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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

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 2014 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2014

		Six months ended 31 December	
		2014	2013
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	2	1,560	—
Other revenue	2	3	—
Other income	3	—	59
Net decrease in fair value of financial assets at fair value through profit or loss		(3,885)	—
Net increase in fair value of investment properties		14,000	—
Administrative expenses		(16,300)	(14,410)
Interest income on promissory note receivable from a joint venture		5,466	6,499
Finance costs	5	(928)	(2,895)
Impairment loss on amount due from a joint venture		(10,301)	—
Share of results of a joint venture		—	—
Loss before tax	6	(10,385)	(10,747)
Taxation	7	—	—
Loss for the period, attributable to equity holders of the Company		(10,385)	(10,747)
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 for the period, attributable to equity holders of the Company		(10,385)	(10,666)
Loss per share	8		<i>(adjusted)</i>
Basic		(0.62) HK cents	(0.92) HK cents
Diluted		(0.62) HK cents	(0.92) HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	31/12/2014 (Unaudited) HK\$'000	30/06/2014 (Audited) HK\$'000
Non-current assets			
Investment properties	14	340,000	326,000
Property, plant and equipment		4,738	4,765
Promissory note receivable from a joint venture	9	126,923	121,457
Other assets		312	312
Interest in a joint venture		—	—
Prepaid lease payments – non-current portion		1,449	1,471
Available-for-sale investments		179	179
		<u>473,601</u>	<u>454,184</u>
Current assets			
Financial assets at fair value through profit or loss	10	29,297	—
Trade and other receivables	11	11,343	10,430
Amount due from a joint venture	12	6,462	16,763
Prepaid lease payments – current portion		40	40
Bank balances and cash		16,389	10,764
		<u>63,531</u>	<u>37,997</u>
Non-current assets classified as held for sale		<u>17,569</u>	<u>17,569</u>
		<u>81,100</u>	<u>55,566</u>
Current liabilities			
Other payables		3,869	4,682
Interest-bearing borrowings		76,984	98,777
Obligation under a finance lease		—	595
		<u>80,853</u>	<u>104,054</u>
Liabilities associated with non-current assets classified as held for sale		<u>16,956</u>	<u>16,956</u>
		<u>97,809</u>	<u>121,010</u>
Net current liabilities		<u>(16,709)</u>	<u>(65,444)</u>
Total assets less current liabilities		<u>456,892</u>	<u>388,740</u>
Capital and reserves			
Share capital	13	17,397	11,598
Share premium and reserves		439,495	377,142
Total equity		<u>456,892</u>	<u>388,740</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2014

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 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 2014, except for the adoption of the following new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) effective from the current interim period.

Amendments to HKAS 27 (2011), HKFRS 10 and HKFRS 12	<i>Investment Entities</i>
Amendments to HKAS 32	<i>Presentation – Offsetting Financial Assets and Financial Liabilities</i>
Amendments to HKAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to HKAS 19 (2011)	<i>Defined Benefit Plans – Employee Contributions</i>
Various HKFRSs	<i>Annual Improvements Project – 2010-2012 Cycle</i>
Various HKFRSs	<i>Annual Improvements Project – 2011-2013 Cycle</i>

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 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation¹</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements¹</i>
Amendments to HKAS 28 (2011) and HKFRS 10	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations¹</i>
Various HKFRSs	<i>Annual Improvements Project – 2012-2014 Cycle²</i>
HKFRS 15	<i>Revenue from Contracts with Customers³</i>
HKFRS 9 (2014)	<i>Financial Instruments⁴</i>

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2016, with limited exceptions

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 January 2018

2. TURNOVER AND REVENUE

	Six months ended 31 December	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover		
Gross rental income from investment properties	581	—
Interest income from financial assets at fair value through profit or loss	979	—
	<u>1,560</u>	<u>—</u>
Other revenue		
Interest income	3	—
	<u>3</u>	<u>—</u>
Total revenue	<u><u>1,563</u></u>	<u><u>—</u></u>

3. OTHER INCOME

	Six months ended 31 December	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sundry income	—	59
	<u><u>—</u></u>	<u><u>59</u></u>

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 2014 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	<u>–</u>	<u>581</u>	<u>979</u>	<u>1,560</u>
Results				
Segment results	<u>(11,029)</u>	<u>23,850</u>	<u>(3,458)</u>	<u>9,363</u>
Unallocated corporate income				3
Unallocated corporate expenses				(13,988)
Finance costs				(928)
Impairment loss on amount due from a joint venture	(10,301)			(10,301)
Interest income on promissory note receivable from a joint venture	5,466			5,466
Loss before tax				(10,385)
Taxation				–
Loss for the period				<u>(10,385)</u>

Segment assets and liabilities as of 31 December 2014 and other segment information for the six months ended 31 December 2014 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	<u>222,390</u>	<u>273,418</u>	<u>30,046</u>	<u>525,854</u>	<u>28,847</u>	<u>554,701</u>
Liabilities	<u>3,421</u>	<u>17,262</u>	<u>27</u>	<u>20,710</u>	<u>77,099</u>	<u>97,809</u>
Other segment information:						
Non-current assets classified as held for sale	–	17,569	–	17,569	–	17,569
Liabilities associated with non-current assets classified as held for sale	–	16,956	–	16,956	–	16,956
Additions to property, plant and equipment	–	–	–	–	724	724
Depreciation of property, plant and equipment	–	52	63	115	636	751
Release of prepaid lease payments	–	22	–	22	–	22
(Decrease) increase in fair value of investment properties	(10,000)	24,000	–	14,000	–	14,000
Net decrease in fair value of financial assets at fair value through profit or loss	–	–	3,885	3,885	–	3,885

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
	<u>—</u>	<u>—</u>	<u>59</u>	<u>59</u>
Results				
Segment results	<u>(644)</u>	<u>(508)</u>	<u>(463)</u>	(1,615)
Unallocated corporate expenses				(12,736)
Finance costs				(2,895)
Interest income on promissory note receivable from a joint venture	6,499			<u>6,499</u>
Loss before tax				(10,747)
Taxation				<u>—</u>
Loss for the period				<u>(10,747)</u>

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	<u>284,455</u>	<u>258,605</u>	<u>2,713</u>	<u>545,773</u>	<u>31,379</u>	<u>577,152</u>
Liabilities	<u>753</u>	<u>16,728</u>	<u>1,631</u>	<u>19,112</u>	<u>83,848</u>	<u>102,960</u>
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
	<u>—</u>	<u>179</u>	<u>118</u>	<u>304</u>	<u>427</u>	<u>731</u>

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 joint venture, 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, Singapore, the People's Republic of China other than Hong Kong (the "PRC"), the British Virgin Islands (the "BVI") and the Panama.

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

	Turnover by geographical market	
	31/12/2014	31/12/2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong	812	—
Singapore	748	—
	<u>1,560</u>	<u>—</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	
	31/12/2014	31/12/2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong	259,593	236,442
Panama	85,000	115,500
PRC	1,906	29,145
	<u>346,499</u>	<u>381,087</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.

5. FINANCE COSTS

	Six months ended 31 December	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on convertible bonds	—	2,211
Interest expenses on borrowings		
— wholly repayable more than five years	922	660
Finance charges on obligation under a finance lease	6	24
	<u>928</u>	<u>2,895</u>

6. LOSS BEFORE TAX

	Six months ended 31 December	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging:		
Staff costs, including directors' emoluments		
Salaries and other benefits	10,190	7,145
Retirement benefit scheme contribution	45	51
Total staff costs	10,235	7,196
Other items		
Depreciation of property, plant and equipment	751	598
Impairment loss in amount due from a joint venture	10,301	—
Net decrease in fair value of financial assets at fair value through profit or loss	3,885	—
Direct operating expenses relating to investment properties that generated rental income	91	—
Direct operating expenses relating to investment properties that did not generate rental income	497	1,105
Operating lease payments on premises	933	1,116
Release of prepaid lease payments	22	21

7. TAXATION

Hong Kong Profits Tax had not been provided as the Group had no assessable profits for the period ended 31 December 2014 and 2013. 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 PER SHARE

The calculation of the basic loss per share for the period is based on the loss attributable to equity holders of the Company of HK\$10,385,000 (2013: HK\$10,747,000) and on the weighted average of 1,675,207,735 (2013: 1,170,835,449 (adjusted)) ordinary shares of the Company in issue during the period.

The number of shares for the purpose of calculating basic loss per share for the periods ended 31 December 2014 and 2013 has been adjusted to reflect the bonus element of rights issue of shares completed during the reporting period as set out in note 13.

The diluted loss per share is the same as the basic loss per share for both the six months ended 31 December 2014 and 2013.

The Company did not have any dilutive potential ordinary shares during the six months ended 31 December 2014 and the exercise price of the convertible notes was higher than the average market price of shares during the six months ended 31 December 2013.

9. PROMISSORY NOTE RECEIVABLE FROM A JOINT VENTURE

HK\$'000

At 30 June 2014 (Audited)	121,457
Interest income	5,466
At 31 December 2014 (Unaudited)	126,923

Following the expiration of the due date of the promissory note receivable from Quorum Island (BVI) Limited (“Quorum”) 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.

In December 2012, the Group brought a legal action against Quorum for the non-payment of the promissory note. Having taken into consideration of the latest development of the legal action, management has reassessed the period of recovery and expected that the full amount of the promissory note would be realisable in four years’ time from 30 June 2014. Accordingly, impairment loss of HK\$22,857,000 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 for the year ended 30 June 2014.

As at 31 December 2014, there was a reduction of HK\$5,466,000 (2013: HK\$6,499,000) 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 2014, the promissory note was past due for more than one year (30 June 2014: more than one year).

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31/12/2014 (Unaudited) HK\$'000	30/6/2014 (Audited) HK\$'000
Held-for-trading investments at fair value		
Debt instruments listed overseas	22,009	—
Debt instruments listed in Hong Kong	7,288	—
	29,297	—

The fair value of the listed debt instruments are determined on the basis of quoted market price at the end of the reporting period.

11. TRADE AND OTHER RECEIVABLES

The Group allows credit period ranging within 90 days to its trade customers. There was no trade receivables as at 31 December 2014 (30 June 2014: Nil).

As at 31 December 2014, other receivables mainly represented legal costs recoverable of HK\$7,254,000 (30 June 2014: HK\$8,825,000) that the Group expected to be able to recover as a result of the consent judgment of the High Court cases.

12. AMOUNT DUE FROM A JOINT VENTURE

The amount is unsecured, interest-free and has no fixed repayment term. At the end of the reporting period, provision for impairment of HK\$10,301,000 had been made for non-repayment of the amount due and the carrying amount of the amount due approximates its fair value.

13. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 30 June 2014 and 31 December 2014	6,000,000,000	60,000
Issued and fully paid:		
At 30 June 2014	1,159,773,826	11,598
Rights issue on 15 August 2014 (<i>Note</i>)	579,886,913	5,799
At 31 December 2014	1,739,660,739	17,397

Note:

During the period ended 31 December 2014, the Company issued 579,886,913 rights shares (the “Rights Shares”) by way of rights issue (the “Rights Issue”), on the basis of one Rights Share for every two existing shares of the Company at a subscription price of HK\$0.139 per Rights Share. The net proceeds from the Rights Issue after deducting related expenses were approximately HK\$78.5 million.

14. INVESTMENT PROPERTIES

	HK\$'000
Fair value	
At 30 June 2014 (Audited)	326,000
Net increase in fair values	14,000
At 31 December 2014 (Unaudited)	340,000

15. CONTINGENT LIABILITIES

As at 30 June 2014 and 31 December 2014, the Group had no significant contingent liabilities.

16. CAPITAL COMMITMENTS

	31/12/2014 (Unaudited) HK\$'000	30/06/2014 (Audited) 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	19,139	19,139
– share of a joint venture	31,288	31,288
	50,427	50,427

17. RELATED PARTY TRANSACTIONS

- (a) On 4 December 2014, for the purpose of better utilization of the Group's financial resources, all Independent Non-Executive Directors of the Company approved (i) the disposal of a motor vehicle which was held by a wholly owned subsidiary of the Company to a director of that subsidiary who is a daughter of Mr. Raymond Hung Kin Sang ("Mr. Hung"), the Chairman and Managing Director of the Company, for a cash consideration of HK\$759,000 (the "First Disposal") and after the aforesaid disposal transaction, (ii) the sale of the entire issued share capital of and shareholder's loan to that subsidiary, the major assets of which at the time of the disposal comprised two motor vehicles, to Mr. Hung for a cash consideration of HK\$2,191,000 (the "Second Disposal"). The First Disposal and Second Disposal were completed in January 2015 and February 2015 respectively.
- (b) Remuneration to key management personnel including amounts paid to the Company's directors is as follows:

	Six months ended 31 December 2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Salaries and other benefits	7,141	6,055
Retirement benefit scheme contributions	15	15
	7,156	6,070

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following table presents the carrying value of financial instruments measured at fair value at 31 December 2014 and 30 June 2014 across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level of input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical financial instruments that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the financial instruments, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the financial instruments.

(a) Financial assets measured at fair value

	At 31/12/2014 (Unaudited)			
	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<i>Financial assets at fair value through profit or loss:</i>				
Debt instruments listed overseas	22,009	22,009	—	—
Debt instruments listed in Hong Kong	7,288	7,288	—	—
	<u>29,297</u>	<u>29,297</u>	<u>—</u>	<u>—</u>
<i>Available-for-sale investments:</i>				
Equity investments listed in Hong Kong	<u>179</u>	<u>179</u>	<u>—</u>	<u>—</u>
At 30/6/2014 (Audited)				
	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<i>Available-for-sale investments:</i>				
Equity investments listed in Hong Kong	<u>179</u>	<u>179</u>	<u>—</u>	<u>—</u>

During the period ended 31 December 2014 and 2013, 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.

(b) Financial assets and liabilities not measured at fair value

The carrying amounts of the Group's financial assets and liabilities carried at other than their value are not materially different from their fair values as at 31 December 2014 and 30 June 2014.

INTERIM DIVIDEND

The Directors do not recommend an interim dividend for the period ended 31 December 2014 (2013: Nil).

RESULTS

The Group recorded a consolidated loss of approximately HK\$10.4 million for the six months interim period ended 31 December 2014 as compared to a consolidated loss of approximately HK\$10.7 million for the corresponding six months interim period ended 31 December 2013. The change in consolidated loss for the six months interim period ended 31 December 2014 was mainly due to (i) an impairment loss on amount due from a joint venture of approximately HK\$10.3 million and (ii) an unrealised loss of approximately HK\$3.9 million due to the net decrease in fair value of the invested financial assets. On the other hand, the Group recorded a net increase in fair value of investment properties of approximately HK\$14.0 million.

BUSINESS REVIEW

(i) Resort and Property Development

BVI Project

As stated in our Annual Report 2014 delivered to shareholders of the Company (the “Shareholders”) on 9 October 2014, in December 2012, Applied Enterprises Limited, a wholly owned subsidiary of the Company (“Applied Enterprises”), commenced legal proceeding in the High Court of the BVI (the “BVI High Court”) 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 (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). 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, Applied Enterprises applied to the Court of Appeal of the BVI (the “BVI Court of Appeal”) to appeal the decision of the BVI High Court. On 1 May 2014, the BVI Court of Appeal made public its decision to dismiss Applied Enterprises’ appeal against InterIsle and maintain the decision of the BVI High Court which granted the application for stay in favour of InterIsle and ordered that the parties should commence the arbitration to determine the substantive outcome of the Transfer Claim. Applied Enterprises was advised by its newly engaged legal counsel to proceed with the arbitration proceedings instead of pursuing the right to commence litigation proceedings as Applied Enterprises’ position in pursuing the Transfer Claim through arbitration remains strong. Upon obtaining a favourable outcome, InterIsle’s interests in Quorum will be diluted from 50% to approximately 19.6% (the “Dilution”). Subject to completion of the Dilution, Quorum will become a subsidiary of the Company. The Company will keep Shareholders updated on any significant progress of the proceedings.

The BVI Project is located at Beef Island, Tortola, and 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 hotel 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 as a unique artisan and retail village at Trellis Bay.

Whilst the master plan for the BVI Project has already been approved by the relevant authorities based on which the development of the BVI Project can commence, the actual commencement of development depends on the progress and outcome of the litigation in connection with the ownership of Quorum and market conditions (including the economic conditions in the United States). With the ongoing litigation, the Company believes that its ability to realise or monetise its investment in the BVI Project in the near term to be unlikely.

Panama Project

The Group also has a resort project located in Panama (the “Panama Project”), which 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 as used 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. The Company is studying and developing plans for pre-development works for the Panama Project and at the same time is seeking for partners to develop the Panama Project. Application for the hot spring concession was made in 2013 and the concession was expected to be granted in 2015. The commencement of development works is subject to approval of the relevant authorities of a master development plan and to market conditions. Alternatively, if a suitably attractive offer is made by potential buyers, the Board may consider the disposal of all or part of its interest in the Panama Land and/or the Hot Spring Property.

(ii) Property Investment and Holding

The investment properties of the Group in Hong Kong, Severn Villa continues to generate rental income to the Group.

As stated in our Annual Report 2014, in June 2012, the Company’s wholly-owned subsidiary, Quorum Electronics (Shenzhen) Company Limited (盈聯多科技企業(深圳)有限公司 (“Quorum Electronics”) 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 metre (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 Quorum Electronics. In response, Quorum Electronics filed a counter claim against the purchaser for non-payment of the additional tax or in the alternative, the unconditional cancellation of the transaction. The court delivered a judgment dated 27 November 2013 ordering

Quorum Electronics to proceed with the purchase and sale agreement (the “Judgment”), and Quorum Electronics filed an appeal application against the Judgment. On 11 May 2014, Quorum Electronics was informed that the Intermediate Court upheld the Judgment, and Quorum Electronics was required to proceed with the purchase and sales agreement. However, the buyer failed to comply with the directions in the Judgment to complete the purchase and sales agreement within the times stipulated therein, and failed to apply to the relevant authorities for the transfer of the title of the Property to the buyer and to pay the balance of the purchase price to Quorum Electronics and the matter has been left in a state of uncertainty. To try to progress the matter, in October 2014, Quorum Electronics filed an application for leave to the Guangdong High Court for a retrial. The Company will keep Shareholders updated on any significant progress of the proceedings.

(iii) Investment Holding

During the interim period ended 31 December 2014, the Group had invested in listed debt instruments issued by property developer group listed in Hong Kong which amounting to approximately HK\$33.2 million and would contribute revenue to the Group. As at 31 December 2014, the Group had suffered an unrealised loss of approximately HK\$3.9 million due to the net decrease in fair values of these financial assets. On the other hand, the Group recorded an interest income on these invested financial assets of approximately HK\$979,000 for the interim period ended 31 December 2014.

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 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\$255,000,000 (30 June 2014: HK\$231,000,000);
- (b) All monies earned by the above pledged investment properties of the Group. During the period, rental income of approximately HK\$581,000 was generated from these investment properties (period ended 31 December 2013: Nil);
- (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 2014: 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 period ended 31 December 2014, the Company successfully completed the Rights Issue, details of which are set out in the Company's prospectus dated 25 July 2014, as a result of which 579,886,913 Rights Shares were issued, increasing the issued share capital of the Company to 1,739,660,739 shares. The net proceeds of the Rights Issue were approximately HK\$78.5 million.

As at 31 December 2014, the Group's total net asset value and borrowings amounted to approximately HK\$456.9 million and approximately HK\$77.0 million respectively, representing a gearing ratio of 16.8% as compared to 17.7% of the corresponding period. As at 31 December 2014, the Group's current asset value and current liabilities (excluding bank borrowings over 1 year (based on scheduled payment date)) amounted to approximately HK\$81.1 million and approximately HK\$34.4 million respectively, representing a current ratio of 2.4 times (30 June 2014: 1.0 time).

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 2014, the Group employed a total of 6 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.

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 the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 31 December 2014, save in respect of code provisions (i) A.4.2, (ii) E.1.3, (iii) A.6.7 and (iv) A.2.1. Details of the deviations are set out in the paragraphs below:

(i) A.4.2

Under code provision A.4.2 of the CG Code, all Directors who are appointed to fill casual vacancies are subject to re-election at the first general meeting after their appointments by the Board, and every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Bye-laws of the Company (the “Bye-laws”) deviates from this code provision in the following aspects:

- (a) Under Bye-law 86(2) of the Bye-laws, amongst other things, the Directors have the power to appoint any person as a Director, either to fill a casual vacancy on the Board, or, subject to authorisation by the Shareholders in general meeting, as an addition to the existing Board. Any Director so appointed by the Board shall hold office until the next following annual general meeting of the Company.

The reason for retaining this Bye-law is for the purpose of compliance with paragraph 4(2) of Appendix 3 of the Listing Rules. The requirement for Directors appointed to fill casual vacancies or as additional members of the Board to retire only at the next annual general meeting, rather than at the next general meeting also allows Shareholders to consider re-election of such new Directors at the same time as the re-election of the Directors who are subject to retirement by rotation, at the same general meeting.

- (b) Under Bye-law 87(1) of the Bye-laws, at the annual general meetings of the Company, one third of the Directors for the time being (or where the number is not a multiple of three, the number nearest to, but not greater than one third), including the Independent Non-executive Directors, shall retire from office by rotation, provided that the Chairman of the Board and/or the Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. Notwithstanding the provisions of Bye-law 87(1), in practice, the Chairman of the Board and the Managing Director of the Company, Mr. Hung Kin Sang Raymond will voluntarily submit himself for re-election by Shareholders at the annual general meeting of the Company at least once every three years. Accordingly in practice, all directors of the Company (including the Independent Non-executive Directors), are subject to retirement by rotation at least once every three years. All Independent Non-executive Directors are appointed for a term of three years, and are subject to retirement by rotation in accordance with the Bye-Laws.

(ii) E.1.3

During the six months ended 31 December 2014, the Company was unable to arrange for the notice of the annual general meeting of the Company which was held on 4 November 2014 (the “AGM”) to be sent to the Shareholders at least 20 clear business days before the AGM in accordance with Code Provision E.1.3. This was due to the disruption caused by the “Occupy Central” movement, which started on 28 September 2014. The Occupy Central movement caused the postponement of the delivery date of the relevant circular and notice to the Shareholders from 3 October 2014 to 9 October 2014. Therefore, the Company could not deliver the relevant circular and notice to the shareholders at least 20 clear business days before the AGM. However, the delivery of the circular and notice was in compliance with Bye-law 59(1) of the Bye-laws which requires notice of an annual general meeting to be sent to Shareholders not less than 21 clear days before the annual general meeting.

(iii) A.6.7

Under code provision A.6.7 of the CG Code, the Independent Non-executive Directors and other Non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. However, one of the Independent Non-executive Directors, Mr. Su Ru Jia was unable to attend the AGM as he felt sick. Nevertheless, all other directors inclusive of the other three Independent Non-executive Directors attended the AGM.

(iv) A.2.1

On 18 December 2014, Mr. Hung Kai Mau, Marcus resigned as the Chairman of the Company and then Mr. Hung Kin Sang, Raymond (“Mr. Hung”), the Managing Director of the Company was appointed as the Chairman of the Company after the Board considered that the appointment of Mr. Hung as the Chairman of the Company was in the best interests of the Company. The Board has noted that this appointment did not comply with the A.2.1 of the CG Code which requires the role of Chairman and chief executive of the Company to be separate and not be performed by the same person. As such, the Company will seek to appoint another person as the Chairman of the Company once an appropriate candidate has been identified.

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 currently comprises three Independent Non-executive Directors, namely, Mr. Chan Ming Fai, Terence (appointed as the Chairman of the Audit Committee on 31 December 2014 in place of Mr. Lun Tsan Kau who resigned on 31 December 2014), Mr. Su Ru Jia and Mr. Lo Yun Tai. 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, the Listing Rules and other 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 2014 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 currently comprises of one Executive Director, Mr. Hung Kin Sang, Raymond and three Independent Non-Executive Directors, namely, Mr. Lo Yun Tai (appointed as the Chairman of the Remuneration Committee on 31 December 2014 in place of Mr. Lun Tsan Kau who resigned on 31 December 2014), Mr. Su Ru Jia 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 currently comprises of one Executive Director, Mr. Hung Kin Sang, Raymond and two Independent Non-executive Directors, namely 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 interim report for the six months from 1 July 2014 to 31 December 2014.

PUBLICATION OF INFORMATION ON WEBSITES

This results announcement is available for viewing on the website of the 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 (*Chairman & Managing Director*)
Ng Kit Ling
Tsao Hoi Ho
Meng Song

Independent Non-executive Directors:

Su Ru Jia
Lo Yun Tai
Chan Ming Fai, Terence

By order of the Board
Applied Development Holdings Limited
Hung Kin Sang, Raymond
Chairman & Managing Director

Hong Kong, 26 February 2015

** For identification purpose only*