disposal.

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

The Group will principally engage in the resort development, property development and investment after the Disposal.

SGM

As the relevant percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the disposal of the Sale Shares exceeds 75%, the entering into of the Agreement constitutes a very substantial disposal of the Company under the Listing Rules and is therefore subject to the approval by the Shareholders. 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 person and no Shareholder has a material interest in the Agreement which is different from the other Shareholders, no Shareholder is required to abstain from voting in respect of the relevant resolution to approve the disposal of the Sale Shares at the SGM.

PROCEDURE FOR DEMANDING A POLL

Pursuant to bye-law 66 of the bye-laws, a resolution put to the vote of a meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by: (i) the chairman of such meeting; or (ii) at least three members present in person or by proxy or by representative for the time being entitled to vote at the meeting; or (iii) a member or members present in person or by proxy or by representative and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or (iv) by a member or members present in person or by proxy or by representative and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

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 are concerned. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions at the SGM to approve the Agreement.

ADDITIONAL INFORMATION

Your attention is also drawn to the respective 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
Fang Chin Ping
Executive Director

The following is the text of a report, prepared for inclusion in this circular, received from Lo and Kwong C.P.A. Company Limited, the independent reporting accountants.

LO AND KWONG C.P.A. COMPANY LIMITED

Lo and Kwong C.P.A. Company Limited
Suite 1303, 13/F,
Shanghai Industrial Investment Building,
60 Hennessy Road,
Wanchai,
Hong Kong.

The Directors
Applied Development Holdings Limited
Unit 3402-03, 34/F,
China Merchants Tower,
Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong.

Dear Sirs,

We set out below our report on the consolidated financial information ("Financial Information") of Applied Development Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended June 30, 2005, 2006 and 2007 (the "Relevant Periods") prepared for inclusion in the Company's circular dated December 5, 2007 (the "Circular") in connection with the very substantial disposal transaction of the Company (the "Circular").

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. As at the date of this report, the address of the registered office and principal place of business of the company is Unit 3402-03, 34/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The Company acts as an investment holding company. The Group is principally engaged in resort and property development; property and investment holding; and design, manufacture, marketing and distribution of consumer electronic products.

The Company and its subsidiaries have adopted June 30 as their financial year end date. Deloitte Touche Tohmatsu, Certified Public Accountants, are auditors of the Company and certain subsidiaries incorporated in Hong Kong for the three years ended June 30, 2007.

As at the date of this report, the particulars of the Company's principal subsidiaries are as follows:

Name of subsidiaries	Place of incorporation or registration/ operation	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued share capital/ registered capital held by the Company *(Note (a))*	Principal activities
AEL (Bahamas) Limited	Bahamas/PRC	Ordinary US$5,000 Redeemable preference US$300	100%	Property holding
Applied Electronics Limited	Hong Kong	Ordinary HK$86,000,000	100%	Investment holding
Applied Enterprises Limited	Hong Kong	Ordinary HK$1,000	100%	Investment holding
Applied Toys Limited	Hong Kong	Ordinary HK$2	100%	Property, plant and equipment holding
Data Pen Limited	Hong Kong	Ordinary HK$2	100%	Property, plant and equipment holding
Severn Villa Limited	Hong Kong	Ordinary HK$7,545,000	100%	Property holding
Applied Investment (Asia) Limited	Hong Kong	Ordinary HK$574,630,911	100%	Investment holding
Applied Hong Kong Properties Limited	Hong Kong	Ordinary HK$500,000	100%	Holding of property, plant and equipment and investment holding
AppliedLand Limited	Hong Kong	Ordinary HK$2	100%	Holding of property, plant and equipment and investment holding
Applied Mission Limited	Hong Kong	Ordinary HK$10,000	100%	Property investment
Wideland	Hong Kong	Ordinary HK$200,000	51%	Manufacturing and trading of electronic products
Playa Grande Development Holdings Inc. (Panama)	Panama	Ordinary US$200	100%	Resort and property development

Notes:

(a) The above principal subsidiaries are indirectly held by the Company, with the exception of Applied Electronics Limited, Applied Investment (Asia) Limited, AppliedLand Limited and Data Pen Limited.

(b) The statutory financial statements of these companies were audited by Deloitte Touche Tohmatsu.

The statutory financial statements of the following company comprising the Group during the Relevant Periods which was incorporated in the jurisdiction other than Hong Kong, was prepared in accordance with the relevant accounting principles and financial regulations applicable to the enterprise established in the respective jurisdiction and was audited by the following certified public accountants, registered in the respective jurisdiction:

Name of subsidiaries	Financial period	Certified public accountants
盈聯多科技企業(深圳)有限公司 (Quorum Electronics (Shenzhen) Co., Ltd.) *(Note (a))*	January 1, 2004 to December 31, 2006	深圳市天衡會計師事務所

Note:

(a) This PRC subsidiary is a wholly foreign owned enterprise established in the PRC.

No audited financial statements have been prepared for those companies incorporated in the BVI, Bahamas and Panama and for Dragon Gainer Investment Limited and Playa Grande Golf and Country Club Resort Limited as there are no statutory audit requirement.

The Financial Information as set out in this report has been prepared based on the audited consolidated financial information of the Group for each of the Relevant Periods in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") ("Underlying Financial Statements"), after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Circular. The Financial Information also includes the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange.

We have examined the Underlying Financial Statements and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The directors of the Company are responsible for the preparation of the Underlying Financial Statements and the Financial Information of the Group which give a true and fair view. The directors of the Company are also responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the consolidated financial statements of the Group, to form an independent opinion on the Financial Information and to report our opinion to you.

The Financial Information of the Group for the Relevant Periods as set out in this report has been prepared from the Underlying Financial Statements. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

In our opinion, the Financial Information set out below, for the purpose of this report and prepared in accordance with the HKFRSs, give a true and fair view of the state of affairs of the Group as at June 30, 2005, 2006 and 2007, and of the results and cash flows of the Group for the Relevant Periods.

I. FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED INCOME STATEMENTS

	Notes	2005 HK$'000	2006 HK$'000	2007 HK$'000
Continuing operations				
Turnover	5	9,980	8,526	6,785
Cost of sales		–	–	–
Gross profit		9,980	8,526	6,785
Other income		1,347	3,326	4,179
Distribution costs		–	–	–
Administrative expenses		(19,034)	(24,087)	(35,009)
Increase in fair value of investment properties		100,200	18,850	10,200
Gain on disposal of investment properties		12,903	–	–
Gain on disposal of property, plant and equipment		6,194	–	–
Loss on disposal of available-for-sale investments/other securities		(269)	–	–
Waiver of other borrowings	7	–	19,651	–
Share-based payment expenses		–	(8,233)	(379)
Finance costs	8	(2,815)	(4,277)	(1,838)
(Loss) gain on disposal of subsidiaries	36	(6,752)	(61)	127,331
Profit before taxation		101,754	13,695	111,269
Taxation	9	2,530	(786)	59
Profit for the year from continuing operations		104,284	12,909	111,328
Discontinued operations				
Loss for the year from discontinued operations	10b	(1,495)	(2,957)	(2,013)
Profit for the year	10a	102,789	9,952	109,315
Attributable to:				
Equity holders of the parent		103,525	10,757	110,173
Minority interests		(736)	(805)	(858)
		102,789	9,952	109,315
EARNINGS PER SHARE	12			
From continuing and discontinued operations				
Basic		11.60 HKcents	1.22 HKcents	12.83 HKcents
From continuing operations				
Basic		11.77 HKcents	1.56 HKcents	13.06 HKcents

CONSOLIDATED BALANCE SHEETS

		At June 30		
		2005	2006	2007
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
		(as restated)		
Non-current assets				
Investment properties	*13*	305,500	207,500	159,030
Interest in a leasehold land	*14*	128,003	–	–
Property, plant and equipment	*15*	114,715	171,307	178,313
Prepaid lease payments – non-current portion	*16*	1,436	2,003	1,957
Other assets	*17*	1,701	1,701	1,846
Interest in a jointly controlled entity	*18*	–	–	36,469
Available-for-sale investments	*19*	–	26,391	1,144
Deposits paid on acquisition of investment properties		–	–	7,756
Other securities	*19*	8,625	–	–
Negative goodwill	*20*	(22,549)	–	–
		537,431	408,902	386,515
Non-current assets from continuing operations		528,617	397,093	372,767
Non-current assets from discontinued operations	*10b*	8,814	11,809	13,748
Current assets				
Inventories	*21*	2,233	2,256	1,898
Trade and other receivables	*22*	35,224	46,660	13,744
Promissory note receivable from a jointly controlled entity	*23*	–	–	171,600
Amount due from a jointly controlled entity	*24*	–	–	12,955
Prepaid lease payments – current portion	*16*	46	46	46
Tax recoverable		155	–	–
Pledged bank deposits	*25*	2,969	3,059	3,173
Bank balances and cash	*25*	22,472	37,836	23,299
		63,099	89,857	226,715
Properties held for sale		–	–	59,000
		63,099	89,857	285,715
Current assets from continuing operations		49,823	78,262	273,497
Current assets from discontinued operations	*10b*	13,276	11,595	12,218

CONSOLIDATED BALANCE SHEETS – CONTINUED

		At June 30		
		2005	2006	2007
	Notes	*HK$'000* (as restated)	*HK$'000*	*HK$'000*
Current liabilities				
Trade and other payables	*26*	47,125	10,021	7,623
Tax payable		536	1,084	712
Bank and other borrowings – due within one year	*27*	52,641	11,374	17,853
Obligations under finance leases – due within one year	*28*	2,334	3,732	3,582
Bank overdrafts	*25*	–	4,771	4,539
		102,636	30,982	34,309
Liabilities associated with properties held for sale		–	–	8,880
		102,636	30,982	43,189
Current liabilities from continuing operations		83,207	9,742	16,271
Current liabilities from discontinued operations	*10b*	19,429	21,240	26,918
Net current (liabilities) assets		(39,537)	58,875	242,526
		497,894	467,777	629,041
Capital and reserves				
Share capital	*29*	9,372	9,100	8,804
Treasury shares	*31*	(12,546)	(8,911)	(8,911)
Share premium and reserves		402,945	438,472	534,731
Equity attributable to equity holders of the parent		399,771	438,661	534,624
Minority interests		70,298	858	–
Total equity		470,069	439,519	534,624
Equity from continuing operations		468,565	440,544	537,661
Equity from discontinued operations	*10b*	1,504	(1,025)	(3,037)

CONSOLIDATED BALANCE SHEETS – CONTINUED

		At June 30		
		2005	**2006**	**2007**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
		(as restated)		
Non-current liabilities				
Bank and other borrowings – due after one year	*27*	25,811	24,846	92,269
Obligations under finance leases – due after one year	*28*	2,014	3,412	2,148
		27,825	28,258	94,417
Non-current liabilities from continuing operations		26,668	25,069	92,332
Non-current liabilities from discontinued operations	*10b*	1,157	3,189	2,085
		497,894	467,777	629,041

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the parent													
	Share capital HK$'000	Treasury shares HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Other reserve HK$'000 (Note 1)	Capital redemption reserve HK$'000	Capital reserve HK$'000 (Note 2,3)	Distri-butable reserve HK$'000 (Note 4)	Translation reserve HK$'000	(Accumulated losses) retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At July 1, 2004	9,411	(12,546)	1	–	(3,571)	–	10,892	209,734	93,961	(2,470)	(27,369)	278,043	71,034	349,077
Surplus on revaluation of other securities	–	–	–	–	952	–	–	–	–	–	–	952	–	952
Surplus on revaluation of property, plant and equipment	–	–	–	–	–	8,551	–	–	–	–	–	8,551	–	8,551
Net income recognised directly in equity	–	–	–	–	952	8,551	–	–	–	–	–	9,503	–	9,503
Realised on disposal of other securities	–	–	–	–	3,243	–	–	–	–	–	–	3,243	–	3,243
Profit for the year	–	–	–	–	–	–	–	–	–	–	103,525	103,525	(736)	102,789
Total recognised income and expense for the year	–	–	–	–	4,195	8,551	–	–	–	–	103,525	116,271	(736)	115,535
Repurchase of own shares	(39)	–	–	–	–	–	39	–	–	–	(843)	(843)	–	(843)
Disposal of subsidiaries	–	–	–	–	–	–	–	6,329	–	(29)	–	6,300	–	6,300
At June 30, 2005	9,372	(12,546)	1	–	624	8,551	10,931	216,063	93,961	(2,499)	75,313	399,771	70,298	470,069
At July 1, 2005														
– as originally stated	9,372	(12,546)	1	–	624	8,551	10,931	216,063	93,961	(2,499)	75,313	399,771	70,298	470,069
– effect of adoption of new accounting standards	–	–	–	–	–	–	–	(11,453)	–	–	34,002	22,549	–	22,549
At July 1, 2005 as restated	9,372	(12,546)	1	–	624	8,551	10,931	204,610	93,961	(2,499)	109,315	422,320	70,298	492,618
Loss on fair value changes of available-for-sale investments	–	–	–	–	(244)	–	–	–	–	–	–	(244)	–	(244)
Net income recognised directly in equity	–	–	–	–	(244)	–	–	–	–	–	–	(244)	–	(244)
Realised on disposal of available-for-sale investments	–	–	–	–	(316)	–	–	–	–	–	–	(316)	–	(316)
Realised on disposal of treasury shares	–	3,635	–	–	–	–	–	–	–	–	2,622	6,257	–	6,257
Profit for the year	–	–	–	–	–	–	–	–	–	–	10,757	10,757	(805)	9,952
Total recognised income and expense for the year	–	3,635	–	–	(560)	–	–	–	–	–	13,379	16,454	(805)	15,649
Waiver of loan from a minority shareholder of a subsidiary	–	–	–	–	–	–	–	428	–	–	–	428	–	428
Repurchase of own shares	(272)	–	–	–	–	–	272	–	–	–	(11,338)	(11,338)	–	(11,338)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	2,564	–	2,564	(68,635)	(66,071)
Recognition of equity-settled share-based payment expenses	–	–	–	8,233	–	–	–	–	–	–	–	8,233	–	8,233
At June 30, 2006	9,100	(8,911)	1	8,233	64	8,551	11,203	205,038	93,961	65	111,356	438,661	858	439,519

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY – CONTINUED

	Attributable to equity holders of the parent													
	Share capital *HK$'000*	Treasury shares *HK$'000*	Share premium account *HK$'000*	Share option reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Other reserve *HK$'000* *(Note 1)*	Capital redemption reserve *HK$'000*	Capital reserve *HK$'000* *(Note 2,3)*	Distri-butable reserve *HK$'000* *(Note 4)*	Translation reserve *HK$'000*	(Accumulated losses) retained profits *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
At July 1, 2006	9,100	(8,911)	1	8,233	64	8,551	11,203	205,038	93,961	65	111,356	438,661	858	439,519
Gain on fair value changes of available-for-sale investments	–	–	–	–	2,241	–	–	–	–	–	–	2,241	–	2,241
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	22	–	22	–	22
Net income recognised directly in equity	–	–	–	–	2,241	–	–	–	–	22	–	2,263	–	2,263
Realised on disposal of available-for-sale investments	–	–	–	–	(1,959)	–	–	–	–	–	–	(1,959)	–	(1,959)
Profit for the year	–	–	–	–	–	–	–	–	–	–	110,173	110,173	(858)	109,315
Total recognised income and expense for the year	–	–	–	–	282	–	–	–	–	22	110,173	110,477	(858)	109,619
Repurchase of own shares	(296)	–	–	–	–	–	296	–	–	–	(14,893)	(14,893)	–	(14,893)
Recognition of equity-settled share-based payment expenses	–	–	–	379	–	–	–	–	–	–	–	379	–	379
At June 30, 2007	8,804	(8,911)	1	8,612	346	8,551	11,499	205,038	93,961	87	206,636	534,624	–	534,624

Notes:

(1) The other reserve of the Group represents the fair value adjustment at the date of transfer of property, plant and equipment to investment properties.

(2) The capital reserve of the Group at June 30, 2005 included HK$9,207,000 in respect of goodwill and HK$20,660,000 in respect of negative goodwill. In accordance with the relevant transitional provisions in HKFRS 3, the Group transferred the goodwill and negative goodwill previously recorded in reserves to accumulated losses on July 1, 2005. A corresponding adjustment to the Group's accumulated losses of HK$11,453,000 has been made.

(3) The capital reserve of the Group arose from the cancellation of share premium account of the Company pursuant to a special resolution passes by the Company on February 22, 1999 and a waiver of loan from a minority shareholder of a subsidiary of the Company.

(4) The distributable reserve of the Group arose from the cancellation of share capital and share premium account of Applied Electronics Limited pursuant to a scheme of arrangement which became effective on January 10, 1989.

CONSOLIDATED CASH FLOW STATEMENTS

	Note	2005 HK$'000	2006 HK$'000	2007 HK$'000
OPERATING ACTIVITIES				
Profit before taxation		100,124	10,760	109,256
Adjustments for:				
Depreciation of property, plant and equipment		7,012	7,036	7,703
Dividend income		(364)	(59)	(805)
Finance costs		3,354	5,265	3,878
Loss (gain) on disposal of available-for-sale investments		269	(813)	(1,959)
Gain on disposal of investment properties		(12,903)	(1,162)	–
Loss (gain) on disposal of subsidiaries		6,752	61	(127,331)
Impairment loss recognised in respect of trade and other receivables		343	714	–
Increase in fair value of investment properties		(100,880)	(19,000)	(10,530)
Interest income		(33)	(361)	(850)
(Gain) loss on disposal of property, plant and equipment		(6,194)	461	–
Release of prepaid lease payments		46	46	46
Reversal of impairment loss recognised in respect of prepaid lease payments		–	(613)	–
Reversal of impairment loss recognised in respect of property, plant and equipment		–	(178)	–
Release of negative goodwill to income		(1,308)	–	–
Share-based payment expenses		–	8,233	379
Waiver of other borrowings		–	(19,651)	–
Operating cash flows before movements in working capital		(3,782)	(9,261)	(20,213)
(Increase) decrease in inventories		(1,653)	(23)	358
(Increase) decrease in trade and other receivables		(17,299)	21,394	(738)
(Decrease) increase in trade and other payables		(24,770)	(7,147)	6,482
Cash (used in) from operations		(47,504)	4,963	(14,111)
Hong Kong Profits Tax refunded		103	–	–
Hong Kong Profits Tax paid		(468)	(105)	(313)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(47,869)	4,858	(14,424)
NET CASH (USED IN) FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS		(51,010)	3,817	(13,883)
NET CASH FROM (USED IN) OPERATING ACTIVITIES FROM DISCONTINUED OPERATIONS	*10b*	3,141	1,041	(541)

CONSOLIDATED CASH FLOW STATEMENTS – CONTINUED

	Note	2005 HK$'000	2006 HK$'000	2007 HK$'000
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(2,277)	(57,913)	(154,473)
Advance to a jointly controlled entity		–	–	(12,955)
Deposits paid on acquisition of investment properties		–	–	(7,756)
Purchase of other assets		–	–	(145)
Increase in pledged bank deposits		(2,969)	(90)	(114)
Repayment of amount due from Quorum Island (BVI) Limited		–	–	62,400
Repayment of receivable on disposal of subsidiaries		–	–	33,654
Proceeds from disposal of available-for-sale investments		9,552	7,683	27,488
Deposits received on disposal of a subsidiary		28,302	–	–
Proceeds from disposal of subsidiaries (net of cash and cash equivalents disposed of)		12,705	–	–
Interest received		33	361	850
Dividends received		364	59	805
Proceeds from disposal of investment properties		19,503	118,162	–
Proceeds from disposal of property, plant and equipment		6,743	408	–
Purchase of available-for-sale investments		–	(25,196)	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES		71,956	43,474	(50,246)
NET CASH FROM (USED IN) INVESTING ACTIVITIES FROM CONTINUING OPERATIONS		74,591	45,677	(49,066)
NET CASH USED IN INVESTING ACTIVITIES FROM DISCONTINUED OPERATIONS	*10b*	(2,635)	(2,203)	(1,180)
FINANCING ACTIVITIES				
Repayment of bank borrowings		(30,610)	(136,572)	(84,045)
Repurchase of own shares		(843)	(11,338)	(14,893)
Repayment of obligations under finance leases		(2,988)	(3,610)	(4,788)
Interest paid		(3,060)	(4,921)	(3,387)
Finance charges paid in respect of obligations under finance leases		(294)	(344)	(491)
New bank borrowings raised		27,734	118,320	157,947
Proceeds from disposal of treasury shares		–	6,257	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(10,061)	(32,208)	50,343

CONSOLIDATED CASH FLOW STATEMENTS – CONTINUED

	Note	2005 HK$'000	2006 HK$'000	2007 HK$'000
NET CASH (USED IN) FROM FINANCING ACTIVITIES FROM CONTINUING OPERATIONS		(8,935)	(32,539)	50,200
NET CASH (USED IN) FROM FINANCING ACTIVITIES FROM DISCONTINUED OPERATIONS	*10b*	(1,126)	331	143
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		14,026	16,124	(14,327)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS IN CONTINUING OPERATIONS		14,646	16,955	(12,749)
NET DECREASE IN CASH AND CASH EQUIVALENTS IN DISCONTINUED OPERATIONS	*10b*	(620)	(831)	(1,578)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		2,915	16,941	33,065
Effect of foreign exchange rate changes		–	–	22
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		16,941	33,065	18,760
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS				
Bank balances and cash		22,472	37,836	23,299
Bank overdrafts		(5,531)	(4,771)	(4,539)
		16,941	33,065	18,760

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and the principal place of business of the Company are Unit 3402-03, 34/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollar, which is the same as the functional currency of the Company.

The Company acts as an investment holding company. The Group is principally engaged in resort and property development; property and investment holding; and design, manufacture, marketing and distribution of consumer electronic products. The activities of the principal subsidiaries of the Company and a jointly controlled entity of the Group are set out in notes 41 and 18 respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In 2006, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("INT(s)") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after January 1, 2005, except for HKAS 40 "Investment Property" and HKAS 21-INT 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" of which the Group had early adopted in the consolidated financial statements for the year ended June 30, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Business Combinations

In 2006, the Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after January 1, 2005 for goodwill and negative goodwill previously recognised. The principal effects of the application of transitional provisions of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions prior to July 1, 2001 was held in reserves. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves of HK$9,207,000 has been transferred to the Group's retained profits on 1st July, 2005. Comparative figures for 2005 have not been restated (see below for the financial impact).

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous years, negative goodwill arising on acquisitions prior to July 1, 2001 was held in reserves, and negative goodwill arising on acquisitions since July 1, 2001 and prior to July 1, 2005 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill on July 1, 2005 (of which negative goodwill of HK$20,660,000 was previously recorded in reserves and of HK$22,549,000 was previously presented as a deduction from assets). A corresponding adjustment to the Group's retained profits of HK$43,209,000 has been made.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS – CONTINUED

Share-based Payments

In 2006, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Group, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after July 1, 2005. In relation to share options granted before July 1, 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before November 7, 2002 and vested before July 1, 2005 in accordance with the transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after November 7, 2002 and had not yet vested on July 1, 2005. Because there were no unvested share options at July 1, 2005, comparative figures for 2005 need not be restated.

Financial Instruments

In 2006, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39 generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

On or before June 30, 2005, the Group classified and measured its equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice No. 24 "Accounting for Investments in Securities" issued by the HKICPA ("SSAP 24"). Under SSAP 24, investments in equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in profit or loss for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that period. From July 1, 2005 onwards, the Group has classified and measured its equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets" or "loans and receivables". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" are measured at amortised cost using the effective interest method after initial recognition.

On July 1, 2005, the Group classified and measured its equity securities in accordance with the transitional provisions of HKAS 39 as available-for-sale financial assets (see below for the financial impact). The application of these relevant transitional provisions has had no effect on results for the current year.

Financial assets and financial liabilities other than equity securities

From July 1, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets" or "loans and receivables". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". "Other financial liabilities" are carried at amortised cost using the effective interest method after initial recognition. This change in accounting policy has had no material effect on the results for the current year.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS – CONTINUED

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease terms on a straight line basis. This change in accounting policy has been applied retrospectively (see below for the financial impact).

The effects of the changes in accounting policies described above on the results are for year ended June 30, 2006 and prior years are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Increase in share-based payment expenses	(8,233)	–
Decrease in negative goodwill released to income	(1,308)	–
Decrease in profit for the year ended	(9,541)	–

Analysis of decrease in profit for the year ended June 30, 2006 by line items presented according to their function:

	2006	**2005**
	HK$'000	*HK$'000*
Increase in share-based payment expenses	(8,233)	–
Decrease in other income	(1,308)	–
Decrease in profit for the year ended	(9,541)	–

The cumulative effects of the application of the new HKFRSs on June 30, 2005 and July 1, 2005 are summarised below:

	As at June 30, 2005 (as originally stated)	**HKAS 1**	**HKAS 17**	**As at June 30, 2005 (as restated)**	**Effect of HKFRS 3**	**Effect of HKAS 39**	**As at July 1, 2005 (as restated)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance sheet items							
Property, plant and equipment	116,197	–	(1,482)	114,715	–	–	114,715
Prepaid lease payments							
– non-current portion	–	–	1,436	1,436	–	–	1,436
– current portion	–	–	46	46	–	–	46
Available-for-sale investments	–	–	–	–	–	8,625	8,625
Other securities	8,625	–	–	8,625	–	(8,625)	–
Negative goodwill	(22,549)	–	–	(22,549)	22,549	–	–
Total effects on assets	102,273	–	–	102,273	22,549	–	124,822

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS – CONTINUED

Owner-occupied leasehold interest in land – continued

	As at June 30, 2005 (as originally stated)	HKAS 1	HKAS 17	As at June 30, 2005 (as restated)	Effect of HKFRS 3	Effect of HKAS 39	As at July 1, 2005 (as restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital reserve	216,063	–	–	216,063	(11,453)	–	204,610
Retained profits	75,313	–	–	75,313	34,002	–	109,315
Total effects on equity attributable to equity holders of the Company	291,376	–	–	291,376	22,549	–	313,925
Minority interests	–	70,298	–	70,298	–	–	70,298
Total effects on total equity	291,376	70,298	–	361,674	22,549	–	384,223
Minority interests	70,298	(70,298)	–	–	–	–	–

The application of the new HKFRSs has had no effects to the Group's equity at June 30, 2004, except that minority interests amounting to HK$71,034,000 has been presented in equity.

In 2007, the Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new or revised Hong Kong Accounting Standards ("HKAS"), amendments and Interpretations ("Int") of the Hong Kong Financial Reporting Standards ("HKFRSs") (hereinafter collectively referred to as "new HKFRSs") that are effective for accounting periods beginning on or after July 1, 2007. For the purposes of the preparing and presenting the Financial Information for the Relevant Periods, the Group has early adopted all these new HKFRS throughout the Relevant Periods.

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

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

1 Effective for annual periods beginning on or after January 1, 2007
2 Effective for annual periods beginning on or after January 1, 2009
3 Effective for annual periods beginning on or after November 1, 2006
4 Effective for annual periods beginning on or after March 1, 2007
5 Effective for annual periods beginning on or after January 1, 2008
6 Effective for annual periods beginning on or after July 1, 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments and investment properties; which are measured at fair values as explained in the accounting policies set out below.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Non-current assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Non-current assets and disposal groups classified as held for sale are measured at the lower of the assets' and disposal groups' previous carrying amounts and fair value less costs to sell.

Jointly controlled entity

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Jointly controlled entity – continued

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold by the Group to outside customers, net of discounts, and property rental income during the year.

Sales of goods are recognised when goods are delivered and title has passed.

Rental income, including rentals invoiced in advance from properties let under operating leases, are recognised on a straight line basis over the terms of the relevant lease.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment other than properties under development are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Properties under development are stated at cost less any identified impairment losses. Cost includes development expenditure, borrowing costs capitalised and other directly attributable expenses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than properties under development over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, whereas shorter, the terms of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Other assets

Other assets are antiques held for long-term purposes and are stated at cost less any identified impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight line basis over the terms of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the terms of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense on a straight line basis over the lease terms.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification. Leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation on non-monetary items in respect of which gain and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Borrowings costs

Borrowings costs directly attributable to the acquisition, construction and production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Retirement benefit scheme

Payments to defined contribution retirement benefit scheme and mandatory provident fund scheme are charged as expenses when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other periods, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred taxation is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial assets

The Group's financial assets are classified into one of the two categories, which are loans and receivables and available-for-sale investments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. The accounting policies adopted in respect of each category of financial assets are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, promissory note receivable from a jointly controlled entity, amount due from a jointly controlled entity, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale investments are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale investments are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial liabilities and equity – continued

Treasury shares

Applied Investment (Asia) Limited (formerly known as iQuorum Cybernet Limited) ("Applied Investment") became a subsidiary of the Company in 1995. On consolidation, the shares in the Company held by Applied Investment have been accounted for using the treasury stock method whereby consolidated shareholders' equity is reduced by the carrying amount of the shares in the Company held by Applied Investment at the date when Applied Investment became the subsidiary of the Company. On disposal of the shares in the Company held by Applied Investment, consideration received is recognised directly in equity. The difference between the sale consideration and the carrying amount of the shares disposed of is recognised in retained profits. No gain or loss is recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire, or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

Share options granted to employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in share options reserve in equity.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sales investments, trade and other receivables, promissory note receivable from a jointly controlled entity, amount due from a jointly controlled entity, pledged bank deposits, bank balances and cash, trade and other payables, bank borrowings and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain secured bank borrowings of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, management will monitor foreign exchange exposure closely and consider the usage of hedging instruments when the need arises.

Interest rate risk

The Group's exposure to cash flow interest rate risk relates primarily to the variable-rate bank balances and secured bank borrowings.

The Group also exposed to fair value interest rate risks which is related primarily to its fixed-rate obligations under finance leases.

The Group currently does not have a policy to hedge against the interest rate risk as management believes that changes in the interest rate will not have a significant impact on the Group's financial position. However, management monitors closely the interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Price risk

The Group at is exposed to equity security price risk through the available-for-sale investments. Management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Credit risk

At June 30, 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties and financial guarantee issued by the Group arising from:

– the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and

– the amount of financial guarantee disclosed in note 39(a).

The Group is subject to concentration of credit risks over certain of its major customers for sales of consumer electronic products. At June 30, 2007, the outstanding balances from the five largest customers amounted to approximately HK$4,973,000. The Group has no significant concentration of credit risk for the remaining customers, with exposure spread over a number of customers. In order to minimise the credit risk and the concentration of credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue trade debts. In addition, the Group reviews the recoverable amount of each individual receivable at each balance sheet date to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

At June 30, 2007, management reviews the financial positions of the jointly controlled entity and the repayment records. In this regards, the management considers that the Group's credit risk on amount due from and promissory note receivable from a jointly controlled entity is minimal.

4. FINANCIAL INSTRUMENTS – CONTINUED

(a) Financial risk management objectives and policies – continued

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

(b) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

– the fair value of financial assets traded on active liquid markets are determined with reference to quoted market bid prices; and

– the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices and rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

5. TURNOVER

	2005 *HK$'000*	**2006** *HK$'000*	**2007** *HK$'000*
Continuing operations			
Sales of goods	–	–	–
Rental income	9,980	8,526	6,785
	9,980	8,526	6,785
Discontinuing operations			
Sales of goods	95,315	99,108	113,828
Rental income	–	–	–
	95,315	99,108	113,828

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group's operations are organised into three operating divisions namely resort development, property investment and manufacture and distribution of electronic products. The Group's resort development division includes multi-purpose resort communities as well as sales of condo hotels, residential units and club memberships. These divisions are the basis on which the Group reports its primary segment information.

Business segment information for the year ended June 30, 2005 is presented below:

	Discontinued operations	Continuing operations			Consolidated
	Manufacture and distribution of electronic products	Resort development	Property investment	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	95,315	–	9,980	9,980	105,295
Results					
Segment results	(1,091)	(412)	109,439	109,027	107,936
Unallocated corporate income	–			6,194	6,194
Unallocated corporate expenses	–			(3,900)	(3,900)
Finance costs	(539)			(2,815)	(3,354)
Loss on disposal of subsidiaries	–			(6,752)	(6,752)
(Loss) profit before taxation	(1,630)			101,754	100,124
Taxation	135			2,530	2,665
(Loss) profit for the year	(1,495)			104,284	102,789

	Discontinued operations	Continuing operations				Consolidated
	Manufacture and distribution of electronic products	Resort development	Property investment	Segment total	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	22,068	236,773	328,085	586,926	13,604	600,530
Liabilities	5,473	56	40,004	45,533	84,928	130,461
Other information						
Capital expenditure	2,364	–	2,041	4,405	–	4,405
Depreciation of property, plant and equipment	3,183	–	3,684	6,867	145	7,012
Release of prepaid lease payments	5	–	41	46	–	46
Allowance for trade and other receivables	343	–	–	343	–	343

6. BUSINESS AND GEOGRAPHICAL SEGMENTS – CONTINUED

Business segments – continued

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

	Discontinued operations	Continuing operations			Consolidated
	Manufacture and distribution of electronic products HK$'000	Resort development HK$'000	Property investment HK$'000	Sub-total HK$'000	Total HK$'000
Turnover	99,108	–	8,526	8,526	107,634
Results					
Segment results	(1,947)	(1,479)	16,120	14,641	12,694
Unallocated corporate income	–			19,651	19,651
Unallocated corporate expenses	–			(16,259)	(16,259)
Finance costs	(988)			(4,277)	(5,265)
Loss on disposal of a subsidiary	–			(61)	(61)
(Loss) profit before taxation	(2,935)			13,695	10,760
Taxation	(22)			(786)	(808)
(Loss) profit for the year	(2,957)			12,909	9,952

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

6. BUSINESS AND GEOGRAPHICAL SEGMENTS – CONTINUED

Business segments – continued

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

	Discontinued operations	Continuing operations			Consolidated
	Manufacture and distribution of electronic products *HK$'000*	Resort development *HK$'000*	Property investment *HK$'000*	Sub-total *HK$'000*	Total *HK$'000*
Turnover	113,828	–	6,785	6,785	120,613
Results					
Segment results	27	(563)	12,339	11,776	11,803
Unallocated corporate income	–			3,627	3,627
Unallocated corporate expenses	–			(29,627)	(29,627)
Finance costs	(2,040)			(1,838)	(3,878)
Gain on disposal of subsidiaries	–	127,331		127,331	127,331
(Loss) profit before taxation	(2,013)			111,269	109,256
Taxation	–			59	59
(Loss) profit for the year	(2,013)			111,328	109,315

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

6. BUSINESS AND GEOGRAPHICAL SEGMENTS – CONTINUED

Geographical segments

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

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

	Sales revenue by geographical market		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	99,586	102,542	115,654
The PRC	4,528	3,893	4,032
The BVI	1,181	1,199	927
	105,295	107,634	120,613

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

	Carrying amount of segment assets			Additions to property, plant and equipment		
	2005	**2006**	**2007**	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	323,295	255,936	208,915	4,405	10,825	5,861
The PRC	168,294	33,171	40,694	–	–	–
United States of America	26	26	–	–	–	–
The BVI	108,760	143,572	2,391	–	53,494	–
Panama	–	–	155,767	–	–	151,986
	600,375	432,705	407,767	4,405	64,319	157,847

7. WAIVER OF OTHER BORROWINGS

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

8. FINANCE COSTS

	Discontinued operations			Continuing operations			Consolidated		
	2005	2006	2007	2005	2006	2007	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest expense on:									
– bank borrowings wholly repayable within five years	410	781	1,604	1,871	2,816	1,783	2,281	3,597	3,387
– bank borrowings not wholly repayable within five years	–	–	–	779	1,324	–	779	1,324	–
Finance charges on obligations under finance leases	129	207	436	165	137	55	294	344	491
	539	988	2,040	2,815	4,277	1,838	3,354	5,265	3,878

9. TAXATION

	Discontinued operations			Continuing operations			Consolidated		
	2005	2006	2007	2005	2006	2007	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The (credit) charge comprises:									
Hong Kong Profits Tax									
Current year	–	–	–	535	742	473	535	742	473
(Over)under provision in previous years	–	22	–	(3,065)	44	(532)	(3,065)	66	(532)
	–	22	–	(2,530)	786	(59)	(2,530)	808	(59)
Deferred taxation *(Note 32)*									
Credit for the year	(135)	–	–	–	–	–	(135)	–	–
	(135)	22	–	(2,530)	786	(59)	(2,665)	808	(59)

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the years ended June 30, 2005, 2006 and 2007.

9. TAXATION – CONTINUED

The (credit) charge for the years can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation			
Continuing operations	101,754	13,695	111,269
Discontinued operations *(Note 10b)*	(1,630)	(2,935)	(2,013)
	100,124	10,760	109,256
Tax at Hong Kong Profits Tax rate of 17.5%	17,522	1,883	19,120
Tax effect of expenses not deductible in determining taxable profit	3,118	6,721	7,678
Tax effect of income not taxable in determining taxable profit	(20,138)	(3,408)	(25,128)
Tax effect of tax losses not recognised	27	309	203
Tax effect of recognition of deferred tax assets in respect of tax losses previously not recognised	(129)	(4,763)	(1,400)
(Over)under provision in previous years	(3,065)	66	(532)
Tax (credit) charge for the year	(2,665)	808	(59)

10a. PROFIT FOR THE YEAR

	Discontinued operations			Continuing operations			Consolidated		
	2005	2006	2007	2005	2006	2007	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(as restated)			(as restated)			(as restated)		
Profit for the year has been arrived at after charging:									
Staff costs, including directors' emoluments:									
Salaries and other benefits	4,481	6,071	7,377	12,036	13,195	14,331	16,517	19,266	21,708
Share-based payment expenses	–	–	–	–	8,233	379	–	8,233	379
Retirement benefit scheme contributions	69	116	92	121	222	96	190	338	188
Total staff costs	4,550	6,187	7,469	12,157	21,650	14,806	16,707	27,837	22,275
Impairment loss recognised in respect of trade and other receivables	343	535	–	–	179	–	343	714	–
Auditors' remuneration:									
Current year	–	–	–	611	950	960	611	950	960
Underprovision in prior years	–	–	–	111	244	157	111	244	157
Cost of inventories recognised as expenses	–	–	–	91,400	93,902	108,332	91,400	93,902	108,332
Depreciation of property, plant and equipment	3,183	2,893	2,962	3,829	4,143	4,741	7,012	7,036	7,703
Loss on disposal of property, plant and equipment	–	–	–	–	461	–	–	461	–
Net foreign exchange loss	–	–	132	–	114	137	–	114	269
Release of prepaid lease payments	5	5	5	41	41	41	46	46	46
and after crediting:									
Dividend income from listed available-for-sale investments	–	–	–	364	59	805	364	59	805
Gain on disposal of available-for-sale investments	–	–	–	–	813	1,959	–	813	1,959
Gain on disposal of investment properties	–	–	–	–	1,162	–	–	1,162	–
Interest income	–	–	–	33	361	850	33	361	850
Release of negative goodwill included in other income	–	–	–	1,308	–	–	1,308	–	–
Rental income from property, plant and equipment	–	–	–	80	–	–	80	–	–
Reversal of impairment loss recognised in respect of property, plant and equipment included in other income	–	–	–	–	178	–	–	178	–
Reversal of impairment loss recognised in respect of prepaid lease payments included in other income	–	–	–	–	613	–	–	613	–

10b. DISCONTINUED OPERATIONS

Disposal of the manufacture business

On November 5, 2007, the Board of Directors entered into a sale agreement to dispose of the Group's manufacture business. The proceeds of sale substantially exceeded the carrying amount of the related net liabilities and, accordingly, no impairment losses were recognised on the reclassification of these operations as held for sale. The disposal of the manufacture business is consistent with the Group's long-term policy to focus its activities in the resort development and property investment industries. The disposal will be completed by January 3, 2008, on which date control of the manufacture business passed to the acquirer.

The results of the discontinued operations for the Relevant Periods were as follows:

	2005 *HK$'000* (as restated)	2006 *HK$'000*	2007 *HK$'000*
Loss for the year from discontinued operations			
Turnover	95,315	99,108	113,828
Cost of sales	(91,400)	(93,902)	(108,332)
Gross profit	3,915	5,206	5,496
Other income	733	440	595
Distribution costs	(1,307)	(1,817)	(1,532)
Administrative expenses	(5,112)	(5,926)	(4,862)
Increase in fair value of investment properties	680	150	330
Finance costs	(539)	(988)	(2,040)
Loss before taxation	(1,630)	(2,935)	(2,013)
Taxation	135	(22)	–
Loss for the year from discontinued operations	(1,495)	(2,957)	(2,013)

The carrying amount of the assets and liabilities of the discontinued operations were as follows:

	2005 *HK$'000* (as restated)	2006 *HK$'000*	2007 *HK$'000*
Non-current assets			
Investment properties	1,600	1,750	2,080
Property, plant and equipment	6,998	9,848	11,462
Prepaid lease payments – non-current portion	216	211	206
	8,814	11,809	13,748
Current assets			
Inventories	2,233	2,256	1,898
Trade and other receivables	4,453	4,271	6,949
Prepaid lease payments – current portion	5	5	5
Tax recoverable	22	–	–
Pledged bank deposits	2,969	3,059	3,173
Bank balances and cash	3,594	2,004	193
	13,276	11,595	12,218

10b. DISCONTINUED OPERATIONS – CONTINUED

Disposal of the manufacture business – continued

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
	(as restated)		
Current liabilities			
Trade and other payables	4,647	5,072	4,889
Amount due to directors	826	183	–
Bank and other borrowings			
– due within one year	13,030	14,052	14,853
Obligations under finance leases			
– due within one year	926	1,933	2,637
Bank overdrafts	–	–	4,539
	19,429	21,240	26,918
Net current liabilities	(6,153)	(9,645)	(14,700)
Total assets less current liabilities	2,661	2,164	(952)
Non-current liabilities			
Bank and other borrowings			
– due after one year	–	1,005	269
Obligations under finance leases			
– due after one year	1,157	2,184	1,816
	1,157	3,189	2,085
	1,504	(1,025)	(3,037)
Capital and reserves			
Share capital	200	200	200
Reserves	1,304	(1,225)	(3,237)
	1,504	(1,025)	(3,037)

10b. DISCONTINUED OPERATIONS – CONTINUED

Disposal of the manufacture business – continued

The cash flows of the discontinued operations for the Relevant Periods were as follows:

	2005 *HK$'000*	**2006** *HK$'000*	**2007** *HK$'000*
OPERATING ACTIVITIES			
Loss before taxation	(1,630)	(2,936)	(2,013)
Adjustments for:			
Depreciation of property, plant and equipment	3,183	2,892	2,961
Finance costs	539	988	2,040
Gain on disposal of property, plant and equipment	(477)	–	–
Impairment loss recognised in respect of trade and other receivables	343	535	–
Increase in fair value of investment properties	(680)	(150)	(330)
Interest income	(19)	(128)	(135)
Release of prepaid lease payments	5	5	5
Operating cash flows before movements in working capital	1,264	1,206	2,528
(Increase) decrease in inventories	(1,653)	(23)	358
Decrease (increase) in trade and other receivables	5,487	(353)	(2,376)
(Decrease) increase in trade and other payables	(2,059)	211	(1,051)
Cash from (used in) operations	3,039	1,041	(541)
Hong Kong Profits Tax refunded	102	–	–
NET CASH FROM (USED IN) OPERATING ACTIVITIES	3,141	1,041	(541)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(236)	(2,242)	(1,201)
Increase in pledged bank deposits	(2,969)	(90)	(114)
Interest received	19	129	135
Proceeds from disposal of property, plant and equipment	551	–	–
NET CASH USED IN INVESTING ACTIVITIES	(2,635)	(2,203)	(1,180)

10b. DISCONTINUED OPERATIONS – CONTINUED

Disposal of the manufacture business – continued

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
FINANCING ACTIVITIES			
Repayment of bank borrowings	(26,094)	(37,533)	(48,112)
Repurchase of own shares	(1,488)	(1,468)	(3,038)
Interest paid	(410)	(781)	(1,604)
Finance charges paid in respect of obligations under finance leases	(129)	(207)	(436)
Advance from directors	447	–	–
New bank borrowings raised	26,548	40,320	53,333
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(1,126)	331	143
NET DECREASE IN CASH AND CASH EQUIVALENTS	(620)	(831)	(1,578)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	(1,317)	(1,937)	(2,768)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	(1,937)	(2,768)	(4,346)
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash	3,594	2,004	193
Bank overdrafts	(5,531)	(4,772)	(4,539)
	(1,937)	(2,768)	(4,346)

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to the directors during the years were as follows:

For the year ended June 30, 2005

	Hung Kin Sang, Raymond *HK$'000* *(Note 3)*	**Hung Wong Kar Gee, Mimi** *HK$'000* *(Note 3)*	**Hung Kai Mau, Marcus** *HK$'000* *(Notes 1 and 3)*	**Fang Chin Ping** *HK$'000*	**Lo Yun Tai** *HK$'000*	**Lun Tsan Kau** *HK$'000*	**Soo Hung Leung, Lincoln** *HK$'000*	**Lam Ka Wai, Graham** *HK$'000* *(Note 2)*	**Total** *HK$'000*
Fees	–	–	–	–	100	100	100	–	300
Other emoluments									
Salaries and other benefits	3,845	2,693	–	547	–	–	–	–	7,085
Retirement benefit scheme contributions	12	12	–	–	–	–	–	–	24
Total emoluments	3,857	2,705	–	547	100	100	100	–	7,409

For the year ended June 30, 2006

	Hung Kin Sang, Raymond *HK$'000* *(Note 3)*	**Hung Wong Kar Gee, Mimi** *HK$'000* *(Note 3)*	**Hung Kai Mau, Marcus** *HK$'000* *(Note 3)*	**Fang Chin Ping** *HK$'000*	**Lo Yun Tai** *HK$'000*	**Lun Tsan Kau** *HK$'000*	**Soo Hung Leung, Lincoln** *HK$'000*	**Lam Ka Wai, Graham** *HK$'000*	**Total** *HK$'000*
Fees	–	–	–	–	100	100	100	75	375
Other emoluments									
Salaries and other benefits	3,345	3,689	612	589	–	–	–	–	8,235
Share-based payment expenses	7,854	–	316	–	–	–	–	–	8,170
Retirement benefit scheme contributions	12	12	12	–	–	–	–	–	36
Total emoluments	11,211	3,701	940	589	100	100	100	75	16,816

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – CONTINUED

(a) Directors' emoluments – continued

For the year ended June 30, 2007

	Hung Kin Sang, Raymond *HK$'000* *(Note 3)*	Hung Wong Kar Gee, Mimi *HK$'000* *(Note 3)*	Hung Kai Mau, Marcus *HK$'000* *(Note 3)*	Fang Chin Ping *HK$'000*	Lo Yun Tai *HK$'000*	Lun Tsan Kau *HK$'000*	Soo Hung Leung, Lincoln *HK$'000*	Lam Ka Wai, Graham *HK$'000*	Total *HK$'000*
Fees	–	–	–	–	100	100	100	100	400
Other emoluments									
Salaries and other benefits	5,286	4,326	1,151	626	–	–	–	–	11,389
Share-based payment expenses	–	–	316	–	–	–	–	–	316
Retirement benefit scheme contributions	12	12	12	–	–	–	–	–	36
Total emoluments	5,298	4,338	1,479	626	100	100	100	100	12,141

Note:

(1) Mr. Hung Kai Mau, Marcus was appointed on August 16, 2005.

(2) Mr. Lam Ka Wai, Graham was appointed on October 1, 2005.

(3) In 2005, in addition to the above, the Group provided rent-free accommodation with estimated rateable values of approximately HK$342,000 and, HK$1,465,000, respectively, to Mr. Hung Kin Sang, Raymond and Madam Hung Wong Kar Gee, Mimi.

In 2006, in addition to the above, the Group provided rent-free accommodation with estimated rateable values of approximately HK$342,000, HK$953,000 and HK$242,000, respectively, to Mr. Hung Kin Sang, Raymond, Madam Hung Wong Kar Gee, Mimi and Mr. Hung Kai Mau, Marcus.

In 2007, in addition to the above, the Group provided rent-free accommodation with estimated rateable values of approximately HK$342,000, HK$1,847,000 and HK$469,000, respectively, to Mr. Hung Kin Sang, Raymond, Madam Hung Wong Kar Gee, Mimi and Mr. Hung Kai Mau, Marcus.

(b) Employees' emoluments

The five highest paid individuals included four (2006: four and 2005: three) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining one (2006: one and 2005: two) individuals are as follows:

	2005 *HK$'000*	2006 *HK$'000*	2007 *HK$'000*
Salaries and other benefits	1,093	715	660
Retirement benefit scheme contributions	22	12	12
	1,115	727	672

During the years, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. During the years, no directors waived any emoluments.

12. EARNINGS PER SHARE

For continuing and discontinued operations

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

	2005 *HK$'000*	**2006** *HK$'000*	**2007** *HK$'000*
Earnings for the purpose of basic per share (profit for the year attributable to the equity holders of the parent company)	103,525	10,757	110,173

	Number of shares		
	2005	**2006**	**2007**
Weighted average number of ordinary shares for the purposes of basic earnings per share	892,167,853	879,858,648	858,835,347

From continuing operations

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

	2005 *HK$'000*	**2006** *HK$'000*	**2007** *HK$'000*
Earnings for the purpose of basic per share (profit for the year attributable to the equity holders of the parent company)	103,525	10,757	110,173
Add:			
Losses for the year from the discontinued operations	1,495	2,957	2,013
Earnings for the purpose of basic per share from continuing operations	105,020	13,714	112,186

	Number of shares		
	2005	**2006**	**2007**
Weighted average number of ordinary shares for the purposes of basic earnings per share	892,167,853	879,858,648	858,835,347

12. EARNINGS PER SHARE – CONTINUED

From discontinued operations

The calculation of the basic losses per share from discontinued operations attributable to the equity holders of the parent company is based on the filling data:

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Earnings for the purpose of basic per share (profit for the year attributable to the equity holders of the parent company)	103,525	10,757	110,173
Less:			
Profits for the year from the continuing operations	105,020	13,714	112,186
Losses for the purpose of basic per share from discontinued operations	(1,495)	(2,957)	(2,013)

		Number of shares	
	2005	**2006**	**2007**
Weighted average number of ordinary shares for the purposes of basic earnings per share	892,167,853	879,858,648	858,835,347

In 2006, the weighted average number of shares adopted in calculation of earnings per share has been arrived after eliminating the shares in the Company held by iQuorum.

In 2007, the weighted average number of shares adopted in calculation of earnings per share has been arrived after eliminating the shares in the Company held by Applied Investment (Asia) Limited.

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

Changes in the Group's accounting policies during the year are described in detail in note 2. To the extent that those changes have had an impact on results reported for 2006 and 2005, they have had an impact on the amounts reported for earnings per share. The following table summarises that impact on basic earnings per share:

	Impact on basic earnings per share	
	2005	**2006**
	HKCents	*HKCents*
Figures before adjustments	11.60	2.30
Adjustments arising from changes in accounting policies	–	(1.08)
Reported/restated	11.60	1.22

13. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At July 1, 2004	202,276
Transfer from property, plant and equipment	11,500
Transfer to property, plant and equipment	(2,556)
Disposals	(6,600)
Increase in fair value	100,880
At June 30, 2005	305,500
Disposals	(117,000)
Increase in fair value	19,000
At June 30, 2006	207,500
Transferred to properties held for sale	(59,000)
Increase in fair value	10,530
At June 30, 2007	159,030

The fair values of the investment properties of the Group at June 30, 2005 and 2006 have been arrived at on the basis of a valuation carried out on that date by RHL Appraisal Limited and DtZ Debenham Tie Leung Limited, independent firm of qualified professional valuers in Hong Kong.

The fair values of the investment properties of the Group at June 30, 2007 have been arrived at on the basis of a valuation carried out on that date by Asset Appraisal Ltd., an independent firm of qualified professional valuers not connected with the Group.

The valuation, which conforms to HKIS Valuation Standards on properties, was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

During the year ended June 30, 2005, the Group transferred a property under development located in the PRC to investment property. The property under development was revalued at its fair value at the date of transfer and the fair value adjustment amounting to HK$8,551,000 was credited to other reserve.

The Group pledged its investment properties amounting to HK$275,800,000 and HK$178,750,000 in 2005 and 2006 respectively to secure general banking facilities granted to the Group.

During the year ended June 30, 2007, the Group entered into a binding agreement with an independent third party for the disposal of investment properties with carrying values of approximately HK$59,000,000 for a consideration of HK$59,000,000. The investment properties are expected to be sold within twelve months from the agreement date and have been classified as properties held for sale and are presented separately in the consolidated balance sheet.

The properties held for sale of the Group are leasehold properties held in Hong Kong under medium-term leases.

13. INVESTMENT PROPERTIES – CONTINUED

The carrying values of investment properties held by the Group comprise:

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Held in Hong Kong:			
Long leases	99,200	117,000	125,000
Medium-term leases	176,600	61,750	2,080
Held outside Hong Kong:			
Medium-term leases	29,700	28,750	31,950
	305,500	207,500	159,030

14. INTEREST IN A LEASEHOLD LAND

Interest in a leasehold land is located in the PRC and held under a long-term land use right.

On October 16, 2003, the Group entered into an agreement to dispose of its 60% equity interest in a subsidiary, which held the interest in the leasehold land. The transaction was completed on June 27, 2006.

Details of the transaction were set out in notes 22 and 36.

15. PROPERTY, PLANT AND EQUIPMENT

	Properties under development HK$'000	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Motor boats HK$'000	Total HK$'000
COST								
At July 1, 2004								
As originally stated	111,722	5,037	11,781	72,308	63,942	13,423	16,298	294,511
Effect of adoption of new accounting standards	–	(2,284)	–	–	–	–	–	(2,284)
At July 1, 2004, as restated	111,722	2,753	11,781	72,308	63,942	13,423	16,298	292,227
Additions	–	–	1,002	2,225	261	917	–	4,405
Transfer (to)/from investment properties	(2,949)	2,556	–	–	–	–	–	(393)
Disposal of subsidiaries	(19,131)	–	–	–	(327)	(187)	–	(19,645)
Disposals	–	(430)	–	(11,241)	(3,381)	(1,334)	(16,298)	(32,684)
At July 1, 2005	89,642	4,879	12,783	63,292	60,495	12,819	–	243,910
Additions	53,494	–	1,442	4,234	286	3,213	1,650	64,319
Disposals	–	–	(1,189)	(264)	–	(2,557)	–	(4,010)
At June 30, 2006	143,136	4,879	13,036	67,262	60,781	13,475	1,650	304,219
Additions	151,986	–	1,205	3,988	485	183	–	157,847
Disposal of subsidiaries	(143,138)	–	–	–	–	–	–	(143,138)
At June 30, 2007	151,984	4,879	14,241	71,250	61,266	13,658	1,650	318,928
DEPRECIATION AND IMPAIRMENT								
At July 1, 2004								
As originally stated	6,000	2,018	1,585	66,240	62,677	6,748	16,296	161,564
Effect of adoption of new accounting standards	–	(756)	–	–	–	–	–	(756)
At July 1, 2004, as restated	6,000	1,262	1,585	66,240	62,677	6,748	16,296	160,808
Provided for the year	–	72	1,885	2,526	933	1,596	–	7,012
Eliminated on disposal of subsidiaries	(6,000)	–	–	–	(303)	(187)	–	(6,490)
Eliminated on disposals	–	(129)	–	(11,240)	(3,381)	(1,089)	(16,296)	(32,135)
At July 1, 2005	–	1,205	3,470	57,526	59,926	7,068	–	129,195
Provided for the year	–	59	2,349	2,594	177	1,829	28	7,036
Eliminated on disposals	–	–	(348)	(236)	–	(2,557)	–	(3,141)
Reversal of impairment loss	–	(178)	–	–	–	–	–	(178)
At June 30, 2006	–	1,086	5,471	59,884	60,103	6,340	28	132,912
Provided for the year	–	57	2,280	2,605	219	2,212	330	7,703
At June 30, 2007	–	1,143	7,751	62,489	60,322	8,552	358	140,615
CARRYING VALUES								
At June 30, 2007	151,984	3,736	6,490	8,761	944	5,106	1,292	178,313
At June 30, 2006	143,136	3,793	7,565	7,378	678	7,135	1,622	171,307
At June 30, 2005	89,642	3,674	9,313	5,766	569	5,751	–	114,715

15. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Freehold land	Nil
Land and buildings	Over the shorter of the term of the leases or 25 years, whichever is shorter
Leasehold improvements	20%
Plant and machinery	10% to 25%
Furniture, fixtures and equipment	10% to 50%
Motor vehicles	10% to $33\frac{1}{3}$%
Motor boats	10% to 20%

The carrying values of land and buildings held by the Group comprises:

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
	(as restated)		
Freehold properties held in Canada	2,556	2,556	2,556
Leasehold properties held in Hong Kong under medium-term leases	755	704	656
Held in the PRC under long-term land use rights	365	533	524
	3,676	3,793	3,736

The Group pledged its plant and equipment amounting to HK$1,530,000 and HK$1,398,000 to secure general banking facilities granted to the Group in 2005 and 2006 respectively.

In 2006, the properties under development of the Group are freehold properties located in BVI.

In 2007, the properties under development of the Group are freehold properties located in Panama.

The carrying values of property, plant and equipment of the Group include an aggregate amount of HK$9,235,000, HK$12,623,000 and HK$11,756,000 respectively in 2005, 2006 and 2007 in respect of assets held under finance leases.

16. PREPAID LEASE PAYMENTS

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
The Group's prepaid lease payments comprise leasehold interest in land held on:			
– medium-term leases in Hong Kong	222	216	211
– long leases in the PRC	1,260	1,833	1,792
	1,482	2,049	2,003
Analysed for reporting purposes as:			
Current portion	46	46	46
Non-current portion	1,436	2,003	1,957
	1,482	2,049	2,003

In 2007, the Group pledged the prepaid lease payments amounted to HK$211,000 (2006: HK$216,000 and 2005: HK$220,000 as restated) to secure general banking facilities granted to the Group.

17. OTHER ASSETS

Other assets of the Group represent antiques held for long-term investment purpose.

18. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2005 *HK$'000*	**2006** *HK$'000*	**2007** *HK$'000*
Cost of unlisted investment in a jointly controlled entity	–	–	36,469
Share of post-acquisition profits	–	–	–
	–	–	36,469

As at June 30, 2007, the Group had interest in the following jointly controlled entity:

Name of jointly controlled entity	Form of business structure	Place of incorporation/ operation	Class of shares held	Proportion of issued share capital held by the Group %	Principal activities
Quorum Island (BVI) Limited ("Quorum")	Incorporation	The BVI	Ordinary	50	Resort and property development

Pursuant to an agreement dated August 11, 2006 (the "Agreement") entered into by Quorum, Applied Toys Limited ("Applied Toys"), Applied Enterprises Limited ("Applied Enterprises"), all of which are wholly-owned subsidiaries of the Company, and InterIsle Holdings Limited ("InterIsle"), an independent third party:

(1) Applied Toys and Applied Enterprises agreed to receive US$30 million (equivalent to HK$234,000,000) from Quorum for the redemption 50% of the issued share capital of Quorum and the settlement of all indebtednesses owed by Quorum to the Group; and

(2) InterIsle agreed to subscribe 50% equity interest in Quorum for a consideration of US$21 million (equivalent to HK$163,800,000)

The Agreement was completed on April 9, 2007. Quorum became a jointly controlled entity of the Group and a gain on disposal of HK$127,331,000 was recognised in the consolidated income statement. The sole asset of Quorum upon the date of the completion of the Agreement is a piece of land held for development in the BVI (the "Land").

Upon completion of the Agreement, InterIsle paid US$8 million (equivalent to HK$62,400,000) to Quorum. Quorum then repaid US$8 million (equivalent to HK$62,400,000) to the Group and issued a promissory note due for repayment on April 9, 2008 to the Group for the remaining balance of US$22 million (equivalent to HK$171,600,000). Details are set out on note 23.

18. INTEREST IN A JOINTLY CONTROLLED ENTITY – CONTINUED

The summarised financial information in respect of the Group's interest in a jointly controlled entity which is accounted for using the equity method is set out below:

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Current assets	–	–	57,178
Non-current assets	–	–	71,569
Current liabilities	–	–	92,278
Income	–	–	–
Expenses	–	–	–

At June 30, 2007, included in the balance sheet of Quorum is the Land with carrying amount of HK$143,138,000, of which HK$71,569,000 relates to the Group's interest. The market value of the Land is US$51 million (equivalent to HK$397,800,000) which has been arrived at on the basis of a valuation carried out on that date by Edward Childs, a member of the Royal Institution of Chartered Surveyors in United Kingdom ("RICS") who has experience in the valuation of resort and commercial property in the Caribbean region. The valuation, which conforms to RICS Appraisal and Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

19. AVAILABLE-FOR-SALE INVESTMENTS/OTHER SECURITIES

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
AT FAIR VALUE			
Equity securities			
Listed in Hong Kong	7,822	25,649	1,144
Listed in overseas	803	742	–
	8,625	26,391	1,144
Carrying amount analysed for reporting purposes as:			
Non-current assets	8,625	26,391	1,144

20. NEGATIVE GOODWILL

	The Group
	HK$'000
GROSS AMOUNT	
At July 1, 2004 and June 30, 2005	26,154
RELEASED TO INCOME	
At July 1, 2004	2,297
Released in the year	1,308
At June 30, 2005	3,605
CARRYING VALUES	
At June 30, 2005	22,549
Derecognised upon the application of HKFRS 3	(22,549)
At July 1, 2005	–

As explained in note 2, all negative goodwill arising on acquisitions prior to July 1, 2005 was derecognised as a result of the application of HKFRS 3.

21. INVENTORIES

	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	2,233	2,256	1,898

The above inventories are stated at cost.

22. TRADE AND OTHER RECEIVABLES

The Group allows credit period ranging from 30 to 90 days to its trade customers.

Included in trade and other receivables of the Group are trade receivables of HK$4,353,000, HK$3,777,000 and HK$6,151,000 in 2005, 2006 and 2007 respectively and their aging analysis is as follows:

	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Within 90 days	3,560	3,588	5,851
More than 90 days and within 180 days	793	189	300
	4,353	3,777	6,151

Included in trade and other receivables of the Group as at June 30, 2006 were other receivables of HK$33,654,000 which represent the remaining balance of consideration for the disposal of a 60% owned subsidiary of the Company, 惠陽縣淡水新陽城建設有限公司 ("Danshui"). On October 16, 2003, the Group entered into an agreement to dispose of its equity interest in Danshui at a consideration of HK$61,956,000. The transaction was completed on June 27, 2006 and the Group received the partial settlement of the consideration of HK$28,302,000 up to June 30, 2005. The remaining balance of the consideration of HK$33,654,000 was retained by 惠州市惠陽區淡水鎮人民政府 ("淡水鎮人民政府"), who is the witness of the agreement. The amount was fully repaid by 惠州市大亞灣經濟技術開發集團公司 ("大亞灣集團公司"), an affiliate of 淡水鎮人民政府 in 2007.

23. PROMISSORY NOTE RECEIVABLE FROM A JOINTLY CONTROLLED ENTITY

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

24. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

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

25. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH/BANK OVERDRAFTS

Bank deposits of HK$2,969,000, HK$3,059,000 and HK$3,173,000 respectively in 2005, 2006 and 2007 are pledged to banks to secure short-term general banking facilities granted to the Group respectively and are therefore classified as current assets.

The pledged bank deposits carry fixed interest of 2.10%, 3.90% and 3.80% per annum respectively in 2005, 2006 and 2007. The pledged bank deposits will be released upon the settlement of relevant bank borrowings. The fair values of the pledged bank deposits at the years ended approximate the corresponding carrying amount.

Bank balances and cash comprises bank balances and cash held by the Group and short-term bank deposits that are interest-bearing at prevailing market interest rates. All bank deposits are with maturity of three months or less. The bank deposits carry average interest rates of 2.11%, 2.11% and 2.26% per annum respectively in 2005, 2006 and 2007.

Bank overdrafts are repayable on demand and carry interest at prevailing market interest rates ranging from Hong Kong Prime rate ("P") plus 0.75% to P plus 1.75% and from P to P plus 1.00% per annum in 2006 and 2007 respectively. The effective interest rate ranged from 8.25% to 9.25% and 8.00% to 9.00% per annum respectively in 2006 and 2007.

26. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK$3,967,000, HK$4,184,000 and HK$3,459,000 respectively in 2005, 2006 and 2007 and their aged analysis is as follows:

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Within 90 days	3,416	3,506	1,661
More than 90 days and within 180 days	551	678	1,798
	3,967	4,184	3,459

The fair values of the trade and other payables at years ended are approximate the corresponding carrying amounts.

27. BANK AND OTHER BORROWINGS

	2005 *HK$'000*	2006 *HK$'000*	2007 *HK$'000*
The bank and other borrowings comprise:			
Bank loans	47,354	27,743	95,607
Import loans	7,118	8,477	14,515
Bank overdrafts	5,531	4,771	4,539
Other loans	18,449	–	–
	78,452	40,991	114,661
Represented by:			
Secured	60,003	40,991	114,661
Unsecured	18,449	–	–
	78,452	40,991	114,661
Carrying amount repayable:			
On demand or within one year	52,641	16,145	22,392
More than one year, but not exceeding two years	2,093	2,910	3,269
More than two years, but not exceeding three years	2,175	2,531	89,000
More than three years, but not exceeding four years	2,261	2,350	–
More than four years, but not exceeding five years	2,351	2,442	–
More than five years	16,931	14,613	–
	78,452	40,991	114,661
Less: Amount due within one year shown under current liabilities	(52,641)	(16,145)	(22,392)
Amount due after one year	25,811	24,846	92,269

In 2007, the Group's borrowings carried variable interest rates ranging from P minus 1.25% to P plus 1.00% per annum (2006: P plus 0.50% to 3.00% per annum and 2005: P plus 0.50% to 3.00% per annum).

In 2007, the effective interest rates ranged from 6.10% to 7.23% per annum (2006: 7.13% to 7.88% per annum and 2005: 4.13% to 7.50% per annum).

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	HK$ equivalent of Japanese yen *HK$'000*	HK$ equivalent of United States dollar *HK$'000*
As at June 30, 2007	251	11,408
As at June 30, 2006	–	8,097
As at June 30, 2005	–	7,119

28. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments			Present value of minimum lease payments		
	2005	2006	2007	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:						
Within one year	2,496	4,052	3,850	2,334	3,732	3,582
In more than one year but not more than two years	2,090	2,630	2,104	1,660	2,473	2,040
In more than two years but not more than three years	–	1,019	85	354	939	82
In more than three years but not more than four years	–	–	28	–	–	26
	4,586	7,701	6,067	4,348	7,144	5,730
Less: Future finance charges	(238)	(557)	(337)			
Present value of lease obligations	4,348	7,144	5,730			
Less: Amount due within one year shown under current liabilities				(2,334)	(3,732)	(3,582)
Amount due after one year				2,014	3,412	2,148

The obligations under finance leases of the Group are secured by the lessor's charge over the leased assets.

The lease term is ranging from one to four years. In 2005, 2006 and 2007, the average effective borrowing rate was 5.91%, 5.99% and 5.59% per annum respectively. Interest rates were fixed at the contract date. All leases are on a fixed repayment basis.

29. SHARE CAPITAL

	Number of ordinary shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At July 1, 2004, June 30, 2005, 2006 and 2007	6,000,000,000	60,000
Issued and fully paid:		
At July 1, 2004	941,082,826	9,411
Cancellation upon repurchase of own shares	(3,860,000)	(39)
At June 30, 2005	937,222,826	9,372
Cancellation upon repurchase of own shares	(27,240,000)	(272)
At June 30, 2006	909,982,826	9,100
Cancellation upon repurchase of own shares	(29,540,000)	(296)
At June 30, 2007	880,442,826	8,804

29. SHARE CAPITAL – CONTINUED

In 2005, 2006 and 2007, the Company repurchased on the Stock Exchange a total of 3,860,000 and 27,240,000 and 29,540,000 shares of HK$0.01 each of the Company at an aggregate consideration of HK$843,000, HK$11,338,000 and HK$14,893,000 respectively, all of these shares were subsequently cancelled. The nominal value of cancelled shares was credited to the capital redemption reserve and the aggregate consideration was charged to of the accumulated losses or retained profits of the Company.

30. SHARE-BASED PAYMENTS

The Company adopted a share option scheme on September 16, 2002 (the "Scheme") for the primary purpose of providing incentives to directors and eligible employees. The Scheme will expire on September 15, 2012. Under the Scheme, the board of directors of the Company may grant options to any employees, including executive directors, or consultants of the Company and/or its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of adoption of the Scheme. Unless approved by the shareholders of the Company, the number of shares in respect of which options may be granted to any individual is not permitted to exceed the higher of 1% of the number of shares issued and issuable under the Scheme or any other limit as may be permitted under the Rules Governing the Listing of Securities on the Stock Exchange.

Options granted must be taken up within 30 days of the date of grant, upon payment of HK$1 per grant. Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the board of directors may at their discretion determine the specific exercise period. The exercise price is determined by the directors of the Company, and will be the highest of (i) the closing price of the Company's share on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares.

The directors and employees of the Company and its subsidiaries are entitled to participate in the Scheme.

In 2006 and 2007, the number of shares in respect of which options were granted under the Scheme and which remained outstanding was approximately 5.41% and 5.59% respectively of the Company in issue at that date.

The following table discloses movements of the share options of the Company during the years ended June 30, 2006 and 2007. There were no movements during the years.

Name of directors	*Notes*	**Date of share options granted**	**Exercisable period**	**Granted during the year and outstanding at 30.6.2006 and 30.6.2007** *HK$*	**Exercise price**
Hung Kin Sang, Raymond	*(1)*	25.4.2006	25.4.2006 to 24.4.2011	45,611,141	0.54
Hung Kai Mau, Marcus	*(2)*	25.4.2006	25.4.2006 to 24.4.2009	1,500,000	0.54
	(2)	25.4.2006	24.4.2007 to 24.4.2009	1,500,000	0.54
Total for directors				48,611,141	
Employees					
	(2)	25.4.2006	25.4.2006 to 24.4.2009	300,000	0.54
	(2)	25.4.2006	24.4.2007 to 24.4.2009	300,000	0.54
Total for employees				600,000	
Grand total				49,211,141	

30. SHARE-BASED PAYMENTS – CONTINUED

Notes:

(1) The exercise period of the share options of the Company granted to Mr. Hung Kin Sang, Raymond is five years from the date of grant. There is no minimum vesting period for the share options of the Company granted to Mr. Hung Kin Sang, Raymond.

(2) The exercise period of the share options of the Company granted to Mr. Hung Kai Mau, Marcus and the employees is three years from the date of grant. Except for the requirement that 50% of the share options granted must be held for at least one year before they can be exercised, there is no minimum vesting period for the remaining 50% share options of the Company granted to Mr. Hung Kai Mau, Marcus and the employees.

(3) The closing price of the shares of the Company immediately before the date of grant is HK$0.54.

(4) The fair values of the share options of the Company were calculated using The Binomial model. The valuation of fair values determination as at April 25, 2006 was carried out by Sallmanns (Far East) Limited. The inputs into the model were as follows:

	2006	
	Share options granted to Mr. Hung Kin Sang, Raymond	**Share options granted to Mr. Hung Kai Mau, Marcus and the employees**
Closing share price at date of grant	HK$0.54	HK$0.54
Exercise price	HK$0.54	HK$0.54
Expected volatility	98.00%	98.00%
Suboptimal exercise factor	1.50	1.50
Risk-free interest rate	4.54%	4.31%
Expected dividend yield	nil	nil

The suboptimal exercise factor was to account for the early exercise behaviour of the share options granted by the Company.

The risk-free rate interest was based on yield of Hong Kong Exchange Fund Note.

Expected volatility was determined by using the historical volatility of the Company's share prices in prior five years.

In 2006 and 2007, the Group recognised expenses of HK$8,233,000 and HK$379,000 respectively in relation to the share options granted by the Company, in which HK$8,170,000 and HK$316,000 respectively were related to options granted to the Group's directors and shown as directors' emoluments, and the remaining balance represented share options expenses for employees and shown as staff costs.

31. TREASURY SHARES

	Number of treasury shares	**Amount**
		HK$'000
At July 1, 2004 and 2005	48,329,000	12,546
Disposals for the year ended 2006	(14,000,000)	(3,635)
At June 30, 2006 and 2007	34,329,000	8,911

Treasury shares represent ordinary shares of the Company held by Applied Investment (Asia) Limited before Applied Investment (Asia) Limited became a subsidiary of the Company in 1995.

31. TREASURY SHARES – CONTINUED

For the year ended 2006, a total of 14,000,000 treasury shares were disposed of by Applied Investment (Asia) Limited on the Stock Exchange for an aggregate consideration of HK$6,257,000. The consideration received was recognised directly in equity in the year.

In the opinion of the directors of the Company, these treasury shares are held for long-term purpose.

32. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised by the Group and movements in 2005, 2006 and 2007

	Accelerated tax depreciation *HK$'000*	**Tax losses** *HK$'000*	**Total** *HK$'000*
At July 1, 2004	359	(224)	135
Charge (credit) to the consolidated income statement	(105)	(30)	(135)
At June 30, 2005	254	(254)	–
Charge (credit) to the consolidated income statement	4,880	(4,880)	–
At June 30, 2006	5,134	(5,134)	–
Charge (credit) to the consolidated income statement	1,511	(1,511)	–
At June 30, 2007	6,645	(6,645)	–

The Group had unused tax losses of HK$328,612,000, HK$310,579,000 and HK$257,423,000 respectively at June 30, 2005, 2006 and 2007 available for offset against future profits.

A deferred tax asset of the Group has been recognised in respect of HK$1,451,000, HK$29,337,000 and HK$37,970,000 respectively in 2005, 2006 and 2007 of such losses.

No deferred tax asset was recognised in respect of the remaining HK$327,161,000, HK$281,242,000 and HK$219,453,000 respectively in 2005, 2006 and 2007 due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

33. OPERATING LEASE COMMITMENTS

The Group as lessee

	2005 *HK$'000*	**2006** *HK$'000*	**2007** *HK$'000*
Minimum lease payments paid in respect of properties under operating leases	2,157	3,317	3,157

At June 30, 2005, 2006 and 2007, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

33. OPERATING LEASE COMMITMENTS – CONTINUED

The Group as lessee – continued

	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Within one year	2,091	2,687	2,655
In the second to fifth year inclusive	1,652	4,372	6,029
Over five years	–	3,740	3,041
	3,743	10,799	11,725

Operating lease payments represent rentals payable by the Group for certain of its offices and warehouse premises. The lease term is ranging from three to five years. Rentals are fixed over the lease period and no arrangements has been entered into for contingent rental payments.

34. OPERATING LEASE ARRANGEMENTS

The Group as lessor

At June 30, 2005, 2006 and 2007, the Group had contracted with tenants for future minimum lease payments, which represent rentals receivable by the Group for its investment properties, under non-cancellable operating leases which fall due as follows:

	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Within one year	7,490	5,550	5,427
In the second to fifth year inclusive	3,915	2,148	6,218
	11,405	7,698	11,645

The properties held have committed tenants with rental fixed for terms ranging from two to five years.

35. CAPITAL COMMITMENTS

	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements			
– the Group	–	226,344	1,115
– share of a jointly controlled entity	–	–	31,000

36. DISPOSAL OF SUBSIDIARIES

On June 30, 2005, the Group disposed of its entire interest in Applied Properties (Jiang Men) Limited S.A. and its subsidiary for a consideration of HK$12,705,000.

On June 27, 2006, the Group disposed of its 60% equity interest in Danshui for HK$61,956,000. Deposits of HK$28,302,000 were received during the year ended June 30, 2005 and the remaining balance of the consideration was received during the year.

On April 9, 2007, the Group disposed of its 50% equity interest in Quorum for HK$234,000,000. HK$62,400,000 was received during the year and the remaining balance was by way of Quorum issuing a promissory note to the Group.

36. DISPOSAL OF SUBSIDIARIES – CONTINUED

The net assets of these disposed subsidiaries at the date of disposal were as follows:

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Net assets disposed of:			
Property under development	–	–	143,138
Property, plant and equipment	13,155	–	–
Interest on a leasehold land	–	128,003	–
Trade and other receivables	2	110	–
Trade and other payables	–	(25)	–
Amounts due to group companies	–	–	(234,000)
	13,157	128,088	(90,862)
Release of translation reserve	(29)	2,564	–
Release of capital reserve	6,329	–	–
Minority interests	–	(68,635)	–
(Loss) gain on disposal of subsidiaries	(6,752)	(61)	127,331
Reclassification to interest in a jointly controlled entity	–	–	(36,469)
	12,705	61,956	–
Represented by:			
Cash	12,705	–	–
Other receivables	–	33,654	–
Deposits received	–	28,302	–
	12,705	61,956	–

Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Cash consideration received	12,705	–	–

The subsidiaries disposed of during the years ended June 30, 2005, 2006 and 2007 did not contribute significantly to the Group's turnover or results for the Relevant Periods.

37. MAJOR NON-CASH TRANSACTION

In 2005, 2006 and 2007, the Group entered into finance lease arrangements in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the lease of HK$2,128,000, HK$6,406,000 and HK$3,374,000 respectively.

38. PLEDGE OF ASSETS

At June 30, 2005, 2006 and 2007 , the Group pledged the following assets to banks to secure general banking facilities granted to the Group:

	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Investment properties	275,800	178,750	127,080
Property, plant and equipment	1,530	1,398	1,866
Prepaid lease payments	222	216	211
Properties held for sale	–	–	59,000
Bank deposits	2,969	3,059	3,173

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

39. RELATED PARTY DISCLOSURES

(a) Transactions

At June 30, 2005, 2006 and 2007, a minority shareholder of Wideland Electronics Limited ("Wideland"), which is a 51% owned subsidiary of the Company, had outstanding guarantee, issued in respect of lessors of the leased assets under finance leases arrangement of the Group with an aggregate amount of HK$175,000, HK$643,000 and HK$554,000 respectively.

At June 30, 2005, 2006 and 2007, banking facilities granted to the Group of HK$12,649,000, HK$15,058,000 and HK$20,814,000 respectively were also secured by personal guarantee from and properties owned by the minority shareholder of Wideland.

At June 30, 2005, 2006 and 2007, Wideland had outstanding corporate guarantee issued in favour of a bank in respect of credit facilities granted by the bank to a related company amounting to HK$2,120,000, HK$2,120,000 and HK$2,000,000 respectively. The minority shareholder of Wideland was interested in this transaction as a sole proprietor of the related company.

In 2005, 2006 and 2007, the Group paid rental expenses of approximately HK$384,000 every year for premises owned by the minority shareholder of Wideland.

At June 30, 2005 and 2006, two directors of the Company, had outstanding joint and several guarantees issued in favour of a bank in respect of credit facilities granted by the bank to a subsidiary amounting to HK$21,202,000 and HK$19,744,000 respectively. The guarantees were released during the years upon the repayment of the relevant bank borrowings.

(b) The remuneration of directors and other members of key management in 2005, 2006 and 2007 were as follows:

	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Short-term benefits	7,956	9,434	12,561
Post-employment benefits	39	60	60
Share-based payment expenses	–	8,233	379
	7,995	17,727	13,000

The remuneration of directors and key executives is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

40. BALANCE SHEET OF THE COMPANY

	Note	2005 HK$'000	2006 HK$'000	2007 HK$'000
Total assets		264,477	324,753	464,575
Total liabilities		(120,190)	(178,798)	(210,633)
		144,287	145,955	253,942
Capital and reserves				
Share capital		9,372	9,100	8,804
Share premium and reserves	(a)	134,915	136,855	245,138
		144,287	145,955	253,942

Note:

(a) Share premium and reserves

	Shares premium account HK$'000	Share options reserve HK$'000	Investment revaluation reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (Note)	(Accumulated losses)/ retained profits HK$'000	Total HK$'000
At July 1, 2004	1	–	(941)	10,892	204,610	(75,879)	138,683
Surplus on revaluation of other securities	–	–	735	–	–	–	735
Realised on disposal of other securities	–	–	557	–	–	–	557
Loss for the year	–	–	–	–	–	(4,256)	(4,256)
Repurchase of own shares	–	–	–	39	–	(843)	(804)
At June 30, 2005	1	–	351	10,931	204,610	(80,978)	134,915
Loss on fair value changes of available-for-sale investments	–	–	(242)	–	–	–	(242)
Realised on disposal of available-for-sale investments	–	–	(351)	–	–	–	(351)
Profit for the year	–	–	–	–	–	5,366	5,366
Repurchase of own shares	–	–	–	272	–	(11,338)	(11,066)
Recognition of equity-settled share-based payment expenses	–	8,233	–	–	–	–	8,233
At June 30, 2006	1	8,233	(242)	11,203	204,610	(86,950)	136,855
Realised on disposal of available-for-sale investments	–	–	242	–	–	–	242
Profit for the year	–	–	–	–	–	122,259	122,259
Repurchase of own shares	–	–	–	296	–	(14,893)	(14,597)
Recognition of equity-settled share-based payment expenses	–	379	–	–	–	–	379
At June 30, 2007	1	8,612	–	11,499	204,610	20,416	245,138

Note:

The contributed surplus of the Company arose from the cancellation of share premium account of the Company pursuant to a special resolution passed by the Company on February 22, 1999.

41. PARTICULARS OF SUBSIDIARIES

As at the date of this report, the particulars of the Company's principal subsidiaries are as follows:

Name of subsidiaries	Place of incorporation or registration/ operation	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued share capital/ registered capital held by the Company *(Note a)*	Principal activities
AEL (Bahamas) Limited	Bahamas/PRC	Ordinary US$5,000 Redeemable preference US$300	100%	Property holding
Applied Electronics Limited	Hong Kong	Ordinary HK$86,000,000	100%	Investment holding
Applied Enterprises Limited	Hong Kong	Ordinary HK$1,000	100%	Investment holding
Applied Toys Limited	Hong Kong	Ordinary HK$2	100%	Property, plant and equipment holding
Data Pen Limited	Hong Kong	Ordinary HK$2	100%	Property, plant and equipment holding
Severn Villa Limited	Hong Kong	Ordinary HK$7,545,000	100%	Property holding
Applied Investment (Asia) Limited	Hong Kong	Ordinary HK$574,630,911	100%	Investment holding
盈聯多科技企業(深圳)有限公司(Quorum Electronics (Shenzhen) Co., Ltd.) *(Note b)*	PRC	Registered capital HK$10,000,000	100%	Property, plant and equipment holding
Applied Hong Kong Properties Limited	Hong Kong	Ordinary HK$500,000	100%	Holding of property, plant and equipment and investment holding
AppliedLand Limited	Hong Kong	Ordinary HK$2	100%	Holding of property, plant and equipment and investment holding
Applied Mission Limited	Hong Kong	Ordinary HK$10,000	100%	Property investment
Wideland	Hong Kong	Ordinary HK$200,000	51%	Manufacturing and trading of electronic products
Playa Grande Development Holdings Inc. (Panama)	Panama	Ordinary US$200	100%	Resort and property development

Notes:

(a) The above principal subsidiaries are indirectly held by the Company, with the exception of Applied Electronics Limited, Applied Investment (Asia) Limited, AppliedLand Limited and Data Pen Limited.

(b) The PRC subsidiary is a wholly foreign owned enterprise established in the PRC.

None of the subsidiaries had any debt securities outstanding at the end of the years, or at any time during the years.

The above list includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or assets and liabilities of the Group. To give details of all other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

42. RETIREMENT BENEFIT SCHEME

The Group operates a defined contribution retirement scheme (the "Defined Contribution Scheme") for certain qualifying employees. The assets of the Defined Contribution Scheme are held separately from those of the Group in funds under the control of trustees.

The retirement benefits cost of the Defined Contribution Scheme charged to the consolidated income statement represents contributions paid or payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contribution, the contributions payable by the Group are reduced by the amount of forfeited contributions.

At the balance sheet date, there was no significant forfeited contributions which arose upon employees leaving the Defined Contribution Scheme and which was available to reduce the contributions payable in future years.

With effective from December 1, 2000, the Group has also joined a mandatory provident fund scheme (the "MPF Scheme") for all other qualifying employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contributions payable in future years.

The retirement benefits cost of the MPF Scheme charged to the consolidated income statement represents contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

LO AND KWONG C.P.A. COMPANY LIMITED
Certified Public Accountants
Lo Wah Wai
Practising Certificate Number P02693

Hong Kong
December 5, 2007

(A) INDEBTEDNESS

Borrowings

As at the close of business on October 31, 2007, being the latest practicable date of ascertaining certain information relating to this indebtedness statement, the Group had outstanding secured borrowings of approximately HK$123,656,000. In addition, the Group had outstanding at that date obligations under finance leases of approximately HK$954,000.

Pledge of assets and guarantees

As at the close of business on October 31, 2007, certain property, plant and equipment with net carrying values of approximately HK$213,303,000 were pledged to secure the Group's banking facilities.

Contingent liabilities

At the close of business on October 31, 2007, 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 October 31, 2007, 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.

The directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since October 31, 2007.

(B) MATERIAL CHANGE

The Board is not aware of any material changes in the financial or trading position or prospects of the Company subsequent to, the date to which the latest audited consolidated financial statements of the Company were made up.

(C) WORKING CAPITAL

Having made due and careful enquiries, the Directors are of the opinion that, based on the Remaining Group's internal resources, the Remaining Group has sufficient working capital for its requirements for the next 12 months in the absence of unforeseen material circumstances.

The following is a summary of an illustrative and unaudited pro forma consolidated balance sheet, pro forma consolidated income statement and pro forma consolidated cash flow statement 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 of substantially all the operating businesses and assets of the Company if the Disposal had taken place on June 30, 2007 for the pro forma consolidated balance sheet and as if Disposal had taken place on July 1, 2006 for the pro forma consolidated income statement and pro forma consolidated cash flow statement. This unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, may not give a true picture of the financial position, results and cash flow of the Remaining Group had the Disposal been completed as at July 1, 2006, June 30, 2007 or at any future dates.

1. UNAUDITED PRO FORMA ASSETS AND LIABILITIES STATEMENT OF THE REMAINING GROUP UPON COMPLETION OF DISPOSAL

(A) Introduction

The unaudited pro forma assets and liabilities statement of the Remaining Group has been prepared to illustrate the effect of the Disposal.

The unaudited pro forma assets and liabilities statement of the Remaining Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Disposal on the financial position of the Remaining Group as at June 30, 2007 as if the Disposal took place on June 30, 2007. The statement has been prepared by the Directors for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Remaining Group had the Disposal been completed as at June 30, 2007 or any future date.

The unaudited pro forma assets and liabilities statement of the Remaining Group is prepared based on the audited consolidated balance sheet of the Group as at June 30, 2007, which has been extracted from the published annual report of the Group as at June 30, 2007 set out in Appendix I to this Circular, after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transaction; and (ii) factually supportable.

The unaudited pro forma assets and liabilities statement of the Remaining Group is based on a number of assumptions, estimates and uncertainties. Accordingly, the accompanying unaudited pro forma assets and liabilities statement of the Remaining Group does not purport to describe the actual financial position of the Remaining Group that would have been attained had the Disposal been completed on June 30, 2007. The unaudited pro forma assets and liabilities statement of the Remaining Group does not purport to predict the future financial position of the Remaining Group.

The unaudited pro forma assets and liabilities statement of the Remaining Group should be read in conjunction with the historical information of the Group as set out in the audited consolidated financial statements of the Group for the year ended June 30, 2007 set out in Appendix I to this Circular and other financial information included elsewhere in this Circular.

(B) Unaudited pro forma consolidated balance sheet of the Remaining Group

	The Group as at June 30, 2007 *HK$'000* *(Note 1)*	Pro forma adjustment *HK$'000* *(Note 2)*	Pro forma adjustment *HK$'000* *(Note 3)*	Sub-total *HK$'000*	Pro forma Remaining Group *HK$'000*
Non-current assets					
Investment properties	159,030	(2,080)		(2,080)	156,950
Property, plant and equipment	178,313	(11,462)		(11,462)	166,851
Prepaid lease payments – non-current portion	1,957	(206)		(206)	1,751
Other assets	1,846			–	1,846
Interest in a jointly controlled entity	36,469			–	36,469
Available-for-sale investments	1,144			–	1,144
Deposits paid on acquisition of investment properties	7,756			–	7,756
	386,515	(13,748)	–	(13,748)	372,767
Current assets					
Inventories	1,898	(1,898)		(1,898)	–
Trade and other receivables	13,744	(6,949)		(6,949)	6,795
Promissory note receivable from a jointly controlled entity	171,600			–	171,600
Amount due from a jointly controlled entity	12,955			–	12,955
Prepaid lease payments – current portion	46	(5)		(5)	41
Pledged bank deposits	3,173	(3,173)		(3,173)	–
Bank balances and cash	23,299	(193)	100	(93)	23,206
	226,715	(12,218)	100	(12,118)	214,597
Properties held for sale	59,000			–	59,000
	285,715	(12,218)	100	(12,118)	273,597
Current liabilities					
Trade and other payables	7,623	(4,889)		(4,889)	2,734
Tax payable	712				712
Bank and other borrowings – due within one year	17,853	(14,853)		(14,853)	3,000
Obligations under finance leases – due within one year	3,582	(2,637)		(2,637)	945
Bank overdrafts	4,539	(4,539)		(4,539)	–
	34,309	(26,918)	–	(26,918)	7,391

	The Group as at June 30, 2007 HK$'000 (Note 1)	Pro forma adjustment HK$'000 (Note 2)	Pro forma adjustment HK$'000 (Note 3)	Sub-total HK$'000	Pro forma Remaining Group HK$'000
Liabilities associated with properties held for sale	8,880				8,880
	43,189	(26,918)	–	(26,918)	16,271
Net current assets	242,526	14,700	100	14,800	257,326
	629,041	952	100	1,052	630,093
Capital and reserves					
Share capital	8,804				8,804
Treasury shares	(8,911)				(8,911)
Share premium and reserves	534,731		3,137	3,137	537,868
Equity attributable to equity holders of the parent	534,624	–	3,137	3,137	537,761
Minority interests	–				–
Total equity	534,624	–	3,137	3,137	537,761
Non-current liabilities					
Bank and other borrowings – due after one year	92,269	(269)		(269)	92,000
Obligations under finance leases – due after one year	2,148	(1,816)		(1,816)	332
	94,417	(2,085)	–	(2,085)	92,332
	629,041	(2,085)	3,137	1,052	630,093

Notes:

1. The balances have been extracted without adjustment from the Accountants' Report of Applied Development Holdings Limited as at June 30, 2007 as set out in Appendix I to this Circular.

2. The adjustment reflects the exclusion of the assets and liabilities attributable to Wideland Electronics Limited from the consolidated balance sheet of the Group as at June 30, 2007, which the Group will dispose of substantially manufacture of electronic products for OEM customers and discontinue the manufacture operations upon Completion, as if the Disposal had been completed on June 30, 2007:

   (i) the audited negative asset value of Wideland was approximately HK$3,037,000 as at June 30, 2007.

3. The adjustment reflects the total consideration for the Disposal of HK$100,000 which is to be settled in cash to the Company. An estimated gain of approximately HK$3,137,000 would arise, assuming that the Disposal had taken place on June 30, 2007:

   (i) the aggregate consideration of HK$100,000 payable in cash by the Crown Peace Asia Limited to Elite in connection with the Disposal; and

   (ii) the estimated gain of approximately HK$3,137,000 resulting from the Disposal, as if the Disposal had been completed on June 30, 2007.

2. UNAUDITED PRO FORMA INCOME STATEMENT AND UNAUDITED PRO FORMA CASH FLOW STATEMENT OF THE REMAINING GROUP UPON COMPLETION OF DISPOSAL

(A) Introduction

The unaudited pro forma income statement and unaudited pro forma cash flow statement of the Remaining Group have been prepared to illustrate the effect of the Disposal.

The unaudited pro forma income statement and unaudited pro forma cash flow statement of the Remaining Group have been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Disposal as if the Disposal had taken place on July 1, 2006. The statements have been prepared by the Directors for illustrative purposes only and because of their nature, they may not give a true picture of the results and the cash flow of the Remaining Group had the Disposal been completed at July 1, 2006 or any future period.

The unaudited pro forma income statement and unaudited pro forma cash flow statement of the Remaining Group are prepared based on the audited consolidated income statement and audited consolidated cash flow statement of the Group for the year ended June 30, 2007, which have been extracted from the published annual report of the Group for the year ended June 30, 2007 set out in Appendix I to this Circular, after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transaction; (ii) expected to have a continuing impact on the Remaining Group; and (iii) factually supportable.

The unaudited pro forma income statement and unaudited pro forma cash flow statement of the Remaining Group are based on a number of assumptions, estimates and uncertainties. Accordingly, the accompanying unaudited pro forma income statement and unaudited pro forma cash flow statement of the Remaining Group do not purport to describe the actual results and cash flow of the Remaining Group that would have been attained had the Disposal been completed at the beginning of the year ended June 30, 2007 or to predict the future results and cash flow of the Remaining Group.

The unaudited pro forma income statement and unaudited pro forma cash flow statement of the Remaining Group should be read in conjunction with the audited consolidated financial statements of the Group for the year ended June 30, 2007 set out in Appendix I to this circular and other financial information included elsewhere in this circular.

(B) Unaudited pro forma consolidated income statement for the year ended June 30, 2007

	The Group for the year ended June 30, 2007	Pro forma adjustment	Pro forma adjustment	Sub-total	Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*		
Turnover	120,613	(113,828)		(113,828)	6,785
Cost of sales	(108,332)	108,332		108,332	–
Gross profit	12,281	(5,496)	–	(5,496)	6,785
Other income	4,774	(595)		(595)	4,179
Distribution costs	(1,532)	1,532		1,532	–
Administrative expenses	(39,871)	4,862		4,862	(35,009)
Increase in fair value of investment properties	10,530	(330)		(330)	10,200
Share-based payment expenses	(379)			–	(379)
Finance costs	(3,878)	2,040		2,040	(1,838)
Gain on disposal of subsidiaries	127,331		1,124	1,124	128,455
Profit before taxation	109,256	2,013	1,124	3,137	112,393
Taxation	59			–	59
Profit for the year	109,315	2,013	1,124	3,137	112,452
Attributable to:					
Equity holders of the parent	110,173	2,013	1,124	3,137	113,310
Minority interests	(858)				(858)
	109,315	2,013	1,124	3,137	112,452

Notes:

1. The amounts have been extracted without adjustment from the Accountants' Report of the Applied Development Holdings Limited for the twelve months ended June 30, 2007 set out in Appendix I to this Circular.

2. The adjustment reflects the exclusion of the income and expenses attributable to Wideland Electronics Limited for the consolidated income statement of the Group for the year ended June 30, 2007 assuming that the Disposal had taken place on July 1, 2006.

3. The adjustment reflects the estimated consolidated gain on the Disposal of approximately HK$1,124,000 recognised by the Group as if the Disposal had been completed on July 1, 2006.

4. The estimated gain of approximately HK$3,137,000 resulting from the Disposal, as if the Disposal had been completed on June 30, 2007:

   (i) the aggregate consideration of HK$100,000 payable in cash by the Crown Peace Asia Limited to Elite in connection with the Disposal;

   (ii) the audited net losses after taxation and extraordinary items attributable to Wideland Electronics Limited was approximately HK$2,013,000 for the year ended June 30, 2007; and

   (iii) the audited negative asset value of Wideland Electronics Limited was approximately HK$1,024,000 as at June 30, 2006.

5. Except for the Disposal, no adjustment has been made to reflect any trading result or other transaction of the Group or the disposal of manufacture of electronic products for OEM customers entered into subsequent to June 30, 2007.

(C) Unaudited pro forma consolidated cash flow statement for the year ended June 30, 2007

	The Group for the year ended June 30, 2007 *HK$'000* *(Note 1)*	**Pro forma adjustment** *HK$'000* *(Note 2)*	**Pro forma adjustment** *HK$'000* *(Note 3)*	**Sub-total** *HK$'000*	**Pro forma Remaining Group** *HK$'000*
OPERATING ACTIVITIES					
Profit before taxation	109,256	2,013	1,124	3,137	112,393
Adjustments for:					
Depreciation of property, plant and equipment	7,703	(2,961)		(2,961)	4,742
Dividend income	(805)				(805)
Finance costs	3,878	(2,040)		(2,040)	1,838
Gain on disposal of available-for-sale investments	(1,959)				(1,959)
Gain on disposal of subsidiaries	(127,331)		(1,124)	(1,124)	(128,455)
Increase in fair value of investment properties	(10,530)	330		330	(10,200)
Interest income	(850)	135		135	(715)
Release of prepaid lease payments	46	(5)		(5)	41
Share-based payment expenses	379				379
Operating cash flows before movements in working capital	(20,213)	(2,528)	–	(2,528)	(22,741)
Decrease (increase) in inventories	358	(358)		(358)	–
(Increase) decrease in trade and other receivables	(738)	2,376		2,376	1,638
Increase in trade and other payables	6,482	1,051		1,051	7,533
Cash (used in) from operations	(14,111)	541	–	541	(13,570)
Hong Kong Profits Tax paid	(313)				(313)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(14,424)	541	–	541	(13,883)

	The Group for the year ended June 30, 2007 *HK$'000* *(Note 1)*	Pro forma adjustment *HK$'000* *(Note 2)*	Pro forma adjustment *HK$'000* *(Note 3)*	Sub-total *HK$'000*	Pro forma Remaining Group *HK$'000*
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(154,473)	1,201		1,201	(153,272)
Advance to a jointly controlled entity	(12,955)				(12,955)
Deposits paid on acquisition of investment properties	(7,756)				(7,756)
Purchase of other assets	(145)				(145)
Increase in pledged bank deposits	(114)	114		114	–
Repayment of amount due from Quorum Island (BVI) Limited	62,400				62,400
Repayment of receivable on disposal of subsidiaries	33,654				33,654
Proceeds from disposal of available-for-sale investments	27,488				27,488
Interest received	850	(135)		(135)	715
Dividends received	805				805
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(50,246)	1,180	–	1,180	(49,066)
FINANCING ACTIVITIES					
Repayment of bank borrowings	(84,045)	48,112		48,112	(35,933)
Repurchase of own shares	(14,893)				(14,893)
Repayment of obligations under finance leases	(4,788)	3,038		3,038	(1,750)
Interest paid	(3,387)	1,604		1,604	(1,783)
Finance charges paid in respect of obligations under finance leases	(491)	436		436	(55)
New bank borrowings raised	157,947	(53,333)		(53,333)	104,614
Proceeds from disposal of subsidiary	–		100	100	100
NET CASH FROM (USED IN) FINANCING ACTIVITIES	50,343	(143)	100	(43)	50,300
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(14,327)	1,578	100	1,678	(12,649)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	33,065	2,768		2,768	35,833
Effect of foreign exchange rate changes	22				22
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	18,760	4,346	100	4,446	23,206

	The Group for the year ended June 30, 2007	Pro forma adjustment	Pro forma adjustment	Sub-total	Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*		
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS					
Bank balances and cash	23,299	(193)	100	(93)	23,206
Bank overdrafts	(4,539)	4,539		4,539	–
	18,760	4,346	100	4,446	23,206

Notes:

1. The amounts have been extracted without adjustment from the Accountants' Report of the Applied Development Holdings Limited for the twelve months ended June 30, 2007 as set out in Appendix I in this Circular.

2. The adjustment reflects the cash flows of the disposal of manufacture of electronic products for OEM customers for the year ended June 30, 2007 assuming that the Disposal had taken place on July 1, 2006. For the purpose of the unaudited pro forma cash flow statements, the cash flows of the disposal of manufacture of electronic products for OEM customers to be disposed of are based on the financial information of Applied Development Holdings Limited for the twelve months ended June 30, 2007 as set out in Appendix I to this Circular.

3. The adjustment reflects the cash consideration of HK$100,000 for the Disposal as if the Disposal had taken place on July 1, 2006. The consideration of HK$100,000 was settled by cash to Applied Development Holdings Limited.

4. Except for the Disposal, no adjustment has been made to reflect any trading result or other transaction of the Group or the disposal of manufacture of electronic products for OEM customers entered into subsequent to June 30, 2007.

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF APPLIED DEVELOPMENT HOLDINGS LIMITED

LO AND KWONG C.P.A. COMPANY LIMITED

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 (the "Unaudited Pro Forma Financial Information") of the circular dated December 5, 2007 (the "Circular") in connection with the very substantial disposal whereby the Group will dispose of the manufacture of electronic products for OEM customers (the "Disposal"), which has been prepared by the directors of the Company (the "Directors"), for illustrative purpose only, to provide information about how the Disposal might have affected the financial information presented.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 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.

It is our responsibility to form an opinion, as require by paragraph 29(7) of Chapter 4 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 work 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 Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Basis of opinion – continued

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 Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements 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 June 30, 2007 or at any future date; and

– the results and cash flows of the Remaining Group for the year ended June 30, 2007 for any future period.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors 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 29(1) of Chapter 4 of the Listing Rules.

LO AND KWONG CPA COMPANY LIMITED
Certified Public Accountants
Lo Wah Wai
Practising Certificate Number: P02693

Hong Kong

December 5, 2007

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors and chief executive

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

Name of Director	Interests in Shares/ underlying Shares	Founder of a discretionary trust and discretionary object	Corporate	Total number of Shares	Approximate % shareholding
Hung Kin Sang, Raymond	3,280,000	405,655,584 *(Note 1)*	34,329,000 *(Note 2)*	443,264,584	50.69%
Hung Wong Kar Gee, Mimi	9,310,056	405,655,584 *(Note 1)*	34,329,000 *(Note 2)*	449,294,640	51.38%
Hung Kai Mau, Marcus	2,760,000	–	–	2,760,000	0.32%
Fang Chin Ping	100,000	–	–	100,000	0.01%
Soo Hung Leung, Lincoln, *J.P.*	1,100,000	–	–	1,100,000	0.13%

Notes:

(1) These Shares are held by the following companies:

	Number of Shares
Malcolm Trading Inc.	43,992,883
Primore Co. Inc.	2,509,266
Capita Company Inc.	359,153,435
	405,655,584

Malcolm Trading Inc., Primore Co. Inc. and Capita Company Inc. are wholly-owned by the Marami Foundation as trustee for the Raymond Hung/Mimi Hung & Family Trust, a discretionary trust the discretionary objects of which include the family members of Hung Kin Sang, Raymond and Hung Wong Kar Gee, Mimi.

(2) These Shares are held by Applied Investment (Asia) Limited which is a wholly-owned subsidiary of the Company. As Capita Company Inc. owns more than one-third of the issued Shares and Capita Company Inc. is in turn a wholly-owned subsidiary of the Marami Foundation, the trustee of the Raymond Hung/Mimi Hung & Family Trust the discretionary objects of which include the family members of Hung Kin Sang, Raymond and Hung Wong Kar Gee, Mimi, both Hung Kin Sang, Raymond and Hung Wong Kar Gee, Mimi are deemed to be interested in such long positions.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are 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 were taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

Substantial Shareholders

As at the Latest Practicable Date, as far as is known to the Directors and the chief executive of the Company, the following person (not being a Director or chief executive of the Company) had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholders	**Capacity**	**Number of ordinary shares held**	**Percentage of the Company's issued share capital**
Capita Company Inc.	Beneficial	359,153,435	41.07%
Marami Foundation	Corporate	405,655,584 *(Note 1 above)*	46.39%
Applied Investment (Asia) Limited	Beneficial	34,329,000	3.93%

Saved as disclosed above, the Directors and the chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had any interest or short position in the Shares or 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.

Interest in other members of the Group

Save as disclosed below, as at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, no other person was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other members of the Group or has any option in respect of such capital:

Name of Owner	Name of subsidiary	% of shares held
Ma Yi Fat	Wideland Electronics Limited	40%
Ma Siu Lun Frank	Wideland Electronics Limited	9%

(b) As at the Latest Practicable Date, none of the Directors has any existing or proposed service contract with any member of the Group which is not terminable by the employer within one year without payment of compensation other than statutory compensation.

(c) None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group taken as a whole.

(d) None of the Directors has any direct and indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2007, being the date to which the latest published audited accounts of the Group were made up.

3. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or chief executive of the Company or their respective associates has any beneficial interest in other businesses which compete or are likely to compete with business of the Group.

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or claim of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against the Company and any of its subsidiaries.

5. MATERIAL CONTRACTS

Save as disclosed below, the Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this circular which are or may be material:

(i) the Agreement.

(ii) An agreement dated 7 April 2006 between iQuorum Cybernet Limited and Birdsville Enterprises Limited for the sale and purchase of the whole of 41st floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong at a consideration of HK$118,800,000.

(iii) An agreement dated 11 August 2006 between Quorum Island (BVI) ("Quorum"), InterIsle Holdings Ltd. ("InterIsle"), Applied Enterprises Ltd and Applied Toys Ltd for the redemption of 50% of the equity interest held by Applied Enterprises and Applied Toys in Quorum and repayment of indebtedness owed to Applied International Holdings Limited and its subsidiaries in return of US$30,000,000 (approximately HK$234,000,000) repaid by Quorum and then InterIsle agreed to subscribe 50% equity interest in Quorum for a consideration of US$21,000,000 (approximately HK$163,800,000).

(iv) An agreement dated 11 December 2006 between Applied Properties Ltd and Felipe Ariel Rodriguez for the acquisition of land in Panama (a piece of land of approximately 450 hectares which is known as Playa Grande in Boca Chica, District of San Lorenzo, Province of Chiriqui, Panama) for a consideration of approximately US$18,936,503 (approximately HK$147,704,723).

(v) An agreement dated 11 April 2007 between Applied Investment (Asia) Limited and Star Plan Ltd for the sale and purchase of Unit 4203-4 of 42nd floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong at a consideration of HK$59,000,000.

6. EXPERT

The following is a qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Lo and Kwong C.P.A. Company Limited	Certified Public Accountants

As at the Latest Practicable Date, the expert above is not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and does not have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

The expert above has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and references to its names in the form and context in which it is included.

7. GENERAL

(i) The principal place of business of the Company is Unit 3402-03, 34/F China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong.

(ii) The secretary of the Company is Lee Wai Fun, Betty (associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators).

(iii) The qualified accountant of the Company is Ng Kit Ling (Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and Associate member of the Association of Chartered Certified Accountants in United Kingdom).

(iv) The share transfer office of the Company is situated at the office of its branch share registrars, Computershare Hong Kong Investor Services Limited of 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(v) The English text of this document shall prevail over the Chinese text.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the office of the Company at Unit 3402-03, 34/F China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong up to and including 28 December 2007:

(a) the memorandum of association and bye-laws of the Company;

(b) the material contracts referred to in the section headed "MATERIAL CONTRACTS" in this appendix;

(c) the annual reports (containing the audited consolidated financial statements of the Group) of the Group for each of the two financial years ended 30 June 2007;

(d) the accountants' report prepared by Lo and Kwong C.P.A. Company Limited, the text of which is set out in Appendix I of this circular;

(e) the unaudited pro forma financial information of the Remaining Group and the letter from 5 December 2007, the text of which is set out in Appendix III of this circular; and

(f) the letter of consent given by 5 December 2007 referred to in the section headed "EXPERT" in this appendix.

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 27 December 2007 (Thursday) at 3:00 p.m. (or after any adjournment thereof) for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution:

ORDINARY RESOLUTION

"**THAT**:

(a) the agreement dated 5 November 2007 (the "**Agreement**") entered into between Elite Industries Limited ("**Elite**"), an indirect wholly-owned subsidiary of the Company and Crown Peace Asia Limited (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 of 102,000 fully-paid ordinary shares of HK$1.00 each in the capital of Wideland Electronics Limited ("**Wideland**"), representing 51% of the entire issued share capital of Wideland by Elite to the Purchaser pursuant to the Agreement and all transactions contemplated thereunder (details of which are set out in the circular of the Company dated 5 December 2007) 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
Fang Chin Ping
Executive Director

Hong Kong, 5 December 2007

* *for identification purpose only*

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

2. In order to be valid, a proxy form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's head office and principal place of business at Unit 3402-03, 34/F China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude any member from attending and voting in person at the meeting or any adjourned meeting should he so wish.

3. In case of joint shareholding, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names stand on the register of members of the Company in respect of the joint shareholding.

As at the date of this notice, the Board comprises Hung Kin Sang, Raymond, Hung Wong Kar Gee, Mimi, Fang Chin Ping and Hung Kai Mau, Marcus as executive Directors; and Soo Hung Leung, Lincoln J.P., Lo Yun Tai, Lun Tsan Kau and Lam Ka Wai, Graham as independent non-executive Directors.