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 other transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an offer or invitation to subscribe for or purchase any securities, nor is it calculated to invite any such offer or invitation.

APPLIED DEVELOPMENT HOLDINGS LTD.

實力建業集團有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock code: 519)

WHITEWASH WAIVER IN CONNECTION WITH THE PROPOSED FULL CONVERSION OF THE CONVERTIBLE BONDS DUE 2018

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders

普頓資本有限公司
PROTON CAPITAL LIMITED

A letter from the Board is set out on pages 4 to 8 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 9 to 10 of this circular. A letter from Proton Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 20 of this circular.

A notice dated 3 December 2013 convening an SGM to be held on Friday, 20 December 2013 at 10:00 a.m. at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong is set out on pages 102 to 103 of this circular. Whether or not you are able to attend the SGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's principal place of business at Units 3402-3, 34/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or at any adjourned meeting thereof and, in such event, the relevant form of proxy shall be deemed to be revoked.

3 December 2013

* *For identification purpose only*

CONTENTS

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the meanings set out below:

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Announcement"	announcement of the Company dated and published on 12 November 2013 in relation to, among other things, the Whitewash Waiver in connection with the proposed Full Conversion of the Convertible Bonds Due 2018
"Approvals"	the grant of the Whitewash Waiver by the Executive and the approval of the Whitewash Waiver by the Independent Shareholders in general meeting
"Board"	board of directors of the Company
"Business Day"	a day (excluding Saturday and Sunday) on which banks in Hong Kong are open for business
"Company"	Applied Development Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
"Conversion Price"	conversion price per Share of the Convertible Bonds Due 2018, the initial conversion price being HK$0.21 per Share (which is subject to adjustments as set out in the terms and conditions governing the Convertible Bonds Due 2018)
"Conversion Shares"	the Shares to be issued upon exercise of the conversion rights attaching to the Convertible Bonds Due 2018
"Convertible Bonds Due 2013"	8% convertible bonds due 2013 in the aggregate principal amount of HK$41,760,000 issued by the Company pursuant to a placing agreement dated 1 December 2010 and which were fully converted into 174,000,000 Shares in October 2013
"Convertible Bonds Due 2018"	convertible bonds due 2018 in the aggregate principal amount of HK$31,080,000 issued by the Company to Mr. Hung pursuant to a subscription agreement dated 16 April 2013
"Directors"	directors of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Full Conversion"	conversion of all outstanding Convertible Bonds Due 2018 into Conversion Shares and the issue of 148,000,000 Conversion Shares to Mr. Hung
"Group"	the Company and its subsidiaries

"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hung Concert Group"	Mr. Hung and the Hung Concert Parties
"Hung Concert Parties"	parties acting in concert with Mr. Hung in respect of the Company which, as at the Latest Practicable Date, include Malcolm Trading Inc., Jaytime Overseas Ltd. and Hung Kai Mau, Marcus (an executive Director and the son of Mr. Hung)
"Independent Board Committee"	the independent committee of the Board comprising all independent non-executive Directors, namely Mr. Lun Tsan Kau, Mr. Su Ru Jia, Mr. Lo Yun Tai and Mr. Chan Ming Fai, Terence, established to give recommendation to the Independent Shareholders on the Whitewash Waiver
"Independent Financial Adviser" or "Proton Capital"	Proton Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders on the Whitewash Waiver
"Independent Shareholders"	Shareholders other than Mr. Hung, the Hung Concert Parties and those who are involved or interested in the Full Conversion and the Whitewash Waiver who are required by the Listing Rules and/or the Takeovers Code to abstain from voting in respect of the resolution(s) relating to the Whitewash Waiver at the SGM
"Last Trading Day"	12 November 2013, being the last trading day in the Shares immediately before the publication of the Announcement
"Latest Practicable Date"	means 29 November 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange
"Long-stop Date"	31 January 2014
"Mr. Hung"	Raymond Hung Kin Sang, an executive Director and a substantial shareholder of the Company
"Relevant Period"	the period commencing on 12 May 2013, being the date falling six months prior to the date of publication of the Announcement, on 12 November 2013, and ending on the Latest Practicable Date
"SFC"	Securities and Futures Commission of Hong Kong

“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
‘SGM”	special general meeting of the Company to be convened and held on Friday, 20 December 2013 at 10:00 a.m. at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong to consider and, if thought fit, to approve the Whitewash Waiver
“Shareholder(s)”	holder(s) of Shares
“Shares”	ordinary shares of HK$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Undertaking”	the undertaking given by Mr. Hung in favour of the Company and described further under the section headed “Whitewash Waiver Application” in the “Letter from the Board”
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, in respect of the obligations of Mr. Hung to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by Mr. Hung and the Hung Concert Parties which would otherwise arise as a result of the Full Conversion
“HK$”	Hong Kong dollars, the lawful currency of Hong Kong
“US$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

APPLIED DEVELOPMENT HOLDINGS LTD.

實力建業集團有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock code: 519)

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

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

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Units 3402-3, 34/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

To the Shareholders

3 December 2013

Dear Sir and Madam,

WHITEWASH WAIVER IN CONNECTION WITH THE PROPOSED FULL CONVERSION OF THE CONVERTIBLE BONDS DUE 2018

INTRODUCTION

Reference is made to the Announcement in which the Company announced that the Board has been informed by Mr. Hung that he wishes, subject to the Approvals, to exercise in full the conversion rights attaching to the Convertible Bonds Due 2018. In this connection, Mr. Hung has issued the Undertaking in favour of the Company which states, among other things, that: (i) subject to the Approvals, he will exercise his conversion rights under the Convertible Bonds Due 2018 in full within one Business Day after the Approvals are obtained; (ii) he will not transfer or otherwise dispose of any of his interests in the Convertible Bonds Due 2018 from the date of the Undertaking until the earlier of: (a) the date of exercise of his conversion rights under the Convertible Bonds Due 2018 in accordance with the Undertaking and (b) the Long-stop Date, unless he is notified earlier by the Company in writing that the Approvals cannot be obtained; and (iii) he will not, and he will ensure that the Hung Concert Parties will not, acquire or dispose of any voting rights in the Company in a "disqualifying transaction" under the Whitewash Guidance Note of the Takeovers Code at any time before the Long-stop Date.

* *For identification purpose only*

The purpose of this circular is to provide you with, among other things, (i) the details of the Whitewash Waiver (and the related Full Conversion proposal); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Whitewash Waiver; (iii) a letter of advice from Proton Capital to the Independent Board Committee and the Independent Shareholders in relation to the Whitewash Waiver; (iv) the notice of the SGM; and (v) other information as required under the Listing Rules and the Takeovers Code.

PROPOSED FULL CONVERSION OF THE CONVERTIBLE BONDS DUE 2018

The zero-coupon Convertible Bonds Due 2018 in the outstanding principal amount of HK$31,080,000 that are proposed to be converted in full by Mr. Hung were issued on 29 May 2013 to Mr. Hung with the approval of independent Shareholders by resolution passed on 22 May 2013. The Convertible Bonds Due 2018 will mature on 29 May 2018 and are convertible into Shares at the Conversion Price of HK$0.21 per Share (subject to adjustments).

The current Conversion Price of HK$0.21 per Share represents: (i) a discount of approximately 55.79% to the closing price of HK$0.4750 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 55.46% to the volume weighted average closing price of HK$0.4715 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; (iii) a discount of approximately 57.09% to the volume weighted average closing price of HK$0.4894 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and (iv) a discount of approximately 55.79% to the closing price of HK$0.4750 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Based on the current Conversion Price and assuming Full Conversion at the current Conversion Price, the Convertible Bonds Due 2018 will be convertible into 148,000,000 Conversion Shares, representing approximately 14.63% of the entire issued Shares of the Company as at the Latest Practicable Date and approximately 12.76% of the entire issued Shares of the Company as enlarged by the issue of the Conversion Shares. As at the Latest Practicable Date, the Hung Concert Group held 422,100,584 Shares, representing approximately 41.72% of the voting rights of the Company.

The following table illustrates (i) the existing shareholding structure of the Company; and (ii) the shareholding structure immediately after the Full Conversion. As at the Latest Practicable Date, other than the Convertible Bonds Due 2018, the Company does not have any options, warrants or convertible securities in issue.

	Existing (as at the Latest Practicable Date)		Immediately after Full Conversion [Note 1]	
Shareholder	**No. of Shares**	**Percentage of entire issued Shares (%)**	**No. of Shares**	**Percentage of entire issued Shares (%)**
Hung Concert Group:				
– Hung Kin Sang, Raymond (executive Director) [Note 2]	419,140,584	41.4263	567,140,584	48.9010
– Hung Kai Mau, Marcus (executive Director)	2,960,000	0.2926	2,960,000	0.2552
Total:	422,100,584	41.7189	570,100,584	49.1562
Ng Kit Ling (executive Director)	10,000	0.0010	10,000	0.0009
Public Shareholders	589,663,242	58.2801	589,663,242	50.8429
Total:	**1,011,773,826** [Note 3]	**100**	**1,159,773,826**	**100**

Note 1. Assuming that other than the 148,000,000 Conversion Shares to be issued upon Full Conversion, there is no other change to the total number of issued Shares from the Latest Practicable Date to the date of Full Conversion.

Note 2. Mr. Hung's interests in the Shares include 44,362,883 Shares held by Malcolm Trading Inc. and 30,660,000 Shares held by Jaytime Overseas Ltd. Each of Malcolm Trading Inc. and Jaytime Overseas Ltd. is a company wholly-owned and controlled by Mr. Hung.

Note 3. This includes 174,000,000 Shares issued in October 2013 upon the full conversion of the Convertible Bonds Due 2013.

Save as disclosed in the table above, Mr. Hung and the Hung Concert Parties do not hold any other voting rights or rights over shares in the Company nor any options, warrants or other securities convertible into Shares.

As shown in the table above, upon Full Conversion of the HK$31,080,000 Convertible Bonds Due 2018 at the current Conversion Price of HK$0.21 per Share, 148,000,000 Conversion Shares, representing approximately 14.63% of the entire issued Shares of the Company as at the Latest Practicable Date and approximately 12.76% of the entire issued Share of the Company as enlarged by the issue of the Conversion Shares, will be issued to Mr. Hung. Accordingly, the voting rights in the Company held by the Hung Concert Group will increase by more than 2%, from approximately 41.72% to approximately 49.16% (assuming no other changes to the total number of issued Shares between the Latest Practicable Date and the date of Full Conversion). In the absence of the Whitewash Waiver, upon Full Conversion Mr. Hung would be obliged to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by the Hung Concert Group as a result of the issue of the Conversion Shares.

The net proceeds from the issuance of the Convertible Bonds Due 2018 (after deducting issue costs) was approximately HK$30,600,000 which the Group has applied as general working capital of the Group including (i) approximately HK$20 million for administrative expenses; (ii) approximately HK$6 million for interest payments; and (iii) approximately HK$4 million for feasibility studies and property tax in respect of the Group's project in Panama.

The executive Directors note that while the Convertible Bonds Due 2018 are not repayable until 2018 and, being non-interest bearing, requires no debt servicing, Full Conversion can result in improvement in the financial position of the Company. With the elimination of the Company's repayment obligations under the Convertible Bonds Due 2018 on Full Conversion, not only will the Group have removed the need to secure cash for the redemption of the Convertible Bonds Due 2018 on maturity, the Group's net asset value (being HK$419,956,000 as at 30 June 2013) will increase by HK$22,745,000, (being the fair value of the liability component of the Convertible Bonds Due 2018 recognised in the audited financial statements of the Company for the year ended 30 June 2013) and its gearing ratio will reduce from approximately 22.31% (after taking into account the full conversion of the Convertible Bonds Due 2013 in October 2013) to 16.56%. The executive Directors believe that this significant improvement of the financial position of the Group can enhance the Group's ability to raise financing in the future, should funding requirements arise, and therefore consider that the granting of the Whitewash Waiver to facilitate Full Conversion is in the interests of the Company and the Shareholders as a whole. The Group is principally engaged in resort and property development, property and investment holding. As disclosed in the Company's 2013 annual report, the Group currently has two resort projects in the British Virgin Islands and Panama. As at the Latest Practicable Date, the resort project in the British Virgin Islands ("BVI Project") is subject to litigation (further details of which is set out on page 99 of this circular). Upon resolution of such dispute and subject to prevailing market conditions, the Group intends to commence development of the BVI Project. In relation to the resort project in Panama ("Panama Project"), the Group is also in a position to commence development as and when the Board considers appropriate to do so, taking into consideration improvement in the economy of the United States and the prevailing market conditions.

As at the Latest Practicable Date, the Company does not have any plans to conduct any fund raising activities. However, as and when the development of the BVI Project and/or the Panama Project proceeds, additional financial resources will then likely be required. The Group can enjoy better prospects of (and greater flexibility in) raising funding for this or other opportunities that the Group may be presented with in the future.

WHITEWASH WAIVER APPLICATION

An application to the Executive for the Whitewash Waiver has been made and the Executive has indicated that it will grant Whitewash Waiver, subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. Mr. Hung and the Hung Concert Parties, and any other Shareholders who are involved or interested in the Full Conversion and the Whitewash Waiver shall abstain from voting at the SGM in respect of the resolution approving the Whitewash Waiver. Full Conversion will not proceed if the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders.

Mr. Hung has confirmed that neither he nor any of the Hung Concert Parties: has acquired or entered into any agreement or arrangement to acquire any voting rights in the Company within the six months prior to the date of publication of the Announcement or owns, controls or has direction over any options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company, other than his subscription of the Convertible Bonds Due 2018. He has also confirmed that as at the Latest Practicable Date, neither he nor any of the Hung Concert Parties has (i) any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares and which might be material to the Whitewash Waiver; (ii) borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company (save for any borrowed Shares which have been either on-lent or sold); (iii) received any irrevocable commitment from any Independent Shareholders as to whether they will vote for or against the resolution approving the Whitewash Waiver; or (iv) any agreements or arrangements to which Mr. Hung is a party which relate to the circumstances in which he may or may not invoke or seek to invoke a pre-condition or a condition to the Whitewash Waiver.

INTENTION OF MR. HUNG

Through the Full Conversion, Mr. Hung is able to increase his voting rights in the Company and, through his increased controlling shareholding of the Company, he can also indirectly enjoy the benefit of any improvement in the financial position of the Company as a result.

Following the grant and approval of the Whitewash Waiver and the completion of the Full Conversion, Mr. Hung intends to continue the existing businesses of the Group and does not intend to introduce any major changes to the existing operations and management structure of the Group including the continued employment of the employees of the Group and the redeployment of the fixed assets of the Group.

SGM

An SGM will be held on Friday, 20 December 2013 at 10:00 a.m. at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong, during which an ordinary resolution will be proposed to the Independent Shareholders to consider, and if thought fit, to approve the Whitewash Waiver. Any vote of the Independent Shareholders at the SGM will be taken by poll.

A notice convening the SGM is set out on pages 102 to 103 of this circular. Whether or not you are able to attend, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for the holding of 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 such meeting or any adjournment thereof should you so wish.

RECOMMENDATION

The Directors, including the independent non-executive Directors, consider the Whitewash Waiver are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution in respect of the Whitewash Waiver.

FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 9 to 10 of this circular which contains its view on the Whitewash Waiver. Your attention is also drawn to the letter of advice from Proton Capital on pages 11 to 20 of this circular which contains its opinion in respect of the Whitewash Waiver, and further information contained in the appendices to this circular.

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

APPLIED DEVELOPMENT HOLDINGS LTD.
實力建業集團有限公司 *

(Incorporated in Bermuda with limited liability)
(Stock code: 519)

Independent Board Committee:
Mr. Lun Tsan Kau
Mr. Su Ru Jia
Mr. Lo Yun Tai
Mr. Chan Ming Fai, Terence

3 December 2013

To the Independent Shareholders

Dear Sir or Madam,

WHITEWASH WAIVER IN CONNECTION WITH THE PROPOSED FULL CONVERSION OF THE CONVERTIBLE BONDS DUE 2018

We refer to the circular (the "Circular") dated 3 December 2013 issued by the Company to its shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context other requires.

We have been appointed as members of the Independent Board Committee to consider the Whitewash Waiver, details of which are set out in the Letter from the Board set out on pages 4 to 8 of the Circular, to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Whitewash Waiver, and to recommend how the Independent Shareholders should vote at the SGM. Proton Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We also draw your attention to the letter from the Independent Financial Adviser set out on pages 11 to 20 of the Circular containing the advice of Proton Capital in respect of the Whitewash Waiver.

** For identification purpose only*

We, after taking into account, among other things, the factors and reasons considered by, and the views of Proton Capital, consider that the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Whitewash Waiver at the SGM.

Yours faithfully

Mr. Lun Tsan Kau
Mr. Su Ru Jia
Mr. Lo Yun Tai
Mr. Chan Ming Fai, Terence
Independent Board Committee

Set out below is the text of a letter received from Proton Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Full Conversion and the Whitewash Waiver for the purpose of inclusion in this circular.

普頓資本有限公司
PROTON CAPITAL LIMITED

Suite 06-07, 28/F.
Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

3 December 2013

To: The independent board committee and the independent shareholders of Applied Development Holdings Limited

WHITEWASH WAIVER IN CONNECTION WITH THE PROPOSED FULL CONVERSION OF THE CONVERTIBLE BONDS DUE 2018

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Full Conversion and the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 3 December 2013 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 12 November 2013, the Board has been informed by Mr. Hung that he wishes, subject to the Approvals, to exercise in full the conversion rights attaching to the Convertible Bonds Due 2018 in the outstanding principal amount of HK$31,080,000. Based on the current Conversion Price and assuming Full Conversion at the current Conversion Price, the Convertible Bonds Due 2018 will be convertible into 148,000,000 Conversion Shares, representing approximately 14.63% of the entire issued Shares of the Company as at the Latest Practicable Date and approximately 12.76% of the entire issued Shares of the Company as enlarged by the issue of the Conversion Shares.

As at the Latest Practicable Date, the Hung Concert Group held 422,100,584 Shares, representing approximately 41.72% of the voting rights of the Company. Accordingly, the voting rights in the Company held by the Hung Concert Group will increase by more than 2%, from approximately 41.72% to approximately 49.16% after Full Conversion (assuming no other changes to the total number of issued Shares between the Latest Practicable Date and the date of the Full Conversion). In the absence of the Whitewash Waiver, upon Full Conversion, Mr. Hung would be obliged to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by the Hung Concert Group as a result of the issue of the Conversion Shares.

An application to the Executive has been made for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. Mr. Hung and the Hung Concert Parties, and any other Shareholders who are involved or interested in the Full Conversion and the Whitewash

Waiver shall abstain from voting at the SGM in respect of the resolution approving the Whitewash Waiver. The Full Conversion will not proceed if the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders.

An Independent Board Committee comprising Mr. Lun Tsan Kau, Mr. Su Ru Jia, Mr. Lo Yun Tai and Mr. Chan Ming Fai, Terence (all being independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolution to approve the Whitewash Waiver at the SGM. We, Proton Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect, and such appointment has been approved by the Independent Board Committee.

All members of the Independent Board Committee have confirmed to the Company that they are (i) independent of and not parties associated with the Hung Concert Group and persons acting in concert with it; and (ii) independent in respect of the Full Conversion and the Whitewash Waiver.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the despatch of the Circular, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Company. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (other than information relating to Mr. Hung as offeror and the Hung Concert Parties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

The information relating to Mr. Hung as offeror and the Hung Concert Parties has been supplied by Mr. Hung. Mr. Hung accepts full responsibility for the accuracy of the information contained in the Circular (in relation to Mr. Hung as offeror and the Hung Concert Parties) and confirms, having made all reasonable enquires, that to the best of his knowledge, the opinions expressed in the Circular by him have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Mr. Hung, the Hung Concert Parties or their respective subsidiaries or associated companies, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Full Conversion and the Whitewash Waiver. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Proton Capital is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Full Conversion and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

(1) Background of the Full Conversion

References are made to the circular of the Company dated 6 May 2013 and the announcements of the Company dated 16 April 2013 and 25 April 2013 respectively. At the special general meeting of the Company held on 22 May 2013, the agreement dated 16 April 2013 entered into between the Company and Mr. Hung in relation to the subscription by Mr. Hung of the Convertible Bonds Due 2018 in the principal amount of HK$31,080,000 (the "**Subscription Agreement**") was duly approved by the then independent Shareholders (the "**Then Shareholders' Approval**"). Accordingly, the Convertible Bonds Due 2018 were issued and Mr. Hung held the Convertible Bonds Due 2018 convertible into 148,000,000 Conversion Shares upon Full Conversion.

On 12 November 2013, the Board has been informed by Mr. Hung that he wishes, subject to the Approvals, to exercise in full the conversion rights attaching to the Convertible Bonds Due 2018. In this connection, Mr. Hung has issued the Undertaking in favour of the Company which states, among other things, that: (i) subject to the Approvals, he will exercise his conversion rights under the Convertible Bonds Due 2018 in full within one Business Day after the Approvals are obtained; (ii) he will not transfer or otherwise dispose of any of his interests in the Convertible Bonds Due 2018 from the date of the Undertaking until the earlier of: (a) the date of exercise of his conversion rights under the Convertible Bonds Due 2018 in accordance with the Undertaking and (b) the Long-stop Date, unless he is notified earlier by the Company in writing that the Approvals cannot be obtained; and (iii) he will not, and he will ensure that the Hung Concert Parties will not, acquire or dispose of any voting rights in the Company in a "disqualifying transaction" under the Whitewash Guidance Note of the Takeovers Code at any time before the Long-stop Date.

(2) Business overview of the Group

With reference to the Board Letter, the Group is principally engaged in resort and property development, property and investment holding.

Set out below are the audited financial information on the Group for the two years ended 30 June 2013 as extracted from the Company's annual report for the year ended 30 June 2013 (the "**2013 Annual Report**"):

Consolidated income statement	**For the year ended 30 June 2013** *HK$'000*	**For the year ended 30 June 2012** *HK$'000*	**% change from 2011/12 to 2012/13** *%*
Turnover	–	3,296	N/A
Other revenue	9	382	(97.6)
Other income	487	883	(44.8)
Other operating expenses	(2,066)	(4,277)	(51.7)
Net increase/(decrease) in fair values of investment properties	18,103	(20,111)	N/A
Administrative expenses	(25,211)	(23,909)	5.5
Interest income on promissory note receivable from a jointly controlled entity	11,926	10,931	9.1
Finance costs	(6,668)	(6,310)	5.7
Loss for the year, attributable to equity holders of the Company	(2,274)	(44,883)	(94.9)

Consolidated statement of financial position	**As at 30 June 2013** *HK$'000*	**As at 30 June 2012** *HK$'000*	**% change from 2012 to 2013** *%*
Non-current assets	526,193	477,238	10.3
Non-current liabilities	27,553	46,215	(40.4)
Current assets	61,080	65,964	(7.4)
Current liabilities	139,764	82,454	69.5
Net current liabilities	(78,684)	(16,490)	377.2
Net assets	419,956	414,533	1.3
Gearing ratio	34.2%	28.4%	20.4

Consolidated statement of cash flow	**For the year ended 30 June 2013** *HK$'000*	**For the year ended 30 June 2012** *HK$'000*	**% change from 2011/12 to 2012/13** *%*
Operating cash flows before changes in working capital	(26,112)	(18,927)	38.0
Net cash used in operating activities	(23,353)	(40,010)	(41.6)
Net cash from investing activities	6,212	28,249	(78.0)
Net cash from/(used in) financing activities	27,325	(8,727)	N/A
Net increase/(decrease) in cash and cash equivalents	10,184	(20,488)	N/A
Cash and cash equivalents at end of the year	18,098	7,824	131.3

Review on operating performance

As depicted by the above table, the Group did not record any turnover for the year ended 30 June 2013 as compared with a turnover of approximately HK$3.3 million for the year ended 30 June 2012. Nonetheless, the Group's consolidated loss for the year ended 30 June 2013 amounted to approximately HK$2.3 million as compared with the loss of approximately HK$44.9 million for the year ended 30 June 2012. As extracted from the 2013 Annual Report, such narrowing of the loss was mainly due to the increase in fair values of certain investment properties of the Group for the year ended 30 June 2013 as compared to a net decrease in fair values of the Group's investment properties for the year ended 30 June 2012.

According to the 2013 Annual Report, during the year ended 30 June 2013, the Group's investment properties did not generate rental income to the Group and the Group realised all remaining financial assets it held with a slight profit. As for the resort and property development segment, the Group has two resort projects on hand, being the resort project in the British Virgin Islands ("**BVI**") (the "**BVI Project**") and the resort project in Panama (the "**Panama Project**").

As advised by the Directors, the BVI Project comprises approximately 267 hectares of land located at Beef Island, Tortola, the BVI and is envisioned to be a master planned resort community and was developed through a joint venture agreement entered into between the Group and InterIsle Holdings Limited ("**InterIsle**") in August 2006. Nevertheless, the ownership interest was diluted and the Group has not yet been able to finalise details of the dilution and the position of both parties after the dilution. Hence, the Company commenced legal proceeding in the High Court of the BVI (the "**BVI High Court**") in December 2012 and filed (i) a claim against InterIsle and the relevant parties for the transfer of over 30% interest in Quorum Island (BVI) Limited ("**Quorum**") to Applied Enterprises Limited, a wholly-owned subsidiary of the Company (the "**Transfer Claim**"); and (ii) a claim against Quorum for the non-payment of the promissory note in the principal amount of US$22 million (equivalent to approximately HK$171.6 million based on the exchange rate of US$1 to HK$7.8). In response, InterIsle filed its application for stay of the Transfer Claim and sought an order for the Transfer Claim to be dealt with by way of arbitration proceedings. The BVI High Court granted the application for stay in favour of InterIsle and ordered that the parties should commence arbitration to determine the substantive outcome of the Transfer Claim. Following the decision of the BVI High Court, the Company has been further granted the leave to appeal against the decision by the BVI High Court, and the hearing date is expected to be in the first quarter of 2014. As at the Latest Practicable Date, the BVI Project had not yet commenced development.

As also advised by the Directors, the Panama Project comprises two pieces of land: (i) a piece of land of approximately 494 hectares named Playa Grande in Boca Chica, District of San Lorenzo, Province of Chiriqui in Panama; and (ii) a hot spring with a land size of approximately 9 hectares in the Borough of San Felix, Province of Chiriqui in Panama. The Company intends to develop the Panama Project into a luxury hotel, a marina facility and a marina village, a 18-hole golf course, a branded fractional ownership club, branded ocean-view villas and branded residential lots. As at the Latest Practicable Date, the Panama Project had not yet commenced development.

Review on liquidity and financial position

As at 30 June 2013, the Group's total net asset value and borrowings amounted to approximately HK$420.0 million and approximately HK$143.7 million respectively, representing a gearing ratio (being the ratio of borrowings to net asset value) of approximately

34.2% (increased significantly as compared to approximately 28.4% as at 30 June 2012). In addition, the Group's net current liabilities position had deteriorated from approximately HK$16.5 million as at 30 June 2012 to approximately HK$78.7 million as at 30 June 2013, representing a substantial increase of approximately 377.2%. According to the Directors, such increase was mainly attributable to the fair value of the liability component of the Convertible Bonds Due 2013.

As further extracted from the 2013 Annual Report, in order to obtain banking facilities for a subsidiary of the Company, the Group has (i) pledged the investment properties of the Group with a carrying amount of HK$231,000,000 as at 30 June 2013; and (ii) provided the property insurance on the pledged investment properties executed by the Group in favour of the bank with an insurance coverage amounted to HK$16,500,000 as at 30 June 2013.

Prospects and outlook

As advised by the Directors, following the improvement of the economy of the United States, the Company intends to commence the Group's overseas resort development projects, subject to the conditions of the property market in the relevant region. The management expects that the Group's investment properties in Hong Kong and Panama and the developments in the BVI will bring in satisfactory returns to the Group in the future. In addition, the Group will continue to seek other appropriate investment opportunities which may bring satisfactory return to the Group.

Conclusion

Based on the recent operating performance and financial position of the Group as detailed above, we noted that the Group is likely to meet difficulty in generating income/turnover in the near future. In addition, we noted from the Group's consolidated statement of cash flow that the Group could not generate operating cash inflow from its ordinary and usual course of business operations during the two years ended 30 June 2012 and 2013. Moreover, although the Group recorded net cash from financing activities, such inflow was due to the issue of the Convertible Bonds Due 2018 and may not continue in the future. If the net proceeds from the issue of the Convertible Bonds Due 2018 of approximately HK$30.6 million were excluded, the Group would record a net outflow of cash of approximately HK$3.3 million from financing activities. At the same time, the development of the BVI Project, the Panama Project or investment in other business opportunities shall require additional financial resources from time to time.

In view the above, we consider that the Full Conversion would be beneficial to the Group on the grounds that it will allow the Group to dispense with the requirement to redeem the Convertible Bonds due 2018 in the outstanding principal amount of HK$31,080,000 so as to alleviate its possible further cash outlay otherwise required, thereby enhancing the Group's capital base and improving its liquidity and financial position. On such basis, we are of the view that the Full Conversion is in the interests of the Company and the Shareholders as a whole.

(3) Information on Mr. Hung

Mr. Hung is an executive Director, the managing director and a substantial shareholder (as defined under the Listing Rules) of the Company. As confirmed by the Company, Mr. Hung founded the Group in April 1976, and has actively involved in the Group's development over the last 37 years and assumed the overall responsibility for the activities of the Company.

As referred to in the Board Letter, following the grant and approval of the Whitewash Waiver and the Full Conversion, Mr. Hung intends to continue the existing businesses of the Group and does not intend to introduce any major changes to the existing operations and management structure of the Group, including the continued employment of the employees of the Group and redeployment of the fixed assets of the Group.

(4) The Whitewash Waiver and possible benefits of the Full Conversion

As at the Latest Practicable Date, the Hung Concert Group held 422,100,584 Shares, representing approximately 41.72% of the voting rights of the Company. Upon Full Conversion, the issued share capital of the Company held by the Hung Concert Group will increase by more than 2%, from approximately 41.72% to approximately 49.16% (assuming no other changes to the total number of issued Shares between the Latest Practicable Date and the date of the Full Conversion).

In the absence of the Whitewash Waiver, upon Full Conversion, Mr. Hung would be obliged to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by the Hung Concert Group as a result of the issue of the Conversion Shares. In this regard, Mr. Hung has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. The Full Conversion will not proceed if the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders.

Pursuant to the terms of the Subscription Agreement, Mr. Hung had subscribed for the Convertible Bonds Due 2018 in the principal amount of HK$31,080,000 after the Company obtained the Then Shareholders' Approval. According to the Directors, the Convertible Bonds Due 2018 provided a tangible source of funding for the business operations of the Group at that time. Unless previously cancelled, redeemed or converted into Shares, any outstanding Convertible Bonds Due 2018 are required to be redeemed in 2018. We noted that the Full Conversion will allow the Group to dispense with the requirement to redeem the outstanding principal amount of the Convertible Bonds Due 2018 and thus reserving cash resources for its business operations and development which may be formulated at any time when suitable opportunities occur. We concur with the Directors that the Full Conversion will strengthen the capital base, the financial and liquidity position of the Group and reserve its cash resources for business operations and appropriate future investments and acquisitions.

In addition, we understand from the Company that Mr. Hung founded the Group in April 1976, and has actively involved in the Group's development over the last 37 years and assumed the overall responsibility for the activities of the Company. As advised by the Directors, Mr. Hung has substantial experience in handling overseas property development projects. Given the current operating performance and financial position of the Group and the Group's development plan in relation to the BVI Project and the Panama Project, the Directors are of the view that Mr. Hung's extensive experience will be valuable to the Group in making strategic decision and improving business progression. Upon Full Conversion, the issued share capital of the Company held by the Hung Concert Group will increase from approximately 41.72% to approximately 49.16%. The Directors are of the view that the increase of shareholding interest of Mr. Hung in the Company would further align the interest of Mr. Hung with the Group and hence provide additional incentives to Mr. Hung to make contribution to the Group.

Moreover, we noted that the issue of the Convertible Bonds Due 2018 (together with its terms including the Conversion Price) by the Company had received the Then Shareholders' Approval and now the Full Conversion is only the exercise of the conversion rights attaching thereto which have been previously granted to Mr. Hung.

(5) Dilution effect on the shareholding interests of the existing public Shareholders

As illustrated in the section headed "Proposed Full Conversion of the Convertible Bonds Due 2018" in the Board Letter, as at the Latest Practicable Date, the total number of issued Shares was 1,011,773,826 and the Hung Concert Group was interested in 422,100,584 Shares, representing approximately 41.72% of the entire issued share capital of the Company. Assuming no other changes to the total number of issued Shares between the Latest Practicable Date and the date of the Full Conversion, the Full Conversion will increase the entire issued share capital of the Company by the issue of 148,000,000 Conversion Shares, and the Hung Concert Group will then in aggregate be interested in 570,100,584 Shares, representing approximately 49.16% of the enlarged entire issued share capital of the Company. The shareholding in the Company held by the existing public Shareholders (excluding the Directors) will thereby be diluted from approximately 58.28% to approximately 50.84%, representing a dilution of 7.44 percent point, which we consider to be justifiable having considered the reasons and possible benefits of the Full Conversion as outlined in the foregoing sections of this letter.

We further noted that the terms of the Convertible Bonds Due 2018 and the dilution effect on the shareholding interest of the public Shareholders were set out in the circular despatched to the Shareholders by the Company on 6 May 2013 and as aforementioned, the issue of the Convertible Bonds Due 2018 had received the Then Shareholders' Approval.

We understand that Mr. Hung is given the right pursuant to the Subscription Agreement to freely transfer or assign any outstanding Convertible Bonds Due 2018 to any persons other than the connected persons of the Company. In the event of such a transfer, new holder(s) of the Convertible Bonds Due 2018 may elect to exercise the conversion rights and convert such outstanding Convertible Bonds Due 2018 into Conversion Shares and in which case, the dilution to the shareholding interest of the public Shareholders will likely to be the same; whilst the Full Conversion will not affect the existing operations and management structure of the Group and the listing status of the Company.

(6) Possible financial effects on the Group

Effect on net asset value

According to the 2013 Annual Report, the Group's net asset value amounted to approximately HK$420.0 million as at 30 June 2013.

Upon Full Conversion, the net asset position of the Group will be improved as the Full Conversion will increase the net assets value and share capital of the Company. However, as the Conversion Price is lower than the net asset value per Share as at 30 June 2013, the net asset value per Share will be reduced after the Full Conversion. Despite the reduction in the net asset value per Share upon Full Conversion, Shareholders should note that the net asset value per Share only shows the carrying value of the net assets of the Group attributable to each Share and does not reflect the economic benefits attributable to each Share. Meanwhile, the Full Conversion would improve the asset base of the Group in substance, which is beneficial to the Company and the Shareholders as a whole.

Effect on gearing

According to the 2013 Annual Report, the gearing ratio of the Company was approximately 34.2% as at 30 June 2013. On the assumption that (i) immediately upon Full Conversion, the Company's net asset value will increase while its total liabilities will decrease; and (ii) all other things will remain the same, the Company's gearing position would be improved upon Full Conversion.

Effect on liquidity

As at 30 June 2013, the Group had cash and bank balances of approximately HK$18.1 million. The Full Conversion will allow the Company to dispense with the requirement to redeem the Convertible Bonds Due 2018 in the outstanding principal amount of HK$31,080,000 and thus allow it to reserve cash resources for business operations and appropriate future investments and acquisitions.

In view of the above, the Full Conversion will likely to have an overall positive effect on the Group's financial position, namely, (i) improvement in the net asset value of the Group; (ii) improvement in the Group's gearing position; and (iii) preservation of cash resources for the Group's business operations and development. For this reason, we are of the view that the Full Conversion is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the above principal factors and reasons, which we have summarised as follows:

(i) the issue of the Convertible Bonds Due 2018, including the conversion rights attaching thereto together with the Conversion Price, had received the Then Shareholders' Approval;

(ii) the existing cash flow of the Group and the possible capital requirement of the Group to commence the development of the BVI Project and the Panama Project;

(iii) any outstanding Convertible Bonds Due 2018 unless previously cancelled, redeemed or converted into Shares shall be redeemed by the Company on the maturity date of the Convertible Bonds Due 2018 and that the Full Conversion allows the Group to dispense with the requirement to redeem the Convertible Bonds Due 2018 in the outstanding principal amount of HK$31,080,000 and thus reserving cash resources for the Group's business operations and development;

(iv) as represented by the Company, the increase of shareholding interest of Mr. Hung in the Company would further align the interest of Mr. Hung with the Group and hence provide additional incentives to Mr. Hung to make contribution to the Group;

(v) the Full Conversion will not affect the existing operations and management structure of the Group and the listing status of the Company;

(vi) the overall positive effect of the Full Conversion on the Group's financial position, namely, the improvement in the net asset value as well as the gearing position of the Group and preservation of cash resources for the Group's business operations and development; and

(vii) the Full Conversion will not proceed if the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders, we consider that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM in respect of the Whitewash Waiver and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Proton Capital Limited
Doris Sing
Director – Corporate Finance

1. FINANCIAL SUMMARY

The following is a summary of the audited financial results of the Group for each of the three financial years ended 30 June 2011, 2012 and 2013 as extracted from the published financial statements of the Group for the relevant years. Mazars CPA Limited, the auditors of the Company, did not issue any qualified opinion on the financial statements of the Group for each of the three years ended 30 June 2011, 2012 and 2013. For each of the three year ended 30 June, 2011, 2012 and 2013: the Company had (i) no items which are exceptional because of size, nature or incidence; (ii) no net profit and loss attributable to non-controlling interests; and (iii) not paid any dividends.

	Year ended 30 June		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Turnover	4,649	3,296	–
Loss before taxation	(135,478)	(39,115)	(3,420)
Tax credit/(charge)	1,993	(5,768)	1,146
Net loss attributable to holders of the Company	(133,485)	(44,883)	(2,274)
Loss per share			
– Basic (HK cents)	(15.91)	(5.36)	(0.27)
– Diluted (HK cents)	(15.91)	(5.36)	(0.27)

2. FINANCIAL STATEMENTS

The following is the full text of the audited financial statements of the Group for the financial year ended 30 June 2013 as extracted from the 2013 annual report of the Group.

Consolidated Statement of Comprehensive Income
Year ended 30 June 2013

	Note	**2013** *HK$'000*	**2012** *HK$'000*
Turnover	*5*	–	3,296
Other revenue	*5*	9	382
Other income	*6*	487	883
Other operating expenses	*9*	(2,066)	(4,277)
Net increase (decrease) in fair values of investment properties	*14*	18,103	(20,111)
Administrative expenses		(25,211)	(23,909)
Interest income on promissory note receivable from a jointly controlled entity	*22*	11,926	10,931
Finance costs	*8*	(6,668)	(6,310)
Share of results of a jointly controlled entity	*17*	–	–
Loss before tax	*9*	(3,420)	(39,115)
Taxation	*10*	1,146	(5,768)
Loss for the year, attributable to equity holders of the Company	*11*	(2,274)	(44,883)
Other comprehensive (loss) income			
Item that may be subsequently reclassified to profit or loss:			
– Change in fair value of available-for-sale investments		58	–
– Exchange difference arising on translation of foreign operations		(373)	–
Item that will not be reclassified to profit or loss:			
– Release of deferred tax arising from revaluation surplus	*31*	–	119
Other comprehensive (loss) income for the year, net of tax		(315)	119
Total comprehensive loss for the year, attributable to equity holders of the Company		(2,589)	(44,764)
LOSS PER SHARE	*13*		
Basic		(0.27) HK cents	(5.36) HK cents
Diluted		(0.27) HK cents	(5.36) HK cents

Consolidated Statement of Financial Position
At 30 June 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Investment properties	14	373,587	336,900
Property, plant and equipment	15	4,530	5,134
Promissory note receivable from a jointly controlled entity	22	144,314	132,388
Other assets	16	1,973	1,045
Interest in a jointly controlled entity	17	–	–
Prepaid lease payments – non-current portion	18	1,511	1,551
Available-for-sale investments	19	278	220
		526,193	477,238
Current assets			
Financial assets at fair value through profit or loss	20	–	1,033
Trade and other receivables	21	26,179	23,526
Amount due from a jointly controlled entity	23	16,763	16,763
Prepaid lease payments – current portion	18	40	40
Bank balances and cash	24	18,098	7,824
		61,080	49,186
Assets classified as held for sale	25	–	16,778
		61,080	65,964
Current liabilities			
Other payables	26	19,385	3,644
Secured bank borrowings	27	78,311	75,758
Convertible bonds	38	40,906	–
Obligation under a finance lease	28	1,162	1,124
		139,764	80,526
Liabilities associated with assets classified as held for sale	25	–	1,928
		139,764	82,454
Net current liabilities		(78,684)	(16,490)
Total assets less current liabilities		447,509	460,748

	Note	2013 HK$'000	2012 HK$'000
Capital and reserves			
Share capital	*29*	8,378	8,378
Share premium and reserves		411,578	406,155
Total equity		419,956	414,533
Non-current liabilities			
Convertible bonds	*38*	22,745	39,099
Obligation under a finance lease	*28*	595	1,757
Deferred tax liabilities	*31*	4,213	5,359
		27,553	46,215
		447,509	460,748

Consolidated Statement of Changes in Equity
Year ended 30 June 2013

	Attributable to equity holders of the Company									
	Share capital *HK$'000*	**Share premium** *HK$'000* *(Note 1)*	**Convertible bonds reserve** *HK$'000* *(Note 2)*	**Investment revaluation reserve** *HK$'000* *(Note 3)*	**Other reserve** *HK$'000* *(Note 4)*	**Capital redemption reserve** *HK$'000* *(Note 5)*	**Capital reserve** *HK$'000* *(Note 6)*	**Translation reserve** *HK$'000* *(Note 7)*	**Retained profits** *HK$'000*	**Total** *HK$'000*
At 1 July 2011	8,383	445	3,846	(400)	1,325	11,926	204,610	97	229,125	459,357
Loss for the year	–	–	–	–	–	–	–	–	(44,883)	(44,883)
Other comprehensive income										
Item that will not be reclassified to profit or loss:										
– Release of deferred tax on disposal of property	–	–	–	–	119	–	–	–	–	119
Total comprehensive income (loss) for the year	–	–	–	–	119	–	–	–	(44,883)	(44,764)
Transfer to retained profits on disposal of property	–	–	–	–	(1,444)	–	–	–	1,444	–
Transaction with equity holders										
Repurchase of own shares	(5)	–	–	–	–	5	–	–	(60)	(60)
	(5)	–	–	–	(1,444)	5	–	–	1,384	(60)
At 30 June 2012	8,378	445	3,846	(400)	–	11,931	204,610	97	185,626	414,533

	Attributable to equity holders of the Company									
	Share capital *HK$'000*	Share premium *HK$'000* *(Note 1)*	Convertible bonds reserve *HK$'000* *(Note 2)*	Investment revaluation reserve *HK$'000* *(Note 3)*	Other reserve *HK$'000* *(Note 4)*	Capital redemption reserve *HK$'000* *(Note 5)*	Capital reserve *HK$'000* *(Note 6)*	Translation reserve *HK$'000* *(Note 7)*	Retained profits *HK$'000*	Total *HK$'000*
At 1 July 2012	8,378	445	3,846	(400)	–	11,931	204,610	97	185,626	414,533
Loss for the year	–	–	–	–	–	–	–	–	(2,274)	(2,274)
Other comprehensive income (loss)										
Item that may be subsequently reclassified to profit or loss:										
– Change in fair value of available for sale investments	–	–	–	58	–	–	–	–	–	58
– Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	(373)	–	(373)
Total other comprehensive income (loss)	–	–	–	58	–	–	–	(373)	–	(315)
Total comprehensive income (loss) for the year	–	–	–	58	–	–	–	(373)	(2,274)	(2,589)
Transaction with equity holders										
Issue of convertible bonds	–	–	8,012	–	–	–	–	–	–	8,012
At 30 June 2013	8,378	445	11,858	(342)	–	11,931	204,610	(276)	183,352	419,956

Notes:

(1) Share premium represents the excess of the net proceeds or consideration from issuance of the Company's shares over their par value. The application of the share premium account is governed by Section 46(2) of the Companies Act 1981 of Bermuda (as amended).

(2) Convertible bonds reserve represents the equity component (conversion rights) of the convertible bonds issued.

(3) Investment revaluation reserve comprises the accumulated gains and losses arising on the revaluation of available-for-sale investments that have been recognised in other comprehensive income, net of the amounts reclassified to profit or loss when those investments are disposed of or are determined to be impaired.

(4) Other reserve represents the fair value adjustment at the date of transfer of property, plant and equipment to investment properties. Following the disposal of certain investment properties previously transferred from property, plant and equipment, the revaluation surplus attributable to these investment properties included in the other reserve was transferred to retained profits during the year ended 30 June 2012.

(5) Capital redemption reserve has been set up and is dealt with on repurchases and cancellations of the Company's own shares. The application of the capital redemption reserve is governed by Section 42A of the Companies Act 1981 of Bermuda (as amended).

(6) Capital reserve represents contributed surplus arising from the cancellation of share premium account of the Company pursuant to a special resolution passed by the Company on 22 February 1999 and waivers of loans from the then minority shareholders of subsidiaries of the Company during the years ended 30 June 2006 and 2008.

(7) Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operation.

Consolidated Statement of Cash Flows
Year ended 30 June 2013

	2013	2012
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Loss before tax	(3,420)	(39,115)
Adjustments for:		
Depreciation of property, plant and equipment	1,215	772
Dividend income	(19)	(95)
Finance costs	6,668	6,310
Exchange difference	(90)	–
Gain on disposal of property, plant and equipment	–	(786)
(Gain) Loss on disposal of financial assets at fair value through profit or loss	(468)	3,499
Loss on disposal of investment properties	–	225
Impairment loss on trade and other receivables	–	553
Interest income on promissory note receivable from a jointly controlled entity	(11,926)	(10,931)
Interest income	(9)	(382)
Net (increase) decrease in fair values of investment properties	(18,103)	20,111
Net decrease in fair values of financial assets at fair value through profit or loss	–	872
Release of prepaid lease payments	40	40
Operating cash flows before changes in working capital	(26,112)	(18,927)
Changes in working capital:		
Trade and other receivables	(2,653)	(19,076)
Other payables	5,412	(1,544)
Amount due from a related party	–	78
Cash used in operating activities	(23,353)	(39,469)
Overseas tax paid	–	(541)
Net cash used in operating activities	(23,353)	(40,010)

	2013	2012
	HK$'000	*HK$'000*
INVESTING ACTIVITIES		
Additions to investment properties	(1,806)	(1,789)
Advance to a jointly controlled entity	–	(375)
Deposits received on disposal of investment properties	8,028	1,928
Dividend received	19	95
Interest received	9	382
Proceeds from disposal of property, plant and equipment	–	961
Proceeds from disposal of financial assets at fair value through profit or loss	1,501	33,662
Proceeds from disposal of investment properties	–	3,979
Purchase of financial assets at fair value through profit or loss	–	(9,757)
Purchase of other assets	(928)	–
Purchase of property, plant and equipment	(611)	(837)
Net cash from investing activities	6,212	28,249
FINANCING ACTIVITIES		
Finance charges paid in respect of obligation under a finance lease	(77)	(53)
Interest on convertible bonds	(3,341)	(3,341)
Interest on bank borrowings	(1,313)	(1,327)
New bank borrowings raised	10,000	–
Issue of convertible bonds, net of issue costs	30,627	–
Repayment of bank borrowings	(7,447)	(3,398)
Repayment of obligation under a finance lease	(1,124)	(548)
Repurchase of own shares	–	(60)
Net cash from (used in) financing activities	27,325	(8,727)
Net increase (decrease) in cash and cash equivalents	10,184	(20,488)
Cash and cash equivalents at beginning of the year	7,824	28,312
Effect of foreign exchange rate changes	90	–
Cash and cash equivalents at end of the year, represented by bank balances and cash	18,098	7,824

Notes to the Consolidated Financial Statements

Year ended 30 June 2013

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 disclosed in the section headed "Corporate Information" in the annual report.

The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is the functional and presentation currency of the Company.

The Company acts as an investment holding company. The Group is principally engaged in resort and property development and property investment and investment holding. The activities of the principal subsidiaries of the Company and a jointly controlled entity of the Group are set out in notes 40 and 17 to these consolidated financial statements respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2012 consolidated financial statements except for the adoption of certain new/revised HKFRSs effective from the current year that are relevant to the Group. A summary of the principal accounting policies adopted by the Group is set out below.

Adoption of new/revised HKFRSs

Amendments to HKAS 12: Deferred Tax: Recovery of Underlying Assets

The amendments introduce a rebuttable presumption that, if a deferred tax liability or asset arises from investment property carried at fair value under HKAS 40: *Investment Property*, the carrying amount of the investment property will be recovered through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all economic benefits embodied in the investment property over time, rather than through sale. In addition, the amendments incorporate the guidance in HK(SIC) – Int 21: *Income Taxes – Recovery of Revalued Non-Depreciable Assets* in the standard.

The adoption of the above amendments does not have significant effect on the consolidated financial statements.

Amendments to HKAS 1: Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 require the reporting entity to group together items within other comprehensive income that may be reclassified to profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in other comprehensive income and profit or loss should be presented as either a single statement or two consecutive statements.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the change in presentation of other comprehensive income, the application of the amendments does not have any significant impact on the Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Going concern

The consolidated financial statements have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon the Group's future profitable operation and the bank's continuing finance in the future in view of the excess of current liabilities over current assets. The substantial shareholder has undertaken unconditionally to provide the Company at any time at the request of the Company with an interest free loan to maintain the Group as a going concern.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for investment properties and certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June each year. The financial statements of its subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity holders of the Company. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, is measured initially either at fair value or at the present ownership instrument's proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income is attributed to the equity holders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Company.

Subsidiaries

A subsidiary is an entity in which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investments is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are land and/or building that are held by owner or lessee under finance lease to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use, properties that are being constructed or developed for future use as investment properties and properties that are held under operating lease, which satisfy the definition of investment property and are carried at fair value.

Investment properties are stated at fair value at the end of the reporting period. Any gain or loss arising from a change in fair value is recognised in profit or loss. Where appropriate, the fair value of investment property is based on a valuation by an independent valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and 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 profit or loss 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 accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Properties under development are stated at cost less accumulated impairment losses. Cost includes development expenditure, borrowing costs capitalised and other directly attributable expenses incurred during the development period.

Depreciation is provided to write off the cost less accumulated impairment losses of items of property, plant and equipment, other than properties under development, over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Freehold land	Nil
Leasehold land and buildings	Over the term of the leases or 25 years, whichever is shorter
Leasehold improvements	20%
Furniture, fixtures and equipment	10% to 25%
Motor vehicles	10% to 33⅓%

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 leases.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in reserve. On the subsequent sale or retirement of the asset, the relevant reserve will be transferred directly to retained profits.

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 profit or loss in the year in which the item is derecognised.

2. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Prepaid lease payments

Prepaid lease payments are up-front payments to acquire fixed-term interests in lessee-occupied land. The premiums are stated at cost and are amortised over the period of the lease on a straight-line basis to profit or loss.

Other assets

Other assets are antiques and artworks held for long-term investment purposes and are stated at cost less accumulated impairment losses.

Jointly controlled entity

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control and none of the venturers has unilateral control over the economic activity of the entity are referred to as a jointly controlled entity.

The Group's investment in a jointly controlled entity is accounted for under the equity method of accounting. The consolidated statement of comprehensive income includes the Group's share of the post-acquisition results of the jointly controlled entity for the year. The consolidated statement of financial position includes the Group's share of the net assets of the jointly controlled entity and also goodwill.

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.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount 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 is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Investment properties that are classified as held for sale are measured at their fair values at the end of the reporting period.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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.

Financial assets

The Group's financial assets are classified into one of the three categories, which are financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular purchases or sales of financial assets are recognised and derecognised on a trade date basis. The accounting policies adopted in respect of each category of financial assets are set out below.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in profit or loss.

Financial assets are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not financial guarantee contracts or not designated and effective hedging instruments.

Financial assets are designated at initial recognition as at fair value through profit or loss if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or (ii) they are part of a group of financial assets and/or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) they contain embedded derivatives that would need to be separately recorded.

Loans and receivables

Loans and receivables, including promissory note receivable, trade and other receivables, amount due from a jointly controlled entity and bank balances and cash, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less accumulated impairment losses.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset, other than those at fair value through profit or loss, 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. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in equity is transferred to profit or loss.

When an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss, is transferred from equity to profit or loss. Impairment losses recognised in profit or loss in respect of available-for-sale equity instrument are not reversed through profit or loss. Any subsequent increase in fair value of available-for-sale equity instrument after recognition of impairment loss is recognised in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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

The Group's financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

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.

Derecognition

Financial asset are derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) when the Group transfers the financial asset and the Group has transferred substantially all the risks and rewards of ownership of the financial asset. 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 only when the liability is extinguished, that is, 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.

Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, prepaid lease payments, investments in antiques and artworks, subsidiaries and a jointly controlled entity have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately.

Convertible bonds

The component of the convertible bonds that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of issue costs.

On the issue of the convertible bonds, the fair value of the liability component is determined using a market rate for a similar bond that does not have a conversion option; and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Convertible bonds *(Continued)*

The remainder of the proceeds is allocated to the conversion option that is recognised and included in the convertible bond reserve within shareholders' equity, net of issue costs. The value of the conversion option carried in equity is not changed in subsequent years. When the conversion option is exercised, the balance of the convertible bond reserve is transferred to share premium account or other appropriate reserve. When the conversion option remains unexercised at the expiry date, the balance remained in the convertible bond reserve is transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Issue costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised. Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably, with reference to fair value of consideration received or receivable, and on the following bases:

Rental income from operating leases is recognised when the properties are let out and on a straight-line basis over the lease terms.

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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

Leases

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 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 statement of financial position as finance lease obligations. Lease payments are apportioned between finance charges and reduction of the lease obligations 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 policy on borrowing costs.

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 term.

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.

2. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Foreign currency translation

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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. 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. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, 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.

Retirement benefit scheme

Payment to defined contribution retirement benefit scheme is charged as expenses when employees have rendered service entitling them to the contributions.

Details of the retirement benefit scheme are set out in note 41 to these consolidated financial statements.

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 the end of each reporting period, 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.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described above.

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.

2. 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 profit or loss for the period in which they are incurred.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

The deferred tax liabilities or assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or liability is settled, based on the tax rates and the tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and a jointly controlled entity, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, net of bank overdrafts.

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) *(Continued)*

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Critical accounting estimates and judgements

In the process of applying the Group's accounting policies, management has made various estimates and judgements which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and judgements are continually evaluated. The key source of estimation uncertainty and critical judgements made in applying accounting policies that result in significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year or significantly affect the amounts recognised in the consolidated financial statements are discussed below:

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements *(Continued)*

(i) Key sources of estimation uncertainty

Useful lives of property, plant and equipment

The management determines the estimated useful lives of the Group's property, plant and equipment based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of actual usage and maintenance, which could affect the related depreciation charges included in profit or loss.

Impairment of property, plant and equipment

The management determines whether the Group's property, plant and equipment are impaired where an indication of impairment exists. This requires an estimation of the recoverable amount of the property, plant and equipment, which is equal to the higher of net selling price or the value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

Impairment of loans and receivables

The management determines the provision for impairment of the Group's loans and receivables based on the current creditworthiness and the past collection history of each customer and other debtors and the current market condition. If the financial conditions of the Group's customers and other debtors were to deteriorate, resulting in an impairment of their ability to make payments, provision may be required.

Impairment of investments and receivables

The Company and the Group assess annually if their investments in subsidiaries and a jointly controlled entity have suffered any impairment in accordance with HKAS 36 and follow the guidance of HKAS 39 in determining whether promissory note receivable and/or amounts due from those entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

(ii) Critical judgements made in applying accounting policies

Properties held for capital appreciation

The Group's investment properties under development in Panama with a carrying value of HK$115,500,000 *(2012: HK$106,900,000)* are held for capital appreciation after development but not for own use. Accordingly, the properties under development in Panama have been accounted for as investment properties instead of property, plant and equipment in the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are relevant to the Group and are not yet effective for the current year, which the Group has not early adopted.

HKAS 19 (2011)	*Employee Benefits* [1]
HKAS 27 (2011)	*Separate Financial Statements* [1]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [1]
HKFRS 10	*Consolidated Financial Statements* [1]
HKFRS 11	*Joint Arrangements* [1]
HKFRS 12	*Disclosure of Interests in Other Entities* [1]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* [1]
HKFRS 13	*Fair Value Measurement* [1]
Various HKFRSs	*Annual Improvements Project 2009 – 2011 Cycle* [1]
Amendments to HKFRS 7	*Disclosures – Offsetting Financial Assets and Financial Liabilities* [1]
Amendments to HKAS 32	*Presentation – Offsetting Financial Assets and Financial Liabilities* [2]
Amendments to HKAS 27 (2011), HKFRS 10 and HKFRS 12	*Investment Entities – Amendments to Separate Financial Statements, Consolidated Financial Statements, Disclosures of Interests in Other Entities* [2]
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets* [2]
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting* [2]
HKFRS 9	*Financial Instruments* [3]
Amendments to HKFRS 9 and HKFRS 7	*Mandatory Effective Date of HKFRS 9, Financial Instruments and Transition Disclosures* [3]

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

The directors are in the process of assessing the possible impact of the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

3. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at fair value through profit or loss, available-for-sale investments, promissory note receivable and amount due from a jointly controlled entity, bank balances and cash, trade and other receivables, other payables, secured bank borrowings, convertible bonds and obligation under a finance lease. Details of these financial instruments are disclosed in the respective notes to the consolidated financial statements. 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

The Group is exposed to foreign currency risk primarily on the promissory note receivable from a jointly controlled entity and the Group's operation in the British Virgin Islands ("BVI") and Panama. The currency giving rise to this risk is United States dollar ("US$"). The Group does not hedge its foreign currency risks because the rate of exchange between HK$ and US$ is stable under current market condition and the existing currency exchange policies adopted by the Government of Hong Kong Special Administrative Region.

3. FINANCIAL INSTRUMENTS *(Continued)*

(a) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's secured bank borrowings with floating interest rates as at the end of the reporting period. The interest rates and terms of repayment have been disclosed in note 27 to the consolidated financial statements. The Group currently does not have a policy to hedge against the interest rate risk as management does not expect any significant interest rate risk as at the end of the reporting period.

At the end of the reporting period, if interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's net loss would increase/decrease by approximately HK$783,000 *(2012: HK$758,000)*, but there would be no impact on the other equity reserves.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the secured bank borrowings in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual end of the reporting period. The analysis is performed on the same basis for year 2012.

Price risk

The Group is exposed to equity price risk arising from trading of listed securities classified as held-for-trading investments and available-for-sales investments in the consolidated financial statements.

At the end of the reporting period, the Group does not have significant exposure to fluctuation of the quoted market price of the listed securities as the impact for the change in equity price is insignificant.

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to the Group, resulting in a loss to the Group. The Group's credit risk is mainly attributable to the promissory note receivable, amounts due from related parties and amount due from a jointly controlled entity.

The management closely monitors the financial position of the jointly controlled entity and is ready to take appropriate actions to safeguard the interest of the Group as and when necessary. Therefore, the Group's exposure to credit risk is to a large extent limited. The maximum exposure to credit risk is represented by the carrying amount of the promissory note receivable, amounts due from related parties and amount due from a jointly controlled entity as reported in the Group's consolidated statement of financial position.

At the end of the reporting period, the Group is exposed to concentration of credit risk where 59% *(2012: 63%)* of the amounts due from related parties is originated from a related party of the Group.

At the end of the reporting period, the Company had a concentration of credit risk as 86% *(2012: 87%)* and 100% *(2012: 100%)* of the total amounts due from subsidiaries were due from the largest subsidiary and the top five subsidiaries respectively.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through banking facilities available. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. At the end of the reporting period, there was unutilised banking facilities of approximately HK$4,000,000 available to the Group *(2012: HK$Nil)*.

3. **FINANCIAL INSTRUMENTS** *(Continued)*

(a) **Financial risk management objectives and policies** *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the financial liabilities of the Group and the Company at the end of the reporting period based on contractual undiscounted payments is summarised below:

Group

	2013			
	Total carrying value	**Total contractual undiscounted cash flow**	**On demand or less than 1 year**	**1-5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	15,192	15,192	15,192	–
Obligation under a finance lease	1,757	1,802	1,201	601
Secured bank borrowings	78,311	90,551	90,551	–
Convertible bonds	63,651	72,840	41,760	31,080
	158,911	180,385	148,704	31,681

	2012			
	Total carrying value	**Total contractual undiscounted cash flow**	**On demand or less than 1 year**	**1-5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	942	942	942	–
Obligation under a finance lease	2,881	3,003	1,201	1,802
Secured bank borrowings	75,758	88,919	88,919	–
Convertible bonds	39,099	41,760	–	41,760
	118,680	134,624	91,062	43,562

3. **FINANCIAL INSTRUMENTS** *(Continued)*

(a) **Financial risk management objectives and policies** *(Continued)*

Liquidity risk *(Continued)*

Company

	2013			
	Total carrying value	**Total contractual undiscounted cash flow**	**On demand or less than 1 year**	**1-5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	1,447	1,447	1,447	–
Amount due to a subsidiary	218,910	218,910	218,910	–
Convertible bonds	63,651	72,840	41,760	31,080
	284,008	293,197	262,117	31,080

	2012			
	Total carrying value	**Total contractual undiscounted cash flow**	**On demand or less than 1 year**	**1-5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	523	523	523	–
Amount due to a subsidiary	228,503	228,503	228,503	–
Convertible bonds	39,099	41,760	–	41,760
	268,125	270,786	229,026	41,760

The amounts repayable under a loan agreement that includes a clause that gives the lender the unconditional right to call the loan at any time are classified under the "on demand" bracket. In this regard, interest-bearing bank borrowings of HK$78,311,000 *(2012: HK$75,758,000)* as at the end of the reporting period have been so classified even though the directors do not expect that the bank would exercise its rights to demand repayment and thus these borrowings, which include payment of interest, would be repaid according to the following schedule as set out in the loan agreements:

	Within 1 year	**1-5 years**	**Over 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2013	10,702	18,810	61,039	90,551
At 30 June 2012	4,743	18,971	65,205	88,919

3. **FINANCIAL INSTRUMENTS** *(Continued)*

(b) Categories and fair value of financial instruments

Fair value disclosures

The following table presents the carrying value of financial instruments measured at fair value at 30 June 2013 and 2012 across the three levels of the fair value hierarchy as defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

Financial assets measured at fair value

Group	**At 30 June 2013**			
	Total	**Level 1**	**Level 2**	**Level 3**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments:				
Equity investments listed in Hong Kong	278	278	–	–

	At 30 June 2012			
	Total	**Level 1**	**Level 2**	**Level 3**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments:				
Equity investments listed in Hong Kong	220	220	–	–
Financial assets at fair value through profit or loss:				
Held-for-trading investments listed in Hong Kong	1,033	1,033	–	–

During the years ended 30 June 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

3. FINANCIAL INSTRUMENTS *(Continued)*

(b) Categories and fair value of financial instruments *(Continued)*

The carrying amounts of each of the following categories of financial assets and financial liabilities are set out as follows:

	2013 *HK$'000*	2012 *HK$'000*
Loans and receivables measured at cost/amortised cost:		
Trade and other receivables (excluding prepayments and legal costs recoverable)	2,903	4,152
Promissory note receivable from a jointly controlled entity	144,314	132,388
Amount due from a jointly controlled entity	16,763	16,763
Bank balances and cash	18,098	7,824
	182,078	161,127
Available-for-sale financial assets measured at fair value:		
Available-for-sale investments	278	220
Financial assets at fair value through profit or loss measured at fair value:		
Held-for-trading investments	–	1,033
Financial liabilities measured at cost/amortised cost:		
Other payables	15,192	942
Secured bank borrowings	78,311	75,758
Obligation under a finance lease	1,757	2,881
Convertible bonds	63,651	39,099
	158,911	118,680

In the opinion of the directors, the carrying amounts of the financial assets and liabilities as reported in the consolidated statement of financial position approximate their fair value.

4. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure, to reduce the cost of capital and to support the Group's stability and growth.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders. No changes were made in the objectives, policies or processes during the years ended 30 June 2013 and 2012.

5. TURNOVER AND REVENUE

	Group	
	2013 *HK$'000*	2012 *HK$'000*
Turnover		
Gross rental income from investment properties	–	3,296
Other revenue		
Interest income		
Financial assets at fair value through profit or loss	–	376
Others	9	6
	9	382
Total revenue	9	3,678

6. OTHER INCOME

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Dividend income	19	95
Gain on disposal of financial assets at fair value through profit or loss	468	–
Gain on disposal of property, plant and equipment	–	786
Sundry income	–	2
	487	883

7. SEGMENT INFORMATION

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

Segment revenue and results for the year ended 30 June 2013 are presented below:

	Resort development	**Property investment**	**Investment holding**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	–	–	–	–
Other revenue and income	–	6	487	493
	–	6	487	493
Results				
Segment results	5,156	7,678	(652)	12,182
Unallocated corporate income				3
Unallocated corporate expenses				(20,863)
Finance costs				(6,668)
Interest income on promissory note receivable from a jointly controlled entity	11,926			11,926
Loss before tax				(3,420)
Taxation				1,146
Loss for the year				(2,274)

7. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities as of 30 June 2013 and other segment information for the year ended 30 June 2013 are presented below:

	Resort development *HK$'000*	Property investment *HK$'000*	Investment holding *HK$'000*	Segment total *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Assets	277,432	258,715	2,641	538,788	48,485	587,273
Liabilities	5,070	16,755	1,593	23,418	143,899	167,317
Other segment information:						
Additions to property, plant and equipment	–	348	263	611	–	611
Additions to investment properties	1,806	–	–	1,806	–	1,806
Increase in fair value of investment properties	6,794	11,309	–	18,103	–	18,103
Depreciation of property, plant and equipment	–	239	91	330	885	1,215
Gain on disposal of financial assets at fair value	–	–	468	468	–	468
Release of prepaid lease payments	–	40	–	40	–	40

Segment revenue and results for the year ended 30 June 2012 are presented below:

	Resort development *HK$'000*	Property investment *HK$'000*	Investment holding *HK$'000*	Total *HK$'000*
Turnover	–	3,296	–	3,296
Other revenue and income	–	2	471	473
	–	3,298	471	3,769
Results				
Segment results	(29,346)	9,949	(5,140)	(24,537)
Unallocated corporate income				792
Unallocated corporate expenses				(19,991)
Finance costs				(6,310)
Interest income on promissory note receivable from a jointly controlled entity	10,931			10,931
Loss before tax				(39,115)
Taxation				(5,768)
Loss for the year				(44,883)

7. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities as of 30 June 2012 and other segment information for the year ended 30 June 2012 are presented below:

	Resort development *HK$'000*	Property investment *HK$'000*	Investment holding *HK$'000*	Segment total *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Assets	257,930	251,169	2,515	511,614	31,588	543,202
Liabilities	2,702	7,426	674	10,802	117,867	128,669
Other segment information:						
Assets classified as held for sale	–	16,778	–	16,778	–	16,778
Liabilities associated with assets classified as held for sale	–	1,928	–	1,928	–	1,928
Additions to property, plant and equipment	–	–	1	1	4,265	4,266
Additions to investment properties	1,789	–	–	1,789	–	1,789
(Decrease)/Increase in fair value of investment properties	(28,489)	8,378	–	(20,111)	–	(20,111)
Depreciation of property, plant and equipment	–	288	115	403	369	772
Impairment loss on trade and other receivables	240	–	313	553	–	553
Release of prepaid lease payments	–	40	–	40	–	40

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

Geographical information

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

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

	Turnover by geographical market	
	2013 *HK$'000*	**2012** *HK$'000*
Hong Kong	–	2,925
PRC	–	371
	–	3,296

7. SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

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

	Carrying amounts of non-current assets	
	2013	**2012**
	HK$'000	*HK$'000*
Hong Kong	236,876	235,333
Panama	115,500	106,900
PRC	29,225	2,397
	381,601	344,630

Non-current assets presented above exclude financial instruments. The Group does not have deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

Information about major customers

Revenue from external customers contributing over 10% of the turnover from the Group's property investment segment is as follows:

	2013	**2012**
	HK$'000	*HK$'000*
Customer A	N/A	2,925
Customer B	N/A	371

8. FINANCE COSTS

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Interest on convertible bonds *(note 38)*	5,278	4,930
Interest expenses on bank borrowings – wholly repayable		
Within five years	31	–
More than five years	1,282	1,327
Finance charges on obligation under a finance lease	77	53
	6,668	6,310

The analysis shows the interest expenses on bank borrowings, which contain a repayment on demand clause, in accordance with the agreed scheduled repayment dates as set out in the loan agreements. The interest expenses on bank borrowings which contain a repayment on demand clause amounted to HK$1,313,000 *(2012: HK$1,327,000)*.

9. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Staff costs, including directors' emoluments		
Salaries and other benefits	12,952	7,681
Retirement benefit scheme contributions	100	84
Total staff costs	13,052	7,765
Other operating expenses		
Compensation payable on termination of sale and purchase agreement for disposal of an investment property *(note 25)*	2,066	–
Impairment loss of trade and other receivables	–	553
Loss on disposal of financial assets at fair value through profit or loss	–	3,499
Loss on disposal of investment properties	–	225
	2,066	4,277
Other items		
Auditor's remuneration	520	500
Depreciation of property, plant and equipment	1,215	772
Direct operating expenses relating to investment properties that generated rental income	–	877
Direct operating expenses relating to investment properties that did not generate rental income	2,317	391
Net decrease in fair values of financial assets at fair value through profit or loss	–	872
Operating lease payments on premises	1,684	2,432
Release of prepaid lease payments	40	40

10. TAXATION

Hong Kong Profits Tax has not been provided as the Group did not have any assessable profits arising from Hong Kong for the years ended 30 June 2013 and 2012.

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

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
The tax (credit) charge comprises:		
Current tax		
Overseas tax	–	541
Deferred taxation		
Origination and reversal of temporary differences	(1,146)	5,227
Total tax (credit) charge for the year	(1,146)	5,768

Taxation recognised directly in other comprehensive income

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Origination and reversal of deferred tax relating to revaluation surplus upon transfer of property, plant and equipment to investment properties	–	(119)

Reconciliation of taxation

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Loss before tax	(3,420)	(39,115)
Tax at Hong Kong Profits Tax rate of 16.5% *(2012: 16.5%)*	(564)	(6,454)
Tax effect of expenses not deductible in determining taxable profit	4,364	4,789
Tax effect of income not taxable in determining taxable profit	(3,838)	(2,688)
Differences in tax rates of other jurisdictions	–	(1,198)
Unrecognised tax losses	1,159	1,259
Unrecognised deductible temporary difference	(1,121)	4,719
(Reversal) Recognition of taxable temporary differences	(1,146)	5,359
Others	–	(18)
Tax (credit) expenses for the year	(1,146)	5,768

11. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss for the year attributable to equity holders of the Company includes a profit of HK$1,224,000 *(2012: loss of HK$28,695,000)* which has been dealt with in the financial statements of the Company.

No dividend was paid or proposed during the year and up to the date of these consolidated financial statements *(2012: HK$Nil)*.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

For the year ended 30 June 2013, the emoluments paid or payable to each of the seven *(2012: six)* directors were as follows:

	Hung Kai Mau, Marcus	Hung Kin Sang, Raymond	Ng Kit Ling	Lun Tsan Kau	Su Ru Jia	Lam Ka Wai, Graham	Chan Ming Fai	Lo Yun Tai	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*			*(Note 3)*	*(Note 4)*	*(Note 4)*	
Year ended 30 June 2013									
Fees	–	–	–	150	150	–	150	150	600
Other emoluments									
Salaries and other benefits	4,947	4,453	1,150	–	–	–	–	–	10,550
Retirement benefit scheme contributions	15	–	14	–	–	–	–	–	29
Total emoluments	4,962	4,453	1,164	150	150	–	150	150	11,179
Year ended 30 June 2012									
Fees	–	–	–	150	150	175	83	83	641
Other emoluments									
Salaries and other benefits	4,696	–	–	–	–	–	–	–	4,696
Retirement benefit scheme contributions	12	–	–	–	–	–	–	–	12
Total emoluments	4,708	–	–	150	150	175	83	83	5,349

Note 1: During the year ended 30 June 2013, in addition to the above, the Group provided rent-free accommodation with estimated rateable values of approximately HK$170,000 *(2012: HK$170,000)* to Hung Kai Mau, Marcus ("Mr. Marcus Hung").

Note 2: On 15 August 2012, Hung Kin Sang, Raymond ("Mr. Raymond Hung") was re-appointed as an executive director and the managing director of the Company. On the same date, Ms. Ng Kit Ling was appointed as an executive director of the Company.

Note 3: On 12 December 2011, Lam Ka Wai, Graham resigned as an independent non-executive director of the Company.

Note 4: On 13 December 2011, Chan Ming Fai and Lo Yun Tai were appointed as independent non-executive directors of the Company.

The five highest paid individuals included three *(2012: one)* directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining two *(2012: four)* individuals are as follows:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Salaries and other benefits	606	1,520
Retirement benefits scheme contributions	28	49
	634	1,569

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

The two *(2012: four)* highest paid individuals' remuneration falls within the following band:

	Number of employees	
	2013	**2012**
Nil to HK$1,000,000	2	4

During the years ended 30 June 2013 and 2012, 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 ended 30 June 2013 and 2012, no directors waived or agreed to waive any emoluments.

13. LOSS PER SHARE

The calculation of the basic loss per share attributable to the equity holders of the Company is based on the following data:

	2013	**2012**
	HK$'000	*HK$'000*
Loss for the purposes of basic loss per share	2,274	44,883

	2013	**2012**
	No. of shares	*No. of shares*
Weighted average number of ordinary shares for the purposes of basic loss per share	837,773,826	837,903,401

For the years ended 30 June 2013 and 2012, diluted loss per share is the same as basic loss per share as the potential ordinary shares issuable under the convertible bonds have anti-dilutive effect on the basic loss per share.

14. INVESTMENT PROPERTIES

	Group
	HK$'000
Fair value	
At 1 July 2011	377,600
Additions – subsequent expenditure	1,789
Disposal	(5,600)
Net decrease in fair values	(20,111)
Transfer to assets classified as held for sale *(note 25)*	(16,778)
At 30 June 2012	336,900
Additions – subsequent expenditure	1,806
Transfer from assets classified as held for sale *(note 25)*	16,778
Net increase in fair values	18,103
At 30 June 2013	373,587

14. INVESTMENT PROPERTIES *(Continued)*

The fair values of the investment properties held in Hong Kong and the investment properties under development held in Panama have been arrived at on the basis of valuation as at the end of the reporting period carried out by BMI Appraisals Limited ("BMI"), an independent firm of qualified professional valuers not connected with the Group. BMI is a member of the Hong Kong Institute of Surveyors ("HKIS") and has appropriate qualifications and recent experience in the valuation of similar properties at the relevant locations. The valuation, which conforms to the HKIS Valuation Standards on Properties, was conducted on an open market basis by the comparison approach assuming sale with the benefit of vacant possession or by making reference to comparable sale evidences as available in the relevant market.

The fair value of the investment property held in the PRC at 30 June 2013 was determined by the directors with reference to recent market price of similar properties on same location. No valuation has been performed by independent qualified professional valuers.

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

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

	2013	**2012**
	HK$'000	*HK$'000*
Held in Hong Kong:		
Long-term leases	231,000	230,000
Held outside Hong Kong:		
Medium-term leases	27,087	–
Freehold	115,500	106,900
	373,587	336,900

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost					
At 1 July 2011	589	12,570	926	11,353	25,438
Additions	–	–	1	4,265	4,266
Disposals	–	–	(1)	(2,427)	(2,428)
At 30 June 2012	589	12,570	926	13,191	27,276
Additions	–	407	204	–	611
Write-off	–	–	–	(1,595)	(1,595)
At 30 June 2013	589	12,977	1,130	11,596	26,292
Accumulated depreciation and impairment					
At 1 July 2011	95	12,222	745	10,561	23,623
Provided for the year	7	76	105	584	772
Disposals	–	–	(1)	(2,252)	(2,253)
At 30 June 2012	102	12,298	849	8,893	22,142
Provided for the year	7	85	76	1,047	1,215
Write-off	–	–	–	(1,595)	(1,595)
At 30 June 2013	109	12,383	925	8,345	21,762
Carrying values					
At 30 June 2013	480	594	205	3,251	4,530
At 30 June 2012	487	272	77	4,298	5,134

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

	2013 *HK$'000*	**2012** *HK$'000*
Held in the PRC under long-term land use rights	480	487

The carrying values of property, plant and equipment of the Group include an aggregate amount of HK$2,605,000 *(2012: HK$3,300,000)* in respect of asset held under a finance lease.

16. OTHER ASSETS

Other assets of the Group and the Company represent antiques and artworks held for long-term investment purposes. In the opinion of the directors, the other assets are worth at least their carrying value at the end of the reporting period.

17. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Share of net assets	–	–

As at 30 June 2013, the Group had interest in the following jointly controlled entity:

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

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:

	2013	**2012**
	HK$'000	*HK$'000*
Non-current assets	83,390	83,247
Current assets	312	378
Current liabilities	(83,702)	(83,625)
Income	798	684
Expenses	(727)	(507)

The financial information of a jointly controlled entity is prepared using the same accounting policies as those adopted by the Group.

The unrecognised share of profit of a jointly controlled entity for the current year amounted to HK$71,000 *(2012: HK$177,000)* and the related share of losses cumulatively up to the end of the reporting period amounted to HK$12,709,000 *(2012: HK$12,780,000)*.

InterIsle Holdings Limited ("InterIsle"), the joint venture partner, failed to meet its obligation to pay the outstanding consideration of US$10.5 million (the "Outstanding Consideration") in relation to its subscription of the 50% equity interest in Quorum, which led to the failure of Quorum to deliver its payment of the promissory note of US$22 million to the Group on the due date of 9 April 2011. Upon advice from the lawyer of the Group, even though the joint venture agreement provides that the above failure would lead to a reduction in InterIsle's shareholding in Quorum, control does not shift to the Group until certain actions are taken by InterIsle to enable the control of Quorum being taken over by the Group. Since the Group has not obtained control over Quorum at the end of the reporting period, the directors consider Quorum should remain as a jointly controlled entity of the Group.

As a result of the adoption of HKFRS 10, which was effective from 1 July 2013, the Group has changed its accounting policy with respect to determining whether it has control over an investee. Management assessed that the adoption of HKFRS 10 does not change any of the control conclusions reached by the Group in respect of its involvement with InterIsle.

17. INTEREST IN A JOINTLY CONTROLLED ENTITY *(Continued)*

At 30 June 2013, included in the statement of financial position of Quorum was a piece of land, which has been classified as property, plant and equipment at a carrying amount of HK$166,780,000 *(2012: HK$166,495,000)*, of which HK$83,390,000 *(2012: HK$83,247,000)* relates to the Group's interest. The fair value of the land as at 30 June 2013 was approximately HK$180,000,000 *(2012: HK$179,000,000)*, which has been arrived at on the basis of a valuation carried out on that date by an independent professional valuer.

18. PREPAID LEASE PAYMENTS

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Current portion	40	40
Non-current portion	1,511	1,551
	1,551	1,591

Prepaid lease payments of the Group represent cost paid for long-term lease land use rights in the PRC. The cost is amortised over the leasehold period.

19. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Equity investments at fair value listed in Hong Kong	278	220

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

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Held-for-trading investments at fair value		
Equity securities listed in Hong Kong	–	1,033

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

21. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2013	**2012**	**2013**	**2012**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	*21(a)*	–	–	–	–
Other receivables					
Deposits, prepayments and other debtors		3,859	4,138	1,847	1,996
Legal costs recoverable	*21(b)*	22,213	19,281	22,213	19,206
Amount due from a related party	*21(c)*	107	107	–	–
		26,179	23,526	24,060	21,202

21(A) TRADE RECEIVABLES

The Group allows credit period ranging within 90 days to its trade customers. There was no trade receivables as at 30 June 2013 *(2012: HK$Nil)*.

21(B) LEGAL COSTS RECOVERABLE

As the end of the reporting period, management estimated that the Group and the Company would be able to recover legal costs from Ms. Wong, a close family member of Mr. Marcus Hung, a director of the Company, as a result of the consent judgment of a High Court case.

The legal costs recoverable include an amount paid by the Company for Mr. Raymond Hung relating to a High Court case pursuant to the "Indemnity Clause" as stated in Clause 168 of the Company's Bye-Laws. As a result of the consent judgment of the High Court case, Mr. Raymond Hung will be reimbursed the related legal costs on indemnity basis from the plaintiff. As at 30 June 2013, management estimated that the Group and the Company would be able to recover the legal costs in full from Mr. Raymond Hung.

21(C) AMOUNT DUE FROM A RELATED PARTY

The amount represents amount due from Ms. Wong which is unsecured, interest-free and repayable on demand. The maximum amount outstanding of the Group and the Company during the year were HK$660,000 *(2012: HK$738,000)* and HK$313,000 *(2012: HK$313,000)* respectively. At the end of the reporting period, provision of HK$553,000 *(2012: HK$553,000)* had been made for non-repayment of the balance.

22. PROMISSORY NOTE RECEIVABLE FROM A JOINTLY CONTROLLED ENTITY

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Non-current portion	144,314	132,388

Following the expiration of the due date of the promissory note receivable from a jointly controlled entity on 9 April 2011, management of the Group considered that there was objective evidence that an impairment loss on the promissory note had incurred. Management expected that the full amount of the promissory note would be realisable in approximately four years after 30 June 2011. Consequently, impairment loss of HK$50,143,000 measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at 9% per annum was recognised in profit or loss in the reporting period ended 30 June 2011.

As the end of the reporting period, there was a reduction of HK$11,926,000 *(2012: HK$10,931,000)* in impairment loss, which is attributable to cash flow discounting. The reduction in impairment has been recognised as an interest income in profit or loss using 9% per annum, the rate of interest used to discount the future cash flows in previous year.

The amount is unsecured. At the end of the reporting period, the promissory note was past due more than one year *(2012: more than one year)*. The Group had brought a legal action against Quorum on 18 December 2012 to recover the promissory note receivable.

23. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

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

24. BANK BALANCES AND CASH

Bank balances and cash comprise bank balances and cash held by the Group and the Company that bear interest at prevailing market interest rates.

25. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Investment property	–	16,778
Liabilities associated with assets classified as held for sale	–	1,928

During the year ended 30 June 2012, a subsidiary of the Group entered into a sale and purchase agreement with a third party (the "Purchaser") for the disposal of the investment property (the "Disposal") in the PRC, at a consideration, net of land premium, of HK$16,778,000. Deposits of HK$1,928,000 were received as at 30 June 2012. The fair value of the investment property stated in the statement of financial position at 30 June 2012 was arrived at by reference to the consideration of the Disposal.

As a result of the failure to agree on the additional tax payable calculated based on the property value assessed by the PRC tax bureau, the Purchaser filed an application to the court for an order that the Disposal be completed and the payment of additional tax be borne by the Group. The Group had filed a counterclaim against the Purchaser for non-payment of the additional tax and the unconditional cancellation of the Disposal. As advised by the lawyer of the Group, with the additional tax being imposed, the Disposal would violate the Fairness Act under the PRC Contract Law. Therefore, the directors consider that the Disposal should be terminated. Accordingly, the criteria in HKFRS 5 could no longer be satisfied because of the unlikelihood of the investment property being disposed of in the near future. The investment property and the liabilities associated therewith ceased to be classified as assets held for sale and are transferred to investment properties and other payables as set out in notes 14 and 26 to these consolidated financial statements respectively.

The estimated compensation payable upon successful termination of the sale and purchase agreement of the Disposal amounted to HK$2,066,000 has been included in the "other operating expenses" line item in the consolidated statement of comprehensive income.

If the Group is forced to complete the Disposal, the total expected potential loss on Disposal may amount to approximately HK$11 million. Based on the above-mentioned legal advice, no provision has therefore been made in respect of this potential loss.

26. OTHER PAYABLES

	Group		Company	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accrued charges and other creditors	9,056	3,644	1,447	523
Deposits received on the Disposal *(note 25)*	10,329	–	–	–
	19,385	3,644	1,447	523

27. SECURED BANK BORROWINGS

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Current portion of bank borrowings	9,443	3,444
Non-current portion of bank borrowings which contains a repayment on demand clause	68,868	72,314
	78,311	75,758

27. SECURED BANK BORROWINGS *(Continued)*

Analysis of the amounts due based on scheduled payment dates set out in the loan agreements (ignoring the effect of any repayment on demand clause) is as follows:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Within one year	9,443	3,444
One to five years	14,403	14,397
Over five years	54,465	57,917
On demand or within one year	78,311	75,758

At the end of the reporting period, the Group's bank borrowings carried variable interest rates ranging from 1.45% to 2.30% per annum above one month Hong Kong Inter-bank Offer Rate *(2012: 1.45% per annum above one month Hong Kong Inter-bank Offer Rate)*. The effective interest rate during the year was 1.85% *(2012: 1.75%)* per annum. The bank borrowings are secured by the assets of the Group as set out in note 36 to the consolidated financial statements.

The secured bank borrowings with a clause in its terms that gives the bank a customary overriding right of repayment on demand and an unfettered right of terminating the facility at any time by notice in writing to the Group at its sole discretion are classified as current liabilities even though the directors do not expect that the bank would exercise its rights to demand repayment.

28. OBLIGATION UNDER A FINANCE LEASE

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Current portion	1,162	1,124
Non-current portion	595	1,757
	1,757	2,881

	Group			
	Minimum lease payments		**Present value of minimum lease payments**	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable:				
Within one year	1,201	1,201	1,162	1,124
More than one year but less than two years	601	1,201	595	1,162
More than two years but less than three years	–	601	–	595
	1,802	3,003	1,757	2,881
Less: Future finance charges	(45)	(122)	–	–
Present value of finance lease obligation	1,757	2,881	1,757	2,881
Less: Amount due for settlement within 12 months			(1,162)	(1,124)
Amount due for settlement after 12 months			595	1,757

28. OBLIGATION UNDER A FINANCE LEASE *(Continued)*

The obligation under a finance lease of the Group is secured by the lessor's charge over the leased asset as set out in note 15 to the consolidated financial statements.

The lease term is three years and on a fixed repayment basis. For the year ended 30 June 2013, the average effective borrowing rate was 3.26% *(2012: 3.26%)* per annum. Interest rate was fixed at the contract date. All lease is on a fixed repayment basis.

29. SHARE CAPITAL

Ordinary shares of HK$0.01 each	*Number of ordinary shares*	*HK$'000*
Authorised:		
At 1 July 2011, 30 June 2012 and 30 June 2013	6,000,000,000	60,000
Issued and fully paid:		
At 1 July 2011	838,308,826	8,383
Cancellation upon repurchase of own shares	(535,000)	(5)
At 30 June 2012 and 30 June 2013	837,773,826	8,378

During the year ended 30 June 2012, the Company repurchased on the Stock Exchange a total of 535,000 shares of HK$0.01 each of the Company at an aggregate consideration of HK$60,000, all of which were cancelled during the year ended 30 June 2012. The nominal value of cancelled shares was credited to the capital redemption reserve and the aggregate consideration was charged to the retained profits of the Company.

There was no repurchase on the Stock Exchange during the year ended 30 June 2013.

30. SHARE-BASED PAYMENTS

The Company adopted a share option scheme on 16 September 2002 (the "2002 Scheme"). The 2002 Scheme was expired on 16 September 2012. Pursuant to an ordinary resolution passed at the Annual General Meeting held on 15 November 2012, a new share option scheme (the "2012 Scheme") was adopted. Under the 2012 Scheme, the board of directors of the Company may, at their discretion, 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 2012 Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of adoption of the Scheme ("Scheme Mandate Limit") which was 83,777,383 shares. 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 2012 Scheme or any other limit as may be permitted under the Listing Rules.

Any grant of options under the 2012 Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their respective associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HK$5 million, in any 12-month period, are subject to shareholders' approval in a general meeting of the Company.

Options granted must be taken up within 30 days of the date of grant, upon payment of HK$1 by the grantee on each acceptance of 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 of the Company may at their discretion to 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.

30. SHARE-BASED PAYMENTS *(Continued)*

The directors and employees of the Company and its subsidiaries are entitled to participate in the 2012 Scheme. At 30 June 2013 and 2012, the total number of shares available for issue under the 2012 Scheme and the 2002 Scheme were 83,777,383 shares and 87,321,782 shares respectively, which represented approximately 10% *(2012: 10.4%)* of the Company's issued share capital.

During the years ended 30 June 2013 and 2012, no share options had been granted. There were no share options outstanding as at 30 June 2013 and 2012.

31. DEFERRED TAXATION

The movement for the year in the Group's net deferred tax liabilities is as follows:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
At beginning of the reporting period	5,359	251
(Credit) Charge to profit or loss	(1,146)	5,227
Credit to other comprehensive income	–	(119)
At the end of the reporting period	4,213	5,359

Recognised deferred tax liabilities at the end of the reporting period represent the following:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Fair value adjustment *(Note)*	4,213	5,359
Amount expected to be recovered after more than 12 months	4,213	–

Note: The balance as at 30 June 2012 represented deferred tax on the fair value adjustment arising from assets classified as held for sale which was represented by an investment property.

Unrecognised deferred tax assets arising from

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Deductible temporary differences	53,563	60,357
Tax losses	232,592	225,570
At the end of the reporting period	286,155	285,927

The deductible temporary differences of HK$53,563,000 *(2012: HK$60,357,000)* represent deficit on revaluation of overseas investment properties. At the end of the reporting period, the Group had unused tax losses of HK$232,592,000 *(2012: HK$225,570,000)* available for offset against future taxable profits. No deferred tax assets in respect of these items have been recognised due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

32. MAJOR NON-CASH TRANSACTION

During the year ended 30 June 2012, the Group entered into a finance lease arrangement in respect of property, plant and equipment with a total capital value at the inception of the lease of HK$3,429,000.

The Group did not have major non-cash transaction for the year ended 30 June 2013.

33. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Within one year	3,789	1,063
In the second to fifth year inclusive	1,379	–
	5,168	1,063

Operating lease payments represent rentals payable by the Group for certain of its offices and directors' accommodations. Leases are negotiated for a term of 2 years *(2012: ranged from 6 months to 2 years)*. Rentals are fixed over the lease period and no arrangements have been entered into for contingent rental payments.

34. OPERATING LEASE ARRANGEMENTS

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for future minimum lease payments, which represent rentals receivable by the Group under non-cancellable operating leases which fall due as follows:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Within one year	–	343

35. CAPITAL COMMITMENTS

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of investment properties and property, plant and equipment contracted but not provided for in the consolidated financial statements		
– the Group	19,203	19,203
– share of a jointly controlled entity	31,288	31,288
	50,491	50,491

36. PLEDGE OF ASSETS

At the end of the reporting period, the Group and the Company had provided the following security for the banking facilities granted to a subsidiary of the Company as set out in note 27 to the consolidated financial statements.

(a) Pledge of investment properties of the Group with a carrying amount of HK$231,000,000 *(2012: HK$230,000,000)*;

(b) All monies earned by the above pledged investment properties of the Group. During the year, there was no rental income generated from these investment properties *(2012: HK$2,925,000)*;

(c) Property insurance on the pledged investment properties executed by the Group in favour of the bank. At the end of the reporting period, the property insurance coverage amounted to HK$16,500,000 *(2012: HK$15,840,000)*; and

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

37. RELATED PARTY AND CONNECTED TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following transactions with related parties:

(a) Transactions

The Group earned rental income of HK$Nil *(2012: approximately HK$2,925,000)* from Ms. Wong, a close family member of the Chairman, Mr. Marcus Hung, of the Company during the year ended 30 June 2013.

The Group paid rental expenses of approximately HK$95,000 *(2012: HK$759,000)* for accommodation to Mr. Raymond Hung, a close family member of the Chairman, Mr. Marcus Hung, of the Company for the period from 1 July 2012 to 15 August 2012, as a consultant of the Group.

The Group paid consultancy fee of approximately HK$232,000 *(2012: HK$2,010,000)* to Mr. Raymond Hung for the period from 1 July 2012 to 15 August 2012.

During the year ended 30 June 2013, the Company entered into a subscription agreement with Mr. Raymond Hung, pursuant to which the Company agreed to issue, and Mr. Raymond Hung agreed to subscribe for the convertible bonds in the principal amount of HK$31,080,000 in cash. These transactions constitute connected transactions of the Company under the Listing Rules and the relevant disclosures are made in note 38(b) to these consolidated financial statements.

(b) Remuneration to key management personnel

The remuneration of members of key management, other than directors as disclosed in note 12 to these consolidated financial statements was as follows:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Salaries and other benefits	354	772
Retirement benefit scheme contributions	11	12
	365	784

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

The above transactions do not fall under the definition of connected transactions or continuing connected transactions under the Listing Rules.

38. CONVERTIBLE BONDS

(a) 2013 CB

On 10 December 2010, the Group issued 8% convertible bonds in the aggregate principal amount of HK$41,760,000 (the "2013 CB"). The holders of the 2013 CB may convert the whole or any part, in minimum amount of HK$250,000 or integral multiples, of the 2013 CB into shares at conversion price of HK$0.24, subject to adjustments, with the term of 3 years from 10 December 2010. The Company has no intention to exercise its rights to early redeem the whole or any part of the 2013 CB until the maturity date even though the Company has the right at its sole and absolute discretion at any time after 1 year from 10 December 2010 to redeem the whole or any principal amount, in minimum amount of HK$250,000 or integral multiples, of the 2013 CB.

The fair value of the liability component and the equity conversion component were determined at issuance of the 2013 CB. The fair value of the liability component was calculated using an annual market interest rate of 12.2%. The residual amount, representing the value of the equity conversion component, has been included in the convertible bonds reserve.

(b) 2018 CB

On 29 May 2013, the Company issued convertible bonds in the aggregate principal amount of HK$31,080,000 (the "2018 CB") to Mr. Raymond Hung for financing the working capital requirements of the Group. The 2018 CB bears no coupon interest and is unsecured. The holders of the 2018 CB may convert the whole or part, in minimum amount of HK$500,000 or integral multiples, of the 2018 CB into shares at conversion price of HK$0.21, subject to adjustments, with the term of 5 years from 29 May 2013. The Company has no obligation to redeem the 2018 CB prior to the maturity date unless an event of default as provided in the terms and conditions of the 2018 CB has occurred prior to the maturity date.

The fair value of the liability component and the equity conversion component were determined at issuance of the 2018 CB. The fair value of the liability component was calculated using an annual market interest rate of 6.3%. The residual amount, representing the value of the equity conversion component, has been included in the convertible bonds reserve.

38. CONVERTIBLE BONDS *(Continued)*

(c) The above-mentioned convertible bonds recognised at the end of the reporting period are calculated as follows:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Liability component		
At beginning of the reporting period	39,099	37,510
Nominal value of convertible bonds issued	31,080	–
Issue costs apportioned to liability component	(334)	–
Equity component at the issue date	(8,131)	–
At the issue date	22,615	–
Interest expenses *(note 8)*	5,278	4,930
Interest paid/payable	(3,341)	(3,341)
At the end of the reporting period	63,651	39,099
Representing by:		
Due within 12 months, current portion	40,906	–
Due after 12 months, non-current portion	22,745	39,099
	63,651	39,099
Equity component		
At beginning of the reporting period	3,846	3,846
Convertible bonds issued	8,131	–
Issue costs apportioned to equity component	(119)	–
At the end of the reporting period	11,858	3,846

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Interests in subsidiaries	*40*	400,623	392,591
Other assets	*16*	1,045	1,045
		401,668	393,636
Current assets			
Other receivables	*21*	24,060	21,202
Bank balances and cash	*24*	17,019	2,790
		41,079	23,992
Current liabilities			
Other payables	*26*	1,447	523
Amount due to a subsidiary	*40*	218,910	228,503
Convertible bonds	*38*	40,906	–
		261,263	229,026
Net current liabilities		(220,184)	(205,034)
Total assets less current liabilities		181,484	188,602
Capital and reserves			
Share capital	*29*	8,378	8,378
Share premium and reserves	*39(a)*	150,361	141,125
TOTAL EQUITY		158,739	149,503
Non-current liabilities			
Convertible bonds	*38*	22,745	39,099
		181,484	188,602

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

(a) Share premium and reserves

	Share premium	Capital redemption reserve	Capital reserve	Convertible bonds reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2011	445	11,926	204,610	3,846	(50,952)	169,875
Loss for the year	–	–	–	–	(28,695)	(28,695)
Transaction with equity holders						
Repurchase of own shares	–	5	–	–	(60)	(55)
At 30 June 2012	445	11,931	204,610	3,846	(79,707)	141,125
Profit for the year	–	–	–	–	1,224	1,224
Transaction with equity holders						
Issue of convertible bonds	–	–	–	8,012	–	8,012
At 30 June 2013	445	11,931	204,610	11,858	(78,483)	150,361

The capital reserve of the Company represents contributed surplus arising from the cancellation of share premium account of the Company pursuant to a special resolution passed by the Company on 22 February 1999. Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

Subject to the conditions mentioned in the foregoing paragraph, the Company had the following reserves available for distribution to shareholders at the end of the reporting period:

	2013	2012
	HK$'000	*HK$'000*
Capital reserve	204,610	204,610
Accumulated losses	(78,483)	(79,707)
	126,127	124,903

40. INTERESTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	*HK$'000*
Unlisted shares, at cost	77,747	77,747
Amount due from subsidiaries	393,766	396,444
	471,513	474,191
Accumulated impairment losses	(70,890)	(81,600)
	400,623	392,591
Amount due to a subsidiary	218,910	228,503

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed repayment term. At the end of the reporting period, the carrying amounts of the amounts due approximate their fair values. The amounts due from subsidiaries are not expected to be realised in the next twelve months from the end of the reporting period.

40. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries at 30 June 2013 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operation	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued share capital/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Applied Enterprises Limited	Hong Kong	Ordinary HK$1,000	–	100%	Investment holding
Applied Hong Kong Properties Limited	Hong Kong	Ordinary HK$500,000	–	100%	Property, plant and equipment holding and investing in equity securities
Applied Investment (Asia) Limited	Hong Kong	Ordinary HK$574,630,911	100%	–	Investment holding and investing in equity securities
AppliedLand Limited	Hong Kong	Ordinary HK$2	100%	–	Property, plant and equipment holding and investment holding
Applied Mission Limited	Hong Kong	Ordinary HK$10,000	–	100%	Property, plant and equipment holding
Applied Secretaries Management Limited	Hong Kong	Ordinary HK$2	100%	–	Providing administrative and secretarial services
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
Quorum Electronics (Shenzhen) Company Limited (Note)	PRC	Registered capital HK$10,000,000	–	100%	Property holding
Playa Grande Development Holdings Inc.	Panama	Ordinary US$200	–	100%	Resort and property development
Playa Grande Hot Spring Development Holdings, Inc.	Panama	Ordinary US$200	–	100%	Resort and property development
Severn Villa Limited	Hong Kong	Ordinary HK$7,545,000	–	100%	Property holding

Note: Quorum Electronics (Shenzhen) Company Limited is a wholly foreign owned enterprise established in the PRC.

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

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.

41. RETIREMENT BENEFIT SCHEME

With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme (the "MPF Scheme") for all 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 profit or loss, as set out in note 9 to these consolidated financial statements, represents contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

42. LITIGATIONS

(a) High Court Miscellaneous Proceedings No. 243 and 522/2011

During January and February 2011, Ms. Wong, a former non-executive director of the Company retired on 14 January 2011, commenced actions to bring the Company and a subsidiary of the Company as intervening parties to the matrimonial proceedings between Ms. Wong and Mr. Raymond Hung.

On 7 July 2011, Ms. Wong lodged a statement of claim to the High Court of the Hong Kong Special Administrative Region (the "High Court") against the Company and the subsidiary for claiming a declaration that certain investment properties, which have been included in the Group's consolidated financial statements, are actually held by the subsidiary as a trustee for Ms. Wong and an order for the taking of accounts or quantification of equitable compensation amongst certain involved parties (the "Claims").

On 5 August 2011, the Company and the subsidiary filed defence and counterclaims against Ms. Wong for vacant possession of those investment properties and unpaid licence fees for remaining at the investment properties until the recovery of possession of the investment properties by the Company and the subsidiary (the "Counterclaims").

On 4 May 2012, Ms. Wong conceded on the Claims against the Group and also on the Counterclaims against her. Accordingly, the High Court made the orders and judgement that the Claims were dismissed with costs payable by Ms. Wong to the Group on an indemnity basis. A declaration that the investment properties belonged to the Group was also granted. Besides, Ms. Wong was ordered to deliver up vacant possession of the investment properties and pay mesne profits for her period of occupation.

On 11 June 2012, Ms. Wong returned the possession of the investment properties to the Group.

The Group is in the process of taking the appropriate steps to recover the legal costs of the Group in respect of the Claims and the Counterclaims from Ms. Wong, which has been recorded as legal costs recoverable as set out in note 21 to these consolidated financial statements.

(b) High Court Action No. 424/2011

Ms. Wong originally commenced the claim for various arrears of salaries and other allowances, non-executive director's fee and reimbursements in respect of the investment properties in the Labour Tribunal against the Company. After a preliminary hearing, the Labour Tribunal transferred the claim to the High Court in February 2011 for a total sum of the claim of approximately HK$3.5 million.

On 31 May 2011, Ms. Wong lodged a statement of claim to the High Court against the Company for an aggregate amount of approximately HK$1.5 million and the related interest and costs (the "Statement of Claims").

On 21 August 2012, Ms. Wong's lawyer took out a summons application for leave to amend the Statement of Claim in which the claim amount was adjusted to approximately HK$3 million with further interest and related costs to be charged.

The directors consider that the claim from Ms. Wong is without merit and have been advised by the Group's lawyers that the Group holds strong positions in this claim and therefore no provision for the claims was considered necessary.

43. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, a subsidiary of the Company has increased a revolving loan facility granted by a bank in Hong Kong from HK$10,000,000 to HK$20,000,000 with the same terms and conditions under the existing revolving loan facility granted.

As at the date of these consolidated financial statements, the additional revolving loan facility had not been utilised.

3. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 31 October 2013, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had outstanding secured borrowings of approximately HK$77,136,141. In addition, the Group had outstanding at the date obligation under finance lease of approximately HK$1,373,939.

Convertible bonds

As at the close of business on 31 October 2013, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group has the following outstanding convertible bonds:

Date of issue	Conversion price as at 31 October 2013	Outstanding principal amount as at 31 October 2013	Carrying amount of liability component as at 31 October 2013
29 May 2013	HK$0.21	HK$31,080,000	HK$22,745,000

Pledge of assets and other securities

As at the close of business on 31 October 2013, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had provided the following securities for the banking facilities granted to a subsidiary of the Company:

(a) pledge of investment properties of the Group with a carrying amount of HK$231,000,000;

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

(c) property insurance on the pledged investment properties executed by the Group in favour of the bank. At the end of the reporting period, the property insurance coverage amounted to HK$16,500,000; and

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

Save as aforesaid or otherwise disclosed herein in this section titled “3. Indebtedness Statement”, the Group did not have outstanding as at the close of business on 31 October 2013 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

The Directors confirm that there is no material change in the financial or trading position or outlook of the Group since 30 June 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up and up to the Latest Practicable Date other than the following:

(a) the bank balances and cash of the Group decreased from approximately HK$18.1 million as at 30 June 2013 to approximately HK$5.3 million as at 30 September 2013; and.

(b) the Convertible Bonds Due 2013 had been fully converted into Shares in October 2013.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 31 October 2013 of the properties held by the Group located in Hong Kong, the People's Republic of China and Panama.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

33rd Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心33樓
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

The Directors
Applied Development Holdings Limited 3 December 2013
Suites 3402-03, 34th Floor
China Merchant Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Applied Development Holdings Limited (the "Company") for us to value the properties held by the Company and/or its subsidiaries (together referred to as the "Group") located in Hong Kong, the People's Republic of China (the "PRC") and Panama. We confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 October 2013 (the "valuation date").

BASIS OF VALUATION

Our valuations of the properties will be based on the Market Value, which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

PROPERTY CATEGORISATIONS

In the course of our valuations, the portfolio of the properties are categorised into the following groups:–

Group I – Property held for investment by the Group in Hong Kong

Group II – Property held and occupied by the Group in the PRC

Group III – Property held for sale by the Group in the PRC

Group IV – Properties held for future development by the Group in Panama

VALUATION METHODOLOGIES

We have valued the properties on market basis by the Comparison Approach assuming sale in their existing states with the benefit of vacant possession and by making reference to sales evidence or asking prices of comparable properties as available in the relevant market. Appropriate adjustments have been made to account for the differences between the properties and the comparables in terms of time, location, accessibility and other relevant factors.

TITLE INVESTIGATION

We have been provided with copies of title documents and have been advised by the Group that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. In the course of our valuations, we have relied upon the advice and information given by the Group's PRC legal advisors – King's Law Firm and Guangdang Qiyuan Law Firm and the Group's Panama legal advisor – Morgan & Morgan Group regarding the title of the properties located in the PRC and Panama respectively. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the properties are sold in the market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to affect the values of the properties.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no forced sale situation in any manner is assumed in our valuations.

VALUATION CONSIDERATIONS

For Property Nos. 1, 2, 4 and 5, we have relied on the Company's confirmation that there have been no material changes to the physical attributes and the uses of such properties or the nature of interest being valued or the nature of their locations, since the last inspections conducted in August and September 2013. Thus, no re-inspections of such properties were conducted. For Property No. 3, the inspection was conducted in November 2013. The inspections of the properties were conducted by Mr. Benjamin A. Osorio Baxter (Engineer), Mr. Man Lam (BCom (Property), MHKIS) and Miss Yates Wong (MSc(RealEst)) respectively.

We inspected the properties externally and where possible, the interior of the properties during the inspections. During the course of our inspections, we did not note any serious defects. However, no structural surveys have been made nor have any tests been carried out on any of the services provided in the properties. We are, therefore, unable to report that the properties are free from rot, infestation or any other structural defects.

We have relied to a considerable extent on the information provided by the Group and have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, particulars of occupancy, site/floor areas, identification of the properties and all other relevant matters.

Except otherwise stated, dimensions, measurements and site/floor areas included in the valuation certificates are based on information contained in the documents provided to us and are therefore only approximations.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the properties but have assumed that the site/floor areas shown on the documents handed to us are correct.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your confirmation that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

For the purpose of compliance with Rule 11.3 of The Code on Takeovers and Mergers and Share Repurchases and as advised by the Group, the potential tax liabilities which may arise from the sale of the properties include:

- Stamp duty for the property in Hong Kong;
- Profits tax on the profit from the sale at a rate of 16.5% for the property in Hong Kong;
- Business tax at a rate of 5% of consideration for the properties in the PRC;
- Stamp duty at a rate of 0.05% of consideration for the properties in the PRC;
- Land value appreciation tax for the properties in the PRC at progressive tax rates ranging from 30% to 60% on the appreciation;
- Business tax at a rate of 5% of consideration for the properties in Panama;
- Stamp duty at a rate of 2% of consideration for the properties in Panama; and
- Land value appreciation tax for the properties in Panama at a tax rate of 10% on the appreciation.

As advised by the Group, it is expected that the relevant tax will be crystalised in the future for the property in Group III. For the remaining properties, the likelihood of any potential tax liability being crystalised is remote as the Group has no intention to sell these properties.

Our valuations have been prepared in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The Code on Takeovers and Mergers and Share Repurchases issued by The Securities and Futures Commission.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars (HK$). Where necessary, the exchange rates adopted in our valuations are approximately HK$1 = Renminbi (RMB) 0.79 and HK$1 = United States Dollars (US$) 0.1289, being the prevailing exchange rates as at the valuation date.

Our summary of values and the valuation certificates are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C.H. Cheng
BSc., MUD, MBA(Finance), MSc.(Eng), PhD(Econ), SIFM, FCIM, CPA UK, MHKIS, MCIArb MASCE, MIET, MIEEE, MASME, MIIE
Managing Director

Joannau W.F. Chan
BSc., MSc., MRICS, MHKIS, RPS(GP)
Senior Director

Notes:

Dr. Tony C. H. Cheng is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 20 years' experience in valuations of properties in Hong Kong and the People's Republic of China and over 4 years' experience in valuations of properties in Panama.

Ms. Joannau W.F. Chan is a member of The Hong Kong Institute of Surveyors (General Practice) who has over 20 years' experience in valuations of properties in Hong Kong and over 14 years' experience in valuations of properties in the People's Republic of China.

SUMMARY OF VALUES

No.	Property	Market Value in existing state as at 31 October 2013 *HK$*
Group I – Property held for investment by the Group in Hong Kong		
1.	Unit B on 1st Floor, 2nd Floor and 3rd Floor, Roof B, the whole of Garden B, Unit A on 1st Floor, Garden A and Car Parking Space Nos. 1, 2, 3, 4, 5 and 7 on Ground Floor, Severn Villa, No. 3 Severn Road, Hong Kong	231,000,000
	Sub-total:	231,000,000
Group II – Property held and occupied by the Group in the PRC		
2.	Units 503 and 504 of Tower B, Regent on the Mission Hills, Mission Hills Road, Guanlan Town, Shenzhen City, Guangdong Province, the PRC	3,700,000
	Sub-total:	3,700,000

SUMMARY OF VALUES

No.	Property	Market Value in existing state as at 31 October 2013 *HK$*
	Group III – Property held for sale by the Group in the PRC	
3.	Level 2, No. 42 Zhanqian Road, Liwan District, Guangzhou City, Guangdong Province, the PRC	14,000,000
	Sub-total:	14,000,000
	Group IV – Properties held for future development by the Group in Panama	
4.	Lot Nos. 1807, 4920, 4921, 4923, 4924, 4935, 4936, 4942, 4943, 4944, 4945, 6921, 20435, 33248, 35039, 41583 and 41619, Playa Grande in Boca Chica, District of San Lorenzo, Province of Chiriqui, Panama	110,000,000
5.	Lot No. 60004, The Borough of San Felix, Province of Chiriqui, Panama	5,500,000
	Sub-total:	115,500,000
	Grand-total:	364,200,000

VALUATION CERTIFICATE

Group I – Property held for investment by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2013 *HK$*
1.	Unit B on 1st Floor, 2nd Floor and 3rd Floor, Roof B, the whole of Garden B, Unit A on 1st Floor, Garden A and Car Parking Space Nos. 1, 2, 3, 4, 5 and 7 on Ground Floor, Severn Villa, No. 3 Severn Road, Hong Kong 25/35th equal and undivided shares of and in Rural Building Lot No. 155 and the Extension thereto	The property comprises 4 residential units on the 1st, 2nd and 3rd floors with the respective roof and garden thereof and 6 car parking spaces on the ground floor of a 4-storey residential building completed in 1982. The building is located in the Peak which is regarded as the most prestigious location in Hong Kong. The total gross floor area of the residential units is approximately 6,200 sq.ft. (575.99 sq.m.) and the roof area is approximately 1,550 sq.ft. (143.99 sq.m.). The property is held under a Government Lease for a term of 75 years commencing on 13 December 1920 renewable for a further term of 75 years.	The property is vacant.	231,000,000

Notes:

1. The registered owner of the property (except Garden A, the whole of Garden B and Roof B) is Severn Villa Limited vide Memorial No. 07020700150023 dated 30 January 2007.

2. The registered owner of the whole of Garden B and Roof B of the property is Incar Electronics Limited (now known as Severn Villa Limited) vide Memorial No. UB8515027 dated 25 September 2001.

3. The registered owners of Garden A of the property are Woo Kam For and Pearson Barbara as Joint Tenants. With reference to an Assignment vide Memorial No. UB8982269 dated 9 July 2003, all owners of Units A of Severn Villa have equal rights to use Garden A of the property. Therefore, Severn Villa Limited has one of three undivided shares of Garden A of the property.

4. The property is subject to the following material encumbrances:

    a. A legal charge/mortgage to secure all monies in respect of general banking facilities in favor of The Bank of East Asia, Limited vide Memorial No. 07042500570088 dated 26 March 2007; and

    b. An earnings assignment and charge over account in favor of The Bank of East Asia, Limited vide Memorial No. 07042500570097 dated 26 March 2007.

5. Severn Villa Limited is an indirectly wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group II – Property held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2013 *HK$*
2.	Units 503 and 504 of Tower B, Regent on the Mission Hills, Mission Hills Road, Guanlan Town, Shenzhen City, Guangdong Province, the PRC	The property comprises a residential unit on Level 6 of an 8-storey residential building completed in 2000. The building is located on a small hill on the 12th hole of Mission Hills World Cup Course in Guanlan Town of Longhua District. The property has a total gross floor area ("GFA") of approximately 195.12 sq.m. The land use rights of the property have been granted for a common term of 70 years commencing on 14 November 1994 and expiring on 13 November 2064 for residential use.	The property is owner-occupied.	3,700,000

Notes:

1. Pursuant to 2 Real Estate Title Certificates (房地產權証) issued by The People's Government of Shenzhen (深圳市人民政府) both dated 23 October 2001, the building ownership rights of the property with a total GFA of 195.12 sq.m. are held by Tronicwatch Limited (電子時計有限公司) (now known as Applied Mission Limited) ("Applied Mission") and the land use rights of the property have been granted to Applied Mission for a common term of 70 years for residential use. The salient details of the certificates are as follows:

Unit No.	Real Estate Title Certificate No.	Expiry Date of Land Use Rights	GFA (sq.m.)
503	Shen Fang Di Zi No. 5000052334 深房地字第5000052334號	13 November 2064	97.56
504	Shen Fang Di Zi No. 5000052328 深房地字第5000052328號	13 November 2064	97.56
		Total:	195.12

2. The opinion given by the PRC legal advisor to the Group contains, inter alia, the following:

   a. Applied Mission has obtained the land use rights and building ownership rights of the property;

   b. The property is not subject to any encumbrances or charges; and

   c. Applied Mission has the rights to legally transfer the property in the market.

3. Applied Mission is an indirectly wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group III – Property held for sale by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2013 *HK$*
3.	Level 2, No. 42 Zhanqian Road, Liwan District, Guangzhou City, Guangdong Province, the PRC	The property comprises the whole of Level 2 of a 9-storey residential/ commercial composite building completed in 2000s. The building is located in Zhanqian Road of Liwan District in Guangzhou City and Guangzhou West Station is situated nearby. The property has a total gross floor area ("GFA") of approximately 1,101.81 sq.m.	The property is vacant.	14,000,000 (Please refer to Note 4 below)

Notes:

1. Pursuant to a Real Estate Title Certificate (房地產權証), Sui Fang Di Zheng Zi No. 0786153 (穗房地証字第0786153號), issued by the Guangzhou State-owned Land and Real Estate Management Bureau (廣州市國土局房管局), the building ownership rights of the property with a total GFA of approximately 1,101.81 sq.m. are legally owned by Quorum Electronics (Shenzhen) Co., Limited (盈聯多科技企業(深圳)有限公司) ("Quorum Electronics") for commercial use. The Real Estate Title Certificate contains an annotation that, the land use application of the property has not been completed. As advised by the PRC legal advisor to the Group, completion of the land use application of the property is only subject to the payment of the land premium which can be made at any time and upon payment of which the land use application will be deemed to have been completed. Accordingly, the PRC legal advisor to the Group is of the opinion that Quorum Electronics has obtained the land use rights and building ownership rights of the property.

2. As advised by the Group, the property is subject to a freezing order ("Order") by the court due to a contract dispute for the sale and purchase of the property, further particulars of which have been disclosed in the Chairman's statement in the Company's 2013 annual report.

3. The opinion given by the PRC legal advisor to the Group contains, inter alia, the following:

   a. Quorum Electronics has obtained the land use rights and building ownership rights of the property;

   b. Other than the Order, the property is not subject to any other encumbrances or charges; and

   c. Quorum Electronics has the rights to legally transfer the property in the market upon the discharge of the Order and the payment of the land premium.

4. In the valuation of this property, we have assumed that the Order has been discharged, the land premium has been settled in full and the property can be freely transferred in the market. Without these assumptions, we would attribute no commercial value to the property due to the prohibition against assignment.

5. Quorum Electronics is an indirectly wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group IV – Properties held for future development by the Group in Panama

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2013 *HK$*
4.	Lot Nos. 1807, 4920, 4921, 4923, 4924, 4935, 4936, 4942, 4943, 4944, 4945, 6921, 20435, 33248, 35039, 41583 and 41619, Playa Grande in Boca Chica, District of San Lorenzo, Province of Chiriqui, Panama	The property comprises 17 parcels of land with a total site area of approximately 494 hectares. The property is located in Boca Chica of San Lorenzo district which can be accessed from David City in about forty-five minutes' drive under normal traffic condition. As advised by the Company, the property is intended to be developed into a large-scale resort development including a 5-star hotel, a boutique hotel, a marina hotel, an 18-hole golf course, a marina village and various residential units. The detailed planning of the property has not yet commenced. As advised by the Group, there is no material condition imposed on the development of the property. However, a marina concession will need to be obtained in relation to the marina which is an integral part of the current development plan. As advised by the Group, commencement and schedule of development will depend on improvement in the economy of the United States and prevailing market conditions. The property title is freehold.	The property is vacant except for a few temporary structures that pre-existed the Company's acquisition of the property.	110,000,000

Notes:

1. According to recent title searches, the registered owner of the property ("Playa Grande Land") is Playa Grande Development Holdings Inc. ("Playa Grande Development").

2. The opinion given by the Panama legal advisor to the Group contains, inter alia, the following:

   a. Playa Grande Development is the legal and beneficial owner of, and has good title in, Playa Grande Land;

   b. Playa Grande Land is not subject to any encumbrances or charges; and

   c. There is no restriction under Panama laws for the freely transfer of the Playa Grande Land.

3. Playa Grande Development is an indirectly wholly-owned subsidiary of the Company.

4. As advised by the Group, the intended development of the property into a large-scale resort development noted above is only at a preliminary planning stage and no formal development plans have been formulated. As such, it is not possible to include the following in this valuation certificate:

   a. The value after the development has been completed;

   b. The estimate total cost (including carrying charges) of completing the development and the anticipated dates of completion and of letting or occupation; and

   c. A statement whether planning or other regulatory consent has been obtained and, if so, the date thereof and the nature of any conditions attaching to the consent which affect the value.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2013 *HK$*
5.	Lot No. 60004, The Borough of San Felix, Province of Chiriqui, Panama	The property comprises a parcel of land with a site area of approximately 9 hectares. The property is located in Boca Chica of San Lorenzo district which can be accessed from David City in about forty-five minutes' drive and from San Juan in about ten minutes' drive under normal traffic condition. As advised by the Company, the property is intended to be developed into a hot spring resort development. The detailed planning of the property has not yet commenced. As advised by the Group, there is no material condition imposed on the development of the property. However, a hot spring concession will need to be obtained in relation to the hot spring which is an integral part of the current development plan. Playa Grande Hot Spring Development is in the process of applying for the hot spring concession. As advised by the Group, commencement and schedule of development will depend on improvement in the economy of the United States and prevailing market conditions. The property title is freehold.	The property is vacant except for a few temporary structures that pre-existed the Company's acquisition of the property.	5,500,000

Notes:

1. According to a recent title search, the registered owner of the property ("Playa Grande Hot Spring") is Playa Grande Hot Spring Development Holdings, Inc. ("Playa Grande Hot Spring Development").

2. The opinion given by the Panama legal advisor to the Group contains, inter alia, the following:

   a. Playa Grande Hot Spring Development is the legal and beneficial owner of, and has good title in, Playa Grande Hot Spring;

   b. Playa Grande Hot Spring is not subject to any encumbrances or charges; and

   c. There is no restriction under Panama laws for the freely transfer of the Playa Grande Hot Spring.

3. Playa Grande Hot Spring Development is an indirectly wholly-owned subsidiary of the Company.

4. As advised by the Group, the intended development of the property into a hot spring resort development noted above is only at a preliminary planning stage and no formal development plans have been formulated. As such, it is not possible to include the following in this valuation certificate:

   a. The value after the development has been completed;

   b. The estimate total cost (including carrying charges) of completing the development and the anticipated dates of completion and of letting or occupation; and

   c. A statement whether planning or other regulatory consent has been obtained and, if so, the date thereof and the nature of any conditions attaching to the consent which affect the value.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Smiths Gore (BVI) Ltd, an independent valuer, in connection with its valuations as at 31 October 2013 of the properties held by an associated company of the Company located in the British Virgin Islands.

Smiths Gore (BVI) Ltd • Britannic Hall • PO Box 135 • Road Town • Tortola • British Virgin Islands
t (284) 494 2446 • **f** (284) 494 2141 • info@smithsgore.com • www.smithsgore.com

SMITHSGORE

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

3rd December 2013

Dear Sirs

Quorum Island (BVI) Ltd ("Company")
Valuation of Land at Beef Island, British Virgin Islands

In accordance with your instructions to value the land at Beef Island, we have inspected the property and provide you with our opinion of market value as at 31st October 2013. We provide below a summarized report in accordance with our instructions.

TERMS OF ENGAGEMENT

Client	Applied Development Holdings Limited
Purpose of Valuation	The purpose of this report is to estimate the Market Value of the subject property for inclusion in the Client's shareholder circular. It is not intended for any other use.
Subject of Valuation	The subject property comprises land and improvements located at Beef Island, British Virgin Islands. The land comprising the subject property is known as "Trellis Bay Estate".
Interest to be Valued	We have been instructed to value the freehold interest in the subject property subject to any leasehold interests.
Basis of Valuation	We have been instructed to provide an opinion of Market Value for the subject property, defined as follows: *"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion." (VS 3.3, RICS Valuation °V Professional Standards Global and UK Edition 2012).*
Date of Valuation	The date of valuation is 31st October 2013.

Status of Valuers and Prior Involvement	The valuation has been undertaken by Edward Childs MRICS who has 23 years experience in valuing resort and commercial property in the Caribbean. Smiths Gore (BVI) Limited act as estate manager to Quorum Island (BVI) Limited and provide professional advice pertaining to on-going development work.
Currency Adopted	The valuation figure is quoted in US Dollars, the official currency of the BVI.

LOCATION AND DESCRIPTION OF PROPERTY

Situation	The subject property is located in the British Virgin Islands (BVI), an archipelago of approximately fifty islands situated north of the Leeward Islands and approximately 60 miles east of Puerto Rico.
Location	Beef Island is centrally located within the BVI and is connected by bridge to the main island of Tortola where the seat of Government is located. Beef Island is home to the main international airport which borders the subject property.
Description	The subject property comprises some 663 acres of mainly undeveloped land on the east and southern peninsula of Beef Island. With the exception of two out parcels, the land to the south and east of the airport comprises the subject property. The land is surrounded by the Caribbean sea and has an extensive water frontage comprising rocky frontage and beaches. The subject property is dominated by Mount Alma, the highest point on Beef Island, which rises to approximately 700 feet above sea level. About half the site comprises relatively flat or gently undulating land, the remainder the lower and upper slopes of Mount Alma. The property fronts Trellis Bay on the northern flank and Bluff Bay on the southern flank.
Improvements	The subject property is to all intents undeveloped. There are three small commercial buildings fronting Trellis Bay plus a plant nursery located in Bluff Bay. A road constructed in the 1960's passes through the centre of the estate to access the plant nursery. The buildings all date from the 1960's with extensive renovations undertaken during the later 1990's and early 2000's. Additional development is on Bellamy Cay.
Services	The property has both mains water and electricity.
Building Tax	$2,175 per annum
Land Tax	$33,650 per annum
Potential Tax Liability	The valuer confirms that there are no tax liabilities (corporation tax or capital gains tax) arising out of the disposal of real property in the British Virgin Islands

TENURE

Legal Title

The subject property is held on the following freehold title:

Block	Parcel	Acreage	Title
3840A	4	1	Freehold
	8	70	Freehold
3838A	1	4	Freehold
	9	584	Freehold
3640B	18	0.66	Freehold
	19	3.14	Freehold
Total		662.8	

There are no encumbrances registered again the title except rights of way. Parcel 3840A.4 has a lease registered against the title.

We have relied on the legal opinion dated 25th November 2013 regarding title prepared by O'Neal Webster, the legal advisor to the Client in respect of the laws of the British Virgin Islands, confirming:

1. The Company is the legal and beneficial owner of, and has good title to the property detailed in the attached **Appendix** (the "**Property**") all of which is located within the Beef Island Group Registration Section.

2. The Company has the requisite authority under the Non-Belongers Landholding Regulation Act to own the Property.

3. The Property is not subject to any charges.

4. The Property is not subject to any restraints on disposition or other encumbrances other than rights of way, save and except for Parcel 4 of Block 3840A on which Lease 326/1977 remains noted as Entry No. 1 in the Incumbrances Section of the land register for that parcel.

5. The Property is freely transferable.

Tenancies

The following tenancies are in place:

Tenant	Unit	Term	Rent
Minines Plants	Nursery at Bluff Bay	6 months notice	$3,000/mth
A Dick Read	Commercial Building	6 months notice	$3,100/mth
Boardsailing BVI	Commercial Building	6 months notice	$3,100/mth
The Last Resort	Ice House	6 months notice	$3,650/mth
The Last Resort	Bellamy Cay/ Quaker	6 months notice	$3,900/mth

PLANNING, CONSENTS & AGREEMENTS

1995 Outline Planning

Outline planning consent was granted to Quorum Island (BVI) Limited on 6th January 1995 for the development of:

- Five star resort
- 18 hole golf course
- inland and external marina
- commercial area
- residential development

2007 Planning Consents

On 4th August 2006 full planning consent was applied for a Master Plan for a mixed use resort development based on the concepts contained in the 1995 outline planning consent. This Master Plan was approved by the Office of the Chief Minister on 31st January 2007 with the exclusion of the external marina and the reduction in the overall residential density to 600 residential units. The approval included the full planning consent for the golf course which was a separate application.

Development Agreement

On 4th December 2005, Quorum Island (BVI) Limited entered into a Development Agreement for the development of the subject property with the BVI Government. This Development Agreement is based on a Master Plan similar to that submitted for full planning consent in August 2006 and outlines the terms and conditions that the development of the property will abide by. The material conditions which affect the development of the property are as follows:

- the development shall consist of:

  (i) an 18 hole championship golf course including a club house, conference facility, infrastructure and related facilities, the construction of which shall commence within six months from final approvals and completed within 3 years from such final approvals

  (ii) up to a 200 slip inner marina and mega yacht facility including marina commercial units, to be constructed within 4 years from final approvals of the detailed development plans for such marina and facility

  (iii) an approximate 200 unit luxury (five star) hotel resort with up to 100 condominium units (included within the 200 units), to be erected within 6 years of final approvals of the detailed development plans for the hotel

  (iv) approximately 80 fractional or other residential units or 80 luxury hotel/luxury condominium units

  (v) a commercial shopping zone

- the overall density of the property will average one residential unit (houses, and villas) per acre over the entire property, comprising 663 acres, excluding the hotel rooms, condominium units and fractional units

Although time limits were specified in the Development Agreement for the construction of items (i) – (iii) above, there is a general provision in the Development Agreement which states that the decision as to whether to embark and when upon the development shall be made by Quorum Island (BVI) Limited taking into account relevant factors and prevailing economic and projected market conditions relative to these types of investments and businesses in the Caribbean and in the Virgin Islands in particular.

CLASSIFICATION OF THE PROPERTY

Classification	The property is held for development by the owner.

VALUATION

Valuation Assumptions

1. The valuation assumes that full planning consent will be granted for the development of the property in accordance with the Master Plan approved on 31st January 2007 subject to Hans Creek being declared a Fisheries Protected Area. Any changes to the Master Plan required as a result of this declaration would not have a material impact on the implementation of the Master Plan and would be expeditiously approved by Government.

2. That if a Non-Belonger's Landholding Licence were required to accomplish a sale of the property that it would be granted by the Government of the British Virgin Islands without undue delay or restriction.

3. This valuation is based on the existing airport configuration and runway length and alignment. In the event that a decision is made to alter the airport or runway length or alignment, the valuation will be subject to review.

4. The valuation is of the property "as is" and takes into consideration the existence of the planning consents that are current or that have previously been granted. We understand that pre-development fees were approximately US$8.0M but do not consider these pre-development fees to have an impact on the valuation.

Limiting Conditions

1. The valuation will be made in accordance with the RICS Valuation Standards – Global and UK, March 2012 edition, published by the Royal Institution of Chartered Surveyors.

2. We have relied upon information provided to us by The BVI Land Registry Department for title information relating to the subject property.

3. No allowance has been made for any expenses of realisation, or for taxation which might arise in the event of a disposal.

4. In accordance with our standard practise we should point out that this report is prepared for the use only of the person to whom it is addressed and that we cannot accept responsibility to any third party for the whole or any part of its contents.

5. Other than the Client's Shareholder circular referred to in paragraph "Purpose of Valuation", neither the whole nor any part of this report nor any reference thereto may be included in any published document, circular or statement nor published or referred to in any way without our prior written approval of the form and context in which it may appear.

Valuer	Edward Childs
Status of Valuer	The valuer has been engaged by the client to provide estate management services since 1995.
Employer	Smiths Gore, P.O. Box 135, Road Town, Tortola, British Virgin Islands
Qualification	Member of the Royal Institution of Chartered Surveyors
Effective Date of Value	31st October 2013
Valuation	The valuation certificate is attached.

Yours faithfully,
For and on behalf of
Smiths Gore (BVI) Limited
Edward Childs
MRICS

VALUATION CERTIFICATE

Property	Description & Tenure	Tenancies	Market Value as at 31st October 2013
Trellis Bay Estate BIG 3840A.4 & 8 BIG 3838A.1 & 9 BIG 3640B.18 & 19	The property comprises mainly undeveloped land with minimum improvements which include a plant nursery, three commercial buildings and a restaurant on Bellamy Cay. The total land area is approximately 663 acres. Title is freehold. Outline planning consent was obtained in 1995 for a mixed use resort development. Full planning consent for a master plan for a mixed use resort development was applied for on 4th August 2006 and approved on 31st January 2007.	The freehold title is subject to four six month tenancies: 1. Minines' Plans 2. A Dick Read 3. Boardsailing BVI 4. The Last Resort The tenancies are all subject to six month's notice with the exception of Minines Plants which is subject to 6 months notice. The tenancies relate the plant nursery, three commercial buildings and Bellamy Cay. The remainder of the land is held with vacant possession.	US$23,100,000 (The Liquidation Value based on the assumption of the current pessimistic property market as at 30th June 2013 is US$16,200,000)

Notes:

1. The Company is the legal and beneficial owner of, and has good title to the Property all of which is located within the Beef Island Group Registration Section.

2. The Company has the requisite authority under the Non-Belongers Landholding Regulation Act to own the Property.

3. The Property is not subject to any charges.

4. The Property is not subject to any restraints on disposition or other encumbrances other than rights of way, save and except for Parcel 4 of Block 3840A on which Lease 326/1977 remains noted as Entry No. 1 in the Incumbrances Section of the land register for that parcel.

5. The Property is freely transferable.

6. As advised by the Client, the intended development of the Property into a mixed use resort development noted above is only at a preliminary planning stage and no formal development plans have been formulated. As such, it is not possible to include the following in this valuation certificate:

   a. the value after the development has been completed;

   b. the estimate total cost (including carrying charges) of completing the development and the anticipated dates of completion and of letting or occupation; and

   c. a statement whether planning or other regulatory consent has been obtained and, if so, the date thereof and the nature of any conditions attaching to the consent which affect the value.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than that relating to Mr. Hung as offeror and the Hung Concert Parties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The information relating to Mr. Hung as offeror and the Hung Concert Parties has been supplied by Mr. Hung. Mr. Hung accepts full responsibility for the accuracy of the information contained in this circular (in relation to information relating to Mr. Hung as offeror and the Hung Concert Parties) and confirms, having made all reasonable enquiries, that to the best of his knowledge, the opinions expressed in this circular by him have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately after the Full Conversion will be as follows:

Authorised:		*HK$*
6,000,000,000	Shares of HK$0.01 each	60,000,000
Issued and fully paid:		
As at the Latest Practicable Date		
1,011,773,826	Shares of HK$0.01 each	10,117,738
Immediately after the Full Conversion		
1,159,773,826	Shares of HK$0.01 each	11,597,738

All Shares currently in issue rank pari passu in all respects with each other including in particular, as to dividend, voting rights and return on capital. Since 30 June 2013 (being the date to which the latest published audited financial statements of the Company were made up) and up to the Latest Practicable Date, 174,000,000 new Shares were issued by the Company in October 2013 as a result of the full conversion of the Convertible Bonds Due 2013.

The issued Shares are listed and traded on the Main Board of the Stock Exchange. No part of the issued share capital of the Company is listed on any other stock exchange.

All the Conversion Shares will rank pari passu in all respects with each other, including in particular, as to dividend, voting rights and return on capital, and will rank pari passu in all respects with all Shares in issue as at the date of allotment and issue of the Conversion Shares. The Conversion Shares will be listed and traded on the Stock Exchange. As at the Latest Practicable Date, there are no arrangements under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, other than the Convertible Bonds Due 2018, the Company does not have any options, warrants or convertible securities in issue and has not entered into any agreement for the issue of any convertible securities, options, warrants or derivatives of the Company.

3. MARKET PRICES

The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on (i) the last day on which trading of the Shares took place in each of the calendar month during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	**Closing price per Share** *(HK$)*
31 May 2013	0.335
28 June 2013	0.370
31 July 2013	0.360
30 August 2013	0.365
30 September 2013	0.435
31 October 2013	0.475
12 November 2013 (Last Trading Day)	0.475
29 November 2013 (Latest Practicable Date)	0.475

The highest and lowest closing price per Share as quoted on the Stock Exchange during the Relevant Period were HK$0.58 on 9 October 2013 and HK$0.295 on 13, 14, 15, 16, 20 and 21 May 2013 and 14 June 2013 respectively.

4. DISCLOSURE OF INTERESTS

(a) Interests of the Directors or chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interests in the Shares

Number of Shares	Name of Director Beneficial owner	Held by controlled corporation	Total	Approximate % of shareholding
Mr. Hung	344,117,701	75,022,883 *(Note 1)*	419,140,584	41.4263%
Hung Kai Mau, Marcus	2,960,000	–	2,960,000	0.2926%
Ng Kit Ling	10,000	–	10,000	0.0010%

Notes:

1. These shares were held by the following companies:

   (a) 44,362,883 Shares are held by Malcolm Trading Inc., the entire issued shares of which are beneficially owned by Mr. Hung. Mr. Hung is a director of Malcolm Trading Inc.

   (b) 30,660,000 Shares are held by Jaytime Overseas Limited, the entire issued shares of which are beneficially owned by Mr. Hung.

(ii) Interests in underlying Shares of the Company

Name of Director	Underlying Shares of the Company	Conversion price per share as at the Latest Practicable Date	Conversion period	Approximate % of issued share capital of the Company as at the Latest Practicable Date
Mr. Hung	148,000,000 *(Note)*	HK$0.21	30/05/2013-22/05/2018	14.63%

Note: These represent the Shares to be issued by the Company upon exercise by Mr. Hung, as bondholder, of the conversion rights attaching to the Convertible Bonds Due 2018.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, no other persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have, any interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any persons, 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 any other members of the Group or held any option in respect of such capital.

5. FURTHER INFORMATION RELATING TO THE COMPANY AND THE WHITEWASH WAIVER

As at the Latest Practicable Date:

(1) save as disclosed in the paragraph headed "4. Disclosure of Interests" above, none of the Directors had any interests in the securities, shares, options, warrants, derivatives or convertible securities in the Company;

(2) none of the subsidiaries of the Company, or pension funds of the Company or of a subsidiary of the Company, or advisers to the Company as specified in class (2) of the definition of "associate" in the Takeovers Code owned or controlled or had any dealings in any securities, shares, options, warrants, derivatives or convertible securities in the Company during the Relevant Period;

(3) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (which arrangement includes any indemnity arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to the Shares or other securities of the Company which may be an inducement to deal or refrain from dealing) with the Company, or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" in the Takeovers Code;

(4) no securities, Shares, options, warrants, derivatives or convertible securities of the Company were managed or had been dealt for value on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company during the Relevant Period;

(5) none of the Directors or the Company had borrowed or lent any Share or other securities, options, warrants, derivatives or convertible securities of the Company (save for any borrowed Shares which have been either on-lent or sold);

(6) other than Mr. Hung's subscription for the Convertible Bonds Due 2018 as disclosed in the paragraph headed "Further Information Relating to Mr. Hung and Hung Concert Parties" below, none of the Directors had dealt in any Shares or other securities, options, warrants, derivatives or convertible securities of the Company during the Relevant Period; and

(7) all Directors who are Shareholders (save for Mr. Hung and Hung Kai Mau, Marcus who are required to abstain from voting at the SGM) intend to vote in favour of the proposed resolution approving the Whitewash Waiver at the SGM.

6. FURTHER INFORMATION RELATING TO MR. HUNG AND HUNG CONCERT PARTIES

The correspondence address of Mr. Hung is at Unit 3402-3, 34th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

As at the Latest Practicable Date:

(1) save as disclosed in the sub-paragraph headed "Proposed Full Conversion of the Convertible Bonds Due 2018" in the "Letter from the Board" in this circular, none of the members of the Hung Concert Group had any interests in any securities, Shares, options, warrants, derivatives or convertible securities in the Company;

(2) none of the members of the Hung Concert Group had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (which arrangement includes any indemnity arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to the Shares or other securities of the Company which may be an inducement to deal or refrain from dealing) with any person;

(3) none of the members of the Hung Concert Group had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company (save for any borrowed Shares which have been either on-lent or sold);

(4) save that Mr. Hung subscribed for the Convertible Bonds Due 2018 in the outstanding principal amount of HK$31,080,000 on 29 May 2013, each member of the Hung Concert Group had not dealt for value in any Shares or any options, warrants, derivatives or securities convertible into Shares during the Relevant Period; and

(5) the Hung Concert Group had not entered into any arrangement, agreement and understanding and had no intention to transfer, charge or pledge any of the Conversion Shares.

Malcolm Trading Inc. is a company wholly-owned by Mr. Hung. Mr. Hung is the sole director of Malcolm Trading Inc..

Jaytime Overseas Limited is a company wholly-owned by Mr. Hung. Mr. Hung is the sole director of Jaytime Overseas Ltd.

7. OTHER ARRANGEMENTS IN RELATION TO THE WHITEWASH WAIVER

(1) As at the Latest Practicable Date, no benefit (other than statutory compensation) was or would be given to any Director as compensation for loss of office or otherwise in connection with the Whitewash Waiver.

(2) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between any member of the Hung Concert Group and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or dependence upon the Whitewash Waiver.

(3) As at the Latest Practicable Date, there was no agreement or arrangement between any Directors and any other person which is conditional on or dependent upon the outcome of, or otherwise connected with, the Whitewash Waiver.

(4) As at the Latest Practicable Date, there was no material contract to which Mr. Hung was a party in which any Director had a material personal interest.

8. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (i) which (including both continuous and fixed term contracts) had been entered into or amended within six months prior to the date of publication of the Announcement; (ii) which were continuous contracts with a notice period of 12 months or more; or (iii) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

9. LITIGATION

Save as disclosed in this section titled "9. Litigation", as at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

(a) High Court Miscellaneous Proceedings No. 243 and 522/2011

During January and February 2011, Ms. Wong Kar Gee, Mimi ("Ms. Wong"), a former non-executive director of the Company retired on 14 January 2011, commenced actions to bring the Company and a subsidiary of the Company as intervening parties to the matrimonial proceedings between Ms. Wong and Mr. Hung. On 7 July 2011, Ms. Wong lodged a statement of claim to the High Court of the Hong Kong Special Administrative Region (the "High Court") against the Company and the subsidiary for claiming a declaration that certain investment properties, which have been included in the Group's consolidated financial statements, are actually held by the subsidiary as a trustee for Ms. Wong and an order for the taking of accounts or quantification of equitable compensation amongst certain involved parties (the "Claims"). On 5 August 2011, the Company and the subsidiary filed defence and counterclaims against Ms. Wong for vacant possession of those investment properties and unpaid licence fees for remaining at the investment properties until the recovery of possession of the investment properties by the Company and the subsidiary (the "Counterclaims").

On 4 May 2012, Ms. Wong conceded on the Claims against the Group and also on the Counterclaims against her. Accordingly, the High Court made the orders and judgement that the Claims were dismissed with costs payable by Ms. Wong to the Group on an indemnity basis. A declaration that the investment properties belonged to the Group was also granted. Besides, Ms. Wong was ordered to deliver up vacant possession of the investment properties and pay mesne profits for her period of occupation. On 11 June 2012, Ms. Wong returned the possession of the investment properties to the Group.

The Group is in the process of taking the appropriate steps to recover the legal costs of the Group in respect of the Claims and the Counterclaims from Ms. Wong, which has been recorded as legal costs recoverable in the audited financial statements of the Group for year ended 30 June 2013.

(b) The Eastern Caribbean Supreme Court Virgin Islands Civil Appeal (Claim No. BVIHCV No.11/f 2013 2012/0135)

In December 2012, the Company commenced legal proceeding in the High Court of the British Virgin Islands (the BVI High Court") in December 2012 and filed (i) a claim against InterIsle Holdings Limited ("InterIsle") and relevant parties for the transfer of over 30% interest in Quorum Island (BVI) Limited ("Quorum") to Applied Enterprises Limited ("Applied Enterprises"), a wholly owned subsidiary of the Company (the "Transfer Claim") and (ii) a claim against Quorum for the non-payment of the promissory note in the principal amount of US$22 million (approximately HK$171.6 million) (the "Non-Payment Claim"). In response, InterIsle filed its application for stay of the Transfer Claim and sought an order for the Transfer Claim to be dealt with by way of arbitration proceedings. However, the BVI High Court granted the application for stay in favour of InterIsle and ordered that the parties should commence arbitration to determine the substantive outcome of the Transfer Claim. Following the decision of the BVI High Court, the Company has been further granted the leave to appeal against the decision by the BVI High Court, and the hearing date is expected to take place in the first quarter of 2014.

10. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions and advices, which are contained in this circular:

Name	Qualifications
Proton Capital Limited	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
BMI Appraisals Limited	Professional valuer
Smiths Gore (BVI) Limited	Professional valuer
King's Law Firm	Legal advisor on PRC laws
Guangdong Qiyuan Law Firm	Legal advisor on PRC laws
Morgan & Morgan Group	Legal advisor on laws of Panama
O'Neal Webster	Legal advisor on laws of the British Virgin Islands

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusions of its letter, report and/or opinion and references to its name in the form and context in which they respectively appear.

11. MISCELLANEOUS

(a) The company secretary of the Company is Ng Kit Ling. She is an executive Director and is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and she holds a Master Degree in Accountancy from the Hong Kong Polytechnic University.

(b) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong.

(c) The registered office of Proton Capital Limited is at Suites 06-07, 28th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

(d) The English texts of this circular, the notice of the SGM and the accompanying form of proxy prevail over their respective Chinese texts.

12. MATERIAL CONTRACTS

The following is a contract (not being a contract entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) entered into by the members of the Group within the two years immediately preceding the date of publication of the Announcement and which is or may be material:

(a) Subscription agreement dated 16 April 2013 between the Company and Mr. Hung in relation to the subscription by Mr. Hung of, and pursuant to which Mr. Hung subscribed for, the Convertible Bonds Due 2018 in the principal amount of HK$31,080,000.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) at Units 3402-3, 34/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong during normal business hours from 9:30 a.m. to 12:30 p.m. and 2:00 p.m. to 5:00 p.m. on any weekdays other than public holidays; (ii) on the website of the Company at www.applieddev.com; and (iii) on the website of the SFC at http://www.sfc.hk, between the period from the date of this circular to the date of the SGM (both days inclusive):

(a) the Undertaking;

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

(c) the annual reports of the Company for the latest two financial years ended 30 June 2013;

(d) the written consents referred to under the paragraph headed "Experts and Consents" in this appendix;

(e) the letter from the Board, the text of which is set out on pages 4 to 8 of this circular;

(f) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 9 to 10 of this circular;

(g) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 11 to 20 of this circular;

(h) the valuation report on the properties held by the Group and the Company's associated company issued by BMI Appraisals Limited and Smiths Gore (BVI) Limited, the text of which is set out in Appendix II to this circular; and

(i) the material contracts referred to under the paragraph headed ''Material Contracts'' 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 10:00 a.m. on Friday, 20 December 2013 at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong ("SGM"), for the following purposes:

ORDINARY RESOLUTION

"**THAT** the waiver (the "Whitewash Waiver") granted or to be granted by the executive director (the "Executive") of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate of the Executive in respect of any obligation under The Hong Kong Code on Takeovers and Mergers (the "Takeovers Code") of Raymond Hung Kin Sang ("Mr. Hung") to make a mandatory general offer for all the issued ordinary shares of the Company (the "Shares") under Rule 26 of the Takeovers Code other than those already owned or agreed to be acquired by Mr. Hung and parties acting in concert (as defined in the Takeovers Code) with him in respect of the Company, which may, but for the Whitewash Waiver, arise as a result of the allotment and issue of an aggregate of 148,000,000 Shares to Mr. Hung upon his full exercise of the conversion rights attaching to the zero-coupon convertible bonds issued by the Company due 2018 be and is hereby approved, and that the directors of the Company be and are hereby authorised to execute all such documents with or without amendments and to do all such acts and things as they consider desirable, necessary or expedient in connection with, or to give effect to any matters relating to or in connection with, the Whitewash Waiver.''

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

Hong Kong, 3 December 2013

** For identification purpose only*

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Units 3402-3, 34/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. On a poll every member of the Company present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder. A member of the Company who is the holder of two or more shares of the Company may appoint more than one proxy to represent him and vote on his behalf at the special general meeting. A proxy need not be a member of the Company.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.

3. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority shall be deposited at the principal place of business of the Company at Units 3402-3, 34/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

4. No instrument appointing a proxy shall be valid after expiration of twelve months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within twelve months from such date.

5. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person on any or all resolutions on which he is entitled to vote at the meeting or poll concerned, and in such event any vote cast by his proxy on the same resolution shall be null and void.

6. All resolutions will be voted on by way of poll.

7. A form of proxy for use at the meeting is enclosed.

8. The register of members of the Company will be closed from Wednesday, 18 December, 2013 to Friday, 20 December, 2013 (both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to the meeting, all transfer forms accomplished by relevant share certificate must be lodged with the company register, Computershare Hong Kong Investor Services Limited at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 pm or Tuesday, 17 December, 2013.