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APPLIED DEVELOPMENT HOLDINGS LTD.

實力建業集團有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock code: 519)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 30 JUNE 2013**

The Board of Directors (the “Directors”) of Applied Development Holdings Limited (the “Company”) announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 30 June 2013 with comparative figures for the previous year are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2013

		2013	2012
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	3	-	3,296
Other revenue	3	9	382
Other income	4	487	883
Other operating expenses	7	(2,066)	(4,277)
Net increase (decrease) in fair values of investment properties		18,103	(20,111)
Administrative expenses		(25,211)	(23,909)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

Year ended 30 June 2013

		2013	2012
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income on promissory note receivable from a jointly controlled entity	12	11,926	10,931
Finance costs	6	(6,668)	(6,310)
Share of results of a jointly controlled entity		<u>-</u>	<u>-</u>
Loss before tax	7	(3,420)	(39,115)
Taxation	8	<u>1,146</u>	<u>(5,768)</u>
Loss for the year, attributable to equity holders of the Company		(2,274)	(44,883)
Other comprehensive (loss) income			
Items 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	8	<u>-</u>	<u>119</u>
Other comprehensive (loss) income for the year, net of tax		<u>(315)</u>	<u>119</u>
Total comprehensive loss for the year, attributable to equity holders of the Company		<u>(2,589)</u>	<u>(44,764)</u>
LOSS PER SHARE	9		
Basic		<u>(0.27) HK cents</u>	<u>(5.36) HK cents</u>
Diluted		<u>(0.27) HK cents</u>	<u>(5.36) HK cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2013

	<i>Note</i>	2013 HK\$'000	2012 HK\$'000
Non-current assets			
Investment properties	10	373,587	336,900
Property, plant and equipment		4,530	5,134
Promissory note receivable from a jointly controlled entity	12	144,314	132,388
Other assets		1,973	1,045
Interest in a jointly controlled entity		-	-
Prepaid lease payments - non-current portion		1,511	1,551
Available-for-sale investments		278	220
		<u>526,193</u>	<u>477,238</u>
Current assets			
Financial assets at fair value through profit or loss		-	1,033
Trade and other receivables	11	26,179	23,526
Amount due from a jointly controlled entity		16,763	16,763
Prepaid lease payments - current portion		40	40
Bank balances and cash		18,098	7,824
		<u>61,080</u>	<u>49,186</u>
Assets classified as held for sale		-	16,778
		<u>61,080</u>	<u>65,964</u>
Current liabilities			
Other payables		19,385	3,644
Secured bank borrowings		78,311	75,758
Convertible bonds	13	40,906	-
Obligation under a finance lease		1,162	1,124
		<u>139,764</u>	<u>80,526</u>
Liabilities associated with assets classified as held for sale		-	1,928
		<u>139,764</u>	<u>82,454</u>
Net current liabilities		<u>(78,684)</u>	<u>(16,490)</u>
Total assets less current liabilities		<u><u>447,509</u></u>	<u><u>460,748</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AT 30 JUNE 2013

	<i>Note</i>	2013 HK\$'000	2012 HK\$'000
Capital and reserves			
Share capital		8,378	8,378
Share premium and reserves		411,578	406,155
Total equity		419,956	414,533
Non-current liabilities			
Convertible bonds	13	22,745	39,099
Obligation under a finance lease		595	1,757
Deferred tax liabilities		4,213	5,359
		27,553	46,215
		447,509	460,748

NOTES:

1. BASIS OF PREPARATION

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

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 of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

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

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 the following new / revised HKFRSs effective from the current year that are relevant to the Group:

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.

3. TURNOVER AND REVENUE

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
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

4. OTHER INCOME

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
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

5. SEGMENT INFORMATION

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

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

	Resort development HK\$'000	Property investment HK\$'000	Investment holding HK\$'000	Total HK\$'000
Turnover	-	-	-	-
Other revenue and income	-	6	487	493
	<u>-</u>	<u>6</u>	<u>487</u>	<u>493</u>
Results				
Segment results	<u>5,156</u>	<u>7,678</u>	<u>(652)</u>	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			<u>11,926</u>
Loss before tax				(3,420)
Taxation				<u>1,146</u>
Loss for the year				<u>(2,274)</u>

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)

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 <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets	<u>257,930</u>	<u>251,169</u>	<u>2,515</u>	<u>511,614</u>	<u>31,588</u>	<u>543,202</u>
Liabilities	<u>2,702</u>	<u>7,426</u>	<u>674</u>	<u>10,802</u>	<u>117,867</u>	<u>128,669</u>
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	<u>-</u>	<u>40</u>	<u>-</u>	<u>40</u>	<u>-</u>	<u>40</u>

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 British Virgin Islands (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	2012
	HK\$'000	HK\$'000
Hong Kong	-	2,925
PRC	-	371
	<u>-</u>	<u>3,296</u>

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
	<u>381,601</u>	<u>344,630</u>

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 HK\$'000	2012 HK\$'000
Customer A	N/A	2,925
Customer B	<u>N/A</u>	<u>371</u>

6. FINANCE COSTS

	2013 HK\$'000	2012 HK\$'000
Interest on convertible bonds (<i>Note 13</i>)	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	<u>77</u>	<u>53</u>
	<u>6,668</u>	<u>6,310</u>

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).

7. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	2013 HK\$'000	2012 <i>HK\$'000</i>
Staff costs, including directors' emoluments		
Salaries and other benefits	12,952	7,681
Retirement benefit scheme contribution	<u>100</u>	<u>84</u>
Total staff costs	<u>13,052</u>	<u>7,765</u>
Other operating expenses		
Compensation payable on termination of sale and purchase agreement for disposal of an investment property	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	<u>-</u>	<u>225</u>
	<u>2,066</u>	<u>4,277</u>
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	<u>40</u>	<u>40</u>

8. 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.

The tax (credit) charge comprises:

	2013 HK\$'000	2012 HK\$'000
<i>Current tax</i>		
Overseas tax	-	541
<i>Deferred taxation</i>		
Origination and reversal of temporary differences	<u>(1,146)</u>	<u>5,227</u>
Total tax (credit) charge for the year	<u>(1,146)</u>	<u>5,768</u>
<i>Taxation recognised directly in other comprehensive income</i>		
	2013 HK\$'000	2012 HK\$'000
Origination and reversal of deferred tax relating to revaluation surplus upon transfer of property, plant and equipment to investment properties	<u>-</u>	<u>(119)</u>

9. 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 HK\$'000	2012 HK\$'000
Loss for the purposes of basic loss per share	<u>2,274</u>	<u>44,883</u>
	2013 No. of shares	2012 No. of shares
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>837,773,826</u>	<u>837,903,401</u>

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.

10. INVESTMENT PROPERTIES

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

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

11. TRADE AND OTHER RECEIVABLES

(i) 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).

(ii) Other receivables

	2013 HK\$'000	2012 HK\$'000
Deposits, prepayments and other debtors	3,859	4,138
Legal costs recoverable	22,213	19,281
Amount due from a related party	<u>107</u>	<u>107</u>
	<u>26,179</u>	<u>23,526</u>

Other receivables mainly represented the estimated legal costs to be recovered as a result of the orders and judgment of High Court cases of HCMP 243, 522 and 1602 of 2011.

12. PROMISSORY NOTE RECEIVABLE FROM A JOINTLY CONTROLLED ENTITY

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 the jointly controlled entity on 18 December 2012 to recover the promissory note receivable.

13. CONVERTIBLE BONDS

The movements of convertible bonds during the year are set out as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Liability component		
At beginning of the reporting period	<u>39,099</u>	<u>37,510</u>
Nominal value of convertible bonds issued	31,080	-
Issue costs apportioned to liability component	(334)	-
Equity component at the issue date	<u>(8,131)</u>	<u>-</u>
At the issue date	<u>22,615</u>	<u>-</u>
Interest expenses (<i>Note 6</i>)	5,278	4,930
Interest paid / payable	<u>(3,341)</u>	<u>(3,341)</u>
At the end of the reporting period	<u><u>63,651</u></u>	<u><u>39,099</u></u>
Representing by:		
Due within 12 months, current portion	40,906	-
Due after 12 months, non-current portion	<u>22,745</u>	<u>39,099</u>
	<u><u>63,651</u></u>	<u><u>39,099</u></u>
Equity component		
At beginning of the reporting period	3,846	3,846
Convertible bonds issued	8,131	-
Issue costs apportioned to equity component	<u>(119)</u>	<u>-</u>
At the end of the reporting period	<u><u>11,858</u></u>	<u><u>3,846</u></u>

DIVIDEND

The Directors do not recommend payment of any dividends for the year ended 30 June 2013 (2012: Nil).

ANNUAL GENERAL MEETING

The 2013 Annual General Meeting of the Company will be held on Wednesday, 13 November 2013 and the Notice of Annual General Meeting will be published and despatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The transfer of books and register of members of the Company will be closed from Monday, 11 November 2013 to Wednesday, 13 November 2013, both days inclusive. To qualify for attending the forthcoming Annual General Meeting of the Company to be held on Wednesday, 13 November 2013, shareholders of the Company (the “Shareholders”) should ensure that transfers are lodged at the Company’s share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 8 November 2013.

CHAIRMAN’S STATEMENT HIGHLIGHT

The Group has recorded a slight loss of approximately HK\$2.3 million for the year ended 30 June 2013 as compared to a loss of approximately HK\$44.9 million for the corresponding period ended 30 June 2012. The reduction in loss was mainly due to an increase in the fair values of certain investment properties for the year ended 30 June 2013, as compared to a net decrease in fair values in the investment properties for the corresponding period ended 30 June 2012.

As stated in our interim report 2013 delivered to Shareholders on 21 February 2013 (the “Interim Report 2013”), 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. The management of the Company maintains its view that it has a strong position in respect of the Transfer Claim and the Non-Payment Claim. The Company will keep Shareholders updated on any significant progress of the proceedings.

In June 2012, the Company's wholly-owned subsidiary, 盈聯多科技企業（深圳）有限公司（“盈聯多”） entered into a binding purchase and sale agreement for the disposal (the “Disposal”) of an investment property located at Part of Level 1 & whole floor of Level 2, No. 42 Zhan Qian Road, Zi Pian B Qu, Guangdong Province, the PRC (the “Property”) (having a net book value of HK\$8.4 million as at 30 June 2011) at a consideration of RMB16.5 million (equivalent to approximately HK\$20.2 million) excluding land premium and taxes. Due to the failure to agree the additional amount of tax payable as a result of the calculation based on the value of the Property at RMB22,000 per square meter (i.e. such that the total value of the Property assessed by the PRC tax bureau amounted to RMB24.2 million (equivalent to approximately HK\$30.3 million)), the purchaser filed an application to the court for an order that the Disposal be completed and the payment of additional tax to be payable by 盈聯多. In response, 盈聯多 has filed a counter claim against the purchaser for non-payment of the additional tax or in the alternate, the unconditional cancellation of the transaction. The Company will keep Shareholders updated on any significant progress of the proceedings. However, the Company has made provision for the tax payable on the completion of the Disposal.

BUSINESS PLAN

The Group has its resort projects, one in the BVI and one in Panama, which are expected to provide a satisfactory return to the Company. The main investment properties held by the Group in Hong Kong, Severn Villa, is expected to generate rental income or, in the alternate, provide a good return to the Group. The Company continues to look for any investment opportunities which may provide a good return to the Shareholders.

RESULTS

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 corresponding year ended 30 June 2012. Such narrowing of the loss was mainly due to increase in the fair values of certain investment properties for the year ended 30 June 2013 as compared to a net decrease in fair values in the investment properties for the corresponding period ended 30 June 2012.

PLEDGE OF ASSETS

As the end of the reporting period, the Group and the Company 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 (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.

BUSINESS REVIEW

(i) Resort and Property Development

BVI Project

As disclosed in our Interim Report 2013, the ownership interest in Quorum held by InterIsle, our joint venture partner in a project (the “BVI Project”) located at Beef Island, Tortola, the BVI was to be reduced from 50% to less than 20% (the “Dilution”) as originally contemplated under a joint venture agreement (the “Agreement”) entered between the Group and InterIsle to develop the BVI Project in August 2006. After several rounds of negotiation between InterIsle and the Company, the Company has not yet been able to finalise details of the Dilution with InterIsle and the position of both parties after the Dilution. To protect the interest of Shareholders, the Company commenced legal proceeding in the BVI High Court in December 2012 and filed (i) the Transfer Claim against InterIsle and (ii) the Non-Payment Claim against Quorum. 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 management of the Company maintains its view that it has a strong position in respect of the Transfer Claim and the Non-Payment Claim. 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. The Company will keep Shareholders updated on any significant progress of the proceedings. Upon the completion of the Dilution, Quorum will become a subsidiary of the Group.

The BVI Project comprises approximately 267 hectares (approximately 660 acres or 28.75 million square feet) of land and is envisioned to be a master-planned resort community which will include: a five-star luxury resort hotel with approximately 200 hotels and condo-hotel units, destination spa, signature restaurants and conference rooms; a first-class marina with approximately 135 ships, including facilities for 15 mega-yachts over 80 feet; a golf course and up to 600 high-end residential units including townhomes, beachfront residences, ocean-view villas, and secluded mountain estate homes; as well a unique artisan and retail village at Trellis Bay.

Panama Project

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

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

The Group will replicate the business model of the BVI Project, and intends to partner with renowned experts in the resort development industry to develop the Panama Project subject to the prevailing economic climate and conditions

of the property market. Alternatively, if a suitably attractive offer is made by potential buyers, the Board may consider the disposal of the Panama Land and/or the Hot Spring Property.

(ii) Property Investment and Holding

The Group's investment properties did not generate rental income to the Group during the year ended 30 June 2013.

(iii) Investment Holding

During the year ended 30 June 2013, the Group realised all remaining financial assets held by the Group with a slight profit. The management continues to seek investment opportunities which may result in a satisfactory yield for the Group, however, the Company currently has no investment plans on hand.

OUTLOOK

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 near future.

The Group continues to seek other appropriate investment opportunities which may bring satisfactory return to the Group.

PORTAL OPERATION

The Group's website at <http://www.applieddev.com> serves as a channel to facilitate the communication between the Company and its Shareholders and includes updated corporate and investor information.

LIQUIDITY AND FINANCIAL INFORMATION

At the end of May 2013, the Company issued convertible bonds of aggregate principal amount of HK\$31,080,000 to Mr. Hung Kin Sang, Raymond ("Mr. Hung") (the Managing Director and a substantial Shareholder). Details of the issue are set out in the Company's circular dated 6 May 2013. It is intended that the net proceeds from the issue of the convertible bonds will be applied as general working capital of the

Company.

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 of approximately 34.2% as compared to approximately 28.4% for the year ended 30 June 2012. As at 30 June 2013, the Group's current asset value and current liabilities[#], excluding bank borrowings over 1 year (based on scheduled payment date) and convertible bonds due within 12 months amounted to approximately HK\$61.1 million and approximately HK\$30.0 million respectively, representing a current ratio of 2.04 times. The majority of the Group's assets and liabilities were denominated in Hong Kong and US dollars, and hence the exposure to foreign exchange risk is insignificant to the Group.

[#]Mr. Hung has undertaken unconditionally to provide the Company at any time at the request of the Company, with an interest free loan.

EMPLOYEE INFORMATION

As at 30 June 2013, the Group employed a total of 10 (2012: 9) full-time employees.

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

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

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

CORPORATE GOVERNANCE

The Company has complied with the provisions ("Code Provisions") of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in the Appendix 14 of the Listing Rules throughout the corresponding effective periods of the financial year.

In order to reinforce independence and accountability, the role of the Group's Chairman is separated from that of the Group's Managing Director and their respective responsibilities are set out by the Board and more than one-third of the

Board comprises of Independent Non-Executive Directors.

AUDIT COMMITTEE

The Audit Committee comprises four independent non-executive Directors, namely, Mr. Lun Tsan Kau (Chairman of the Audit Committee), Mr. Su Ru Jia, Mr. Lo Yun Tai and Mr. Chan Ming Fai, Terence. All of them have appropriate professional qualifications or accounting or related financial management expertise in accordance with the Listing Rules. The Audit Committee is responsible for reviewing and assessing together with senior management and the external auditor of the Company, the internal control system and external auditing process and findings, the accounting principles and practices adopted by the Group, Listing Rules and statutory compliance. The members of the Audit Committee also meet to discuss matters relating to auditing, internal control, risk management and financial reporting (including the interim financial report of the Group for the first six months of each financial year).

REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established on 20 April 2005 and includes a majority of independent non-executive Directors. The Remuneration Committee comprises two Executive Directors, Mr. Hung Kin Sang, Raymond (re-appointed on 15 August 2012) and Mr. Hung Kai Mau, Marcus and four independent non-executive Directors, namely Mr. Lun Tsan Kau (Chairman of the Remuneration Committee), Mr. Su Ru Jia, Mr. Lo Yun Tai and Mr. Chan Ming Fai, Terence.

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

NOMINATION COMMITTEE

The Nomination Committee of the Company was established on 15 August 2012 and includes a majority of independent non-executive Directors. The Nomination Committee comprises one executive Director, Mr. Hung Kin Sang, Raymond and three independent non-executive Directors, namely Mr. Lun Tsan Kau, Mr. Lo Yun Tai (Chairman of the Nomination Committee) and Mr. Chan Ming Fai, Terence. The Nomination Committee is responsible for making recommendations to the Board on proposed changes to the Board and senior management of the Company to

complement the Company's corporate strategy after its reviews of the structure, size, composition and diversity of the Board and senior management from time to time.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiries of all the Directors, all the Directors have confirmed that they had complied with the required standard set out in the Model Code during the accounting period covered by the final report for the year ended 30 June 2013.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

The Group does not engage in interest rate or foreign exchange speculative activities. It is the Group's policy to manage foreign exchange risk through matching foreign exchange income with expenses, and where exposure to foreign exchange is anticipated, appropriate hedging instruments will be used.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Mazars CPA Limited, Certified Public Accountants, as auditor of the Company.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 30 June 2013 have been agreed by the Group's auditor, Mazars CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year ended 30 June 2013.

The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Mazars CPA Limited on the preliminary announcement.

PUBLICATION OF INFORMATION ON WEBSITES

This results announcement is available for viewing on the website of Stock Exchange at <http://www.hkex.com.hk> and on the website of the Company at

<http://www.applieddev.com>.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to take this opportunity to express my heartfelt thanks to all of the staff and business partners for their hard work and dedication.

MEMBERS OF THE BOARD

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

Executive directors:

Hung Kin Sang, Raymond

(Managing Director)

Hung Kai Mau, Marcus (*Chairman*)

Ng Kit Ling

Independent non-executive directors:

Lun Tsan Kau

Su Ru Jia

Lo Yun Tai

Chan Ming Fai, Terence

By order of the Board

Applied Development Holdings Limited

Hung Kai Mau, Marcus

Chairman

Hong Kong, 26 September 2013

** For identification purpose only*