APPLIED DEVELOPMENT HOLDINGS LTD.

實力建業集團有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 519)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

The Board of Directors (the "Directors") of Applied Development Holdings Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 December 2013 together with the comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2013

		Six months ended 31 December	
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	–	–
Other revenue	*2*	–	9
Other income	*3*	**59**	1,344
Net increase in fair value of investment properties		–	5,270
Administrative expenses		**(14,410)**	(7,835)
Interest income on promissory note receivable from a jointly controlled entity		**6,499**	5,966
Finance costs	*5*	**(2,895)**	(3,253)
Share of result of a jointly controlled entity		–	–
(Loss) Profit before tax	*6*	**(10,747)**	1,501
Taxation	*7*	–	–
(Loss) Profit for the period, attributable to equity holders of the Company		**(10,747)**	1,501
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
– Change in fair value of available-for-sale investments		**79**	–
– Exchange difference arising on translation of foreign operations		**2**	–
Other comprehensive income for the period, net of tax		**81**	–
Total comprehensive (loss) income for the period, attributable to equity holders of the Company		**(10,666)**	1,501
(Loss) Earnings per share	*8*		
Basic		**(1.18) HK cents**	0.18 HK cents
Diluted		**(1.18) HK cents**	0.18 HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2013

	Notes	31/12/2013 (Unaudited) HK$'000	30/06/2013 (Audited) HK$'000
Non-current assets			
Investment properties	14	**373,587**	373,587
Property, plant and equipment		**4,037**	4,530
Promissory note receivable from a jointly controlled entity	9	**150,813**	144,314
Other assets		**1,973**	1,973
Interest in a jointly controlled entity		–	–
Prepaid lease payments – non-current portion		**1,490**	1,511
Available-for-sale investments		**357**	278
		532,257	526,193
Current assets			
Trade and other receivables	10	**26,581**	26,179
Amount due from a jointly controlled entity	11	**16,763**	16,763
Prepaid lease payments – current portion		**40**	40
Bank balances and cash		**1,511**	18,098
		44,895	61,080
Current liabilities			
Other payables		**15,017**	19,385
Convertible bonds	13	–	40,906
Secured bank borrowings		**82,549**	78,311
Obligation under a finance lease		**1,181**	1,162
		98,747	139,764
Net current liabilities		**(53,852)**	(78,684)
Total assets less current liabilities		**478,405**	447,509
Capital and reserves			
Share capital	12	**11,598**	8,378
Share premium and reserves		**462,594**	411,578
Total equity		**474,192**	419,956
Non-current liabilities			
Convertible bonds	13	–	22,745
Obligation under a finance lease		–	595
Deferred tax liabilities		**4,213**	4,213
		4,213	27,553
		478,405	447,509

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2013

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

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

The accounting policies used in the condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 30 June 2013, except for the adoption of the following new/revised Hong Kong Financial Reporting Standards ("HKFRS") effective from the current interim period.

HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*
HKFRS 13	*Fair Value Measurement*
Various HKFRSs	*Annual Improvements Project 2009-2011 Cycle*
Amendments to HKFRS 7	*Disclosures – Offsetting Financial Assets and Financial Liabilities*

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

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

Amendments to HKAS 27 (2011), HKFRS 10 and HKFRS 12	*Investment Entities* [1]
Amendments to HKAS 32	*Presentation – Offsetting Financial Assets and Financial Liabilities* [1]
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets* [1]
HK(IFRIC) - Int 21	*Levies* [1]
Amendments to HKAS 19 (2011)	*Defined Benefit Plans – Employee Contributions* [2]
Various HKFRSs	*Annual Improvements Project – 2010-2012 Cycle* [3]
Various HKFRSs	*Annual Improvements Project – 2011-2013 Cycle* [3]
HKFRS 9	*Financial Instruments* [4]
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	*Financial Instruments (Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39)* [4]

[1] Effective for annual periods beginning on or after 1 January 2014

[2] Effective for annual periods beginning on or after 1 July 2014

[3] Effective for annual periods beginning on or after 1 July 2014, except for certain amendments which are effective prospectively for relevant transactions occurred on or after 1 July 2014

[4] No mandatory effective date determined but is available for adoption

2. TURNOVER AND REVENUE

	Six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Turnover		
Gross rental income from investment properties	**–**	–
Other revenue		
Interest income – Others	**–**	9
Total revenue	**–**	9

3. OTHER INCOME

	Six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Dividend income	**–**	9
Gain on disposal of financial assets at fair value through profit or loss	**–**	408
Sundry income	**59**	927
	59	1,344

4. 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 and property development, property investment and investment holding are the Group's major operating segments. The Group's resort and property 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 and property development segment which is still under development. The property investment segment includes mainly residential and commercial properties that are held for capital appreciation or to earn rentals. The investment holding segment includes holding and trading of investments and other assets. No operating segments have been aggregated.

Segment revenue and results for the six months ended 31 December 2013 are presented below:

	Resort and property development (Unaudited) *HK$'000*	Property investment (Unaudited) *HK$'000*	Investment holding (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Turnover	–	–	–	–
Other revenue and income	–	–	59	59
	–	–	59	59
Results				
Segment results	(644)	(508)	(463)	(1,615)
Unallocated corporate expenses				(12,736)
Finance costs				(2,895)
Interest income on promissory note receivable from a jointly controlled entity	6,499			6,499
Loss before tax				(10,747)
Taxation				–
Loss for the period				(10,747)

Segment assets and liabilities as of 31 December 2013 and other segment information for the six months ended 31 December 2013 are presented below:

	Resort and property development (Unaudited) *HK$'000*	Property investment (Unaudited) *HK$'000*	Investment holding (Unaudited) *HK$'000*	Segment total (Unaudited) *HK$'000*	Unallocated (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Assets	284,455	258,605	2,713	545,773	31,379	577,152
Liabilities	753	16,728	1,631	19,112	83,848	102,960
Other segment information:						
Additions to property, plant and equipment	–	50	55	105	–	105
Depreciation of property, plant and equipment	–	108	63	171	427	598
Release of prepaid lease payments	–	21	–	21	–	21

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

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

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

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

There was no revenue generated from inter-segment transactions for both periods. 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 Panama.

The Group has no revenue from external customers by geographical market for six months ended 31 December 2013 and 2012.

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

	Carrying amounts of non-current assets	
	31/12/2013	31/12/2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong	**236,442**	236,001
Panama	**115,500**	106,900
PRC	**29,145**	2,212
	381,087	345,113

5. FINANCE COSTS

	Six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on convertible bonds	**2,211**	2,545
Interest expenses on bank borrowings		
– wholly repayable more than five years	**660**	664
Finance charges on obligation under a finance lease	**24**	44
	2,895	3,253

6. (LOSS) PROFIT BEFORE TAX

	Six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss) Profit for the period has been arrived at after charging:		
Staff costs, including directors' emoluments		
Salaries and other benefits	**7,145**	4,704
Retirement benefit scheme contribution	**51**	47
Total staff costs	**7,196**	4,751
Other items		
Depreciation of property, plant and equipment	**598**	643
Operating lease payments on premises	**1,116**	920
Release of prepaid lease payments	**21**	21

7. TAXATION

Hong Kong Profits Tax had not been provided as the Group had no assessable profits for the period ended 31 December 2013 and 2012. No provision for deferred tax has been made in the period.

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

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic loss (2012: earnings) per share for the period is based on the loss attributable to equity holders of the Company of HK$10,747,000 (2012: profit of HK$1,501,000) and on the weighted average of 909,594,919 (2012: 837,773,826) ordinary shares of the Company in issue during the period.

The diluted loss (2012: profit) per share is the same as the basis loss (2012: earnings) per share for both the six months ended 31 December 2013 and 2012.

The Company did not have any dilutive potential ordinary shares during the six months ended 31 December 2013 and the exercise price of the convertible notes was higher than the average market price of shares during the six months ended 31 December 2012.

9. PROMISSORY NOTE RECEIVABLE FROM A JOINTLY CONTROLLED ENTITY

	HK$'000
At 30 June 2013 (Audited)	**144,314**
Interest income	**6,499**
At 31 December 2013 (Unaudited)	**150,813**

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 occurred. 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 at 31 December 2013, there was a reduction of HK$6,499,000 (2012: HK$5,966,000) in impairment loss, which is attributable to cash flow discounting. The reduction in impairment has been recognised as an interest income in profit or loss using 9% per annum, the rate of interest used to discount the future cash flows in previous period.

The amount is unsecured. At 31 December 2013, the promissory note was past due more than one year (30 June 2013: more than one year). The Group had brought a legal action against the jointly controlled entity, Quorum on 18 December 2012 to recover the promissory note receivable.

10. TRADE AND OTHER RECEIVABLES

The Group allows credit period ranging within 90 days to its trade customers. Included in trade and other receivables of the Group are trade debtors of HK$Nil (30 June 2013: HK$Nil).

As at 31 December 2013, other receivables mainly represented legal costs recoverable of HK$22,213,000 (30 June 2013: HK$22,213,000) that the Group expected to be able to recover as a result of the consent judgment of the High Court cases.

11. 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.

12. SHARE CAPITAL

	Number of ordinary shares	**Amount**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 30 June 2013 and 31 December 2013	6,000,000,000	60,000
Issued and fully paid:		
At 30 June 2013	837,773,826	8,378
Conversion of 8% Convertible Bond Due 2013 ("2013 CB") on 18 October 2013	90,660,000	907
Conversion of 2013 CB on at 21 October 2013	83,340,000	833
Conversion of Zero Coupon Convertible Bond Due 2018 ("2018 CB") on 23 December 2013	148,000,000	1,480
At 31 December 2013	1,159,773,826	11,598

13. CONVERTIBLE BONDS

During the six months ended 31 December 2013, both 2013 CB and 2018 CB were fully converted by the relevant bondholders.

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

	Group and Company	
	31/12/2013	30/06/2013
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Liability component		
At beginning of the reporting period	**63,651**	39,099
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	**2,211**	5,278
Interest paid/payable	**(960)**	(3,341)
Conversion of convertible bonds during the period	**(64,902)**	–
At end of the reporting period	–	63,651
Equity component		
At beginning of the reporting period	**11,858**	3,846
Convertible bonds (converted) issued	**(11,858)**	8,131
Issue costs apportioned to equity component	–	(119)
At beginning and at end of the reporting period	–	11,858

14. INVESTMENT PROPERTIES

Reference made to the Annual Report 2013 of the Company that 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 in June 2012. The Deposits received on the Disposal as at 30 June 2013 and 31 December 2013 was HK$10,329,000. 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. In the end of November 2013, the judgment was granted that the Company should go ahead with the Disposal (the "Judgment"). Following the Judgment, an Appeal Application was filed against the Judgment. As advised by the PRC lawyers that the Group still holds the strong position in the litigation proceedings.

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.

15. CONTINGENT LIABILITIES

As at 30 June 2013 and 31 December 2013, the Group had no significant contingent liabilities.

16. CAPITAL COMMITMENTS

	31/12/2013	30/06/2013
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of investment properties and property, plant and equipment contracted for but not provided for in the consolidated financial statements		
– the Group	**19,203**	19,203
– share of a jointly controlled entity	**31,288**	31,288
	50,491	50,491

17. RELATED PARTY TRANSACTIONS

(a) The Group paid consultancy fee of approximately HK$232,000 and rental expenses of HK$114,000 to Mr. Hung Kin Sang, Raymond, father of the Chairman, Mr. Hung Kai Mau, Marcus of the Company during the six months ended 31 December 2012 pursuant to the service agreement between Mr. Hung and a wholly owned subsidiary of the Company. Since the service agreement was terminated on 15 August 2012, no further payment was made during the six months ended 31 December 2013.

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

	2013	2012
	HK$'000	*HK$'000*
Salaries and other benefits	**6,055**	3,928
Retirement benefit scheme contributions	**15**	15
	6,070	3,943

INTERIM DIVIDEND

The Directors do not recommend an interim dividend for the period ended 31 December 2013 (2012: Nil).

RESULTS

The Group recorded a consolidated loss of HK$10.7 million for the six-month interim period ended 31 December 2013 ("2013 Interim Period") as compared to a consolidated profit of approximately HK$1.5 million for the corresponding six-month interim period ended 31 December 2012 ("2012 Interim Period"), mainly due to (1) a decrease in other income (compared to approximately HK$1.34 million other income recorded for the 2012 Interim Period); (2) no increase in fair value of investment properties (compared to approximately HK$5.27 million net increase in fair value of investment properties reported for the 2012 Interim Period) and (3) an increase in administration expenses due to additional corporate exercises undertaken during the 2013 Interim Period.

BUSINESS REVIEW

(i) Resort and Property Development

BVI Project

As disclosed in the Company's Annual Report 2013 and the circular of the Company dated 3 December 2013, the ownership interest in Quorum Island (BVI) Limited ("Quorum") held by InterIsle Holdings Limited ("InterIsle"), our joint venture partner in a project (the "BVI Project") located at Beef Island, Tortola, the British Virgin Islands (the "BVI") was to be reduced from 50% to less than 20% (the "Dilution") as originally contemplated under a joint venture agreement (the "Agreement") entered between the Group and InterIsle to develop the BVI Project in August 2006. After several rounds of negotiation between InterIsle and the Company, the Company has not yet been able to finalize 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) a claim against InterIsle and relevant parties for the transfer of over 30% interest in Quorum to Applied Enterprises Limited ("Applied Enterprises"), a wholly owned subsidiary of the Company (the "Transfer Claim") against InterIsle 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") 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 leave to appeal against the decision by the BVI High Court, and the hearing date is expected to be in April 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 intends to adopt for the Panama Project the business model for 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 six months ended 31 December 2013.

As stated in the Company's Annual Report 2013, 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 ("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$20.16 million in June 2012). 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 (approximately HK$30.3 million)), the purchaser filed an application to the court for an order that the Disposal be completed and the 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 alternative, the unconditional cancellation of the transaction. Unfortunately, the court has delivered a judgment dated 27 November 2013 ordering 盈聯多 to proceed with the purchase and sale agreement (the "Judgment"). As we continue to believe in the merits of our case based on the advice of our PRC lawyer, an appeal application has been filed by 盈聯多 against the whole judgment. The Company will keep shareholders updated on any significant progress of the proceedings. However, as stated in the Company's Annual Report 2013, the Company has made provision for the relevant tax payable on the completion of the Disposal.

(iii) Investment Holding

During the six months ended 31 December 2012, the Group realised all the remaining financial assets held by the Group with a slight profit. The management 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.

PROSPECTS AND 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 development project 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.

LITIGATION

Apart from those proceedings described above, the Group is not a party to any other significant legal proceedings.

PLEDGE OF ASSETS

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

(a) Pledge of investment properties of the Group with a carrying amount of HK$231,000,000 (30 June 2013: HK$231,000,000);

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

(c) Property insurance on the pledged investment properties executed by the Group in favour of the bank. At the end of the reporting period, the property insurance coverage amounted to HK$16,500,000 (30 June 2013: 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.

LIQUIDITY AND FINANCIAL INFORMATION

During the six months ended 31 December 2013, both 2013 CB and 2018 CB were fully converted by the relevant bondholders (further details are stated in Note 13 of this announcement).

As at 31 December 2013, the Group's total net asset value and borrowings amounted to approximately HK$474.2 million and approximately HK$83.7 million respectively, representing a gearing ratio of 17.7% as compared to 28 % of the corresponding period. As at 31 December 2013, the Group's current asset value and current liabilities (excluding bank borrowings over 1 year (based on scheduled payment date)) amounted to approximately HK$44.9 million and approximately HK$30.0 million respectively, representing a current ratio of 1.5 times (30 June 2013: 2.04 times).

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

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

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

EMPLOYEE INFORMATION

As at 31 December 2013, the Group employed a total of 9 full-time employees.

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

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

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

CORPORATE GOVERNANCE

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

The Company has complied with provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in the Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") throughout the six months ended 31 December 2013.

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

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

AUDIT COMMITTEE

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

The Audit Committee is responsible for reviewing and assessing with senior management and external auditor of the Company, the internal control system and external auditing process and findings, the accounting principles and practices adopted by the Group, Listing Rules and statutory compliance. The members of the Audit Committee also meet to discuss and review matters relating to auditing, internal control, risk management and financial reporting (including reviewing the unaudited interim consolidated financial statements of the Group for the six months ended 31 December 2013 before recommending them to the Board for approval). The Audit Committee is satisfied that the internal controls and accounting systems of the Group are adequate.

REMUNERATION COMMITTEE

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

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

NOMINATION COMMITTEE

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

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

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiries of all the Directors, all the Directors have confirmed that they had complied with the required standard set out in the Model Code during the accounting period covered by the interim report for the six months from 1 July 2013 to 31 December 2013.

PUBLICATION OF INFORMATION ON WEBSITES

This results report 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.

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, 25 February 2014

** For identification purpose only*