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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 2014**

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 2014 with comparative figures for the previous year are as follows:

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*Year ended 30 June 2014*

	<i>Note</i>	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Turnover</b>	3	<b>279</b>	–
Other revenue	3	–	9
Other income	4	<b>813</b>	487
Other operating income (expenses), net	7	<b>864</b>	(2,066)
Net (decrease) increase in fair values of investment properties		<b>(32,127)</b>	18,103
Administrative expenses		<b>(38,013)</b>	(25,211)
(Impairment loss) Interest income on promissory note receivable from a joint venture	12	<b>(22,857)</b>	11,926
Finance costs	6	<b>(3,708)</b>	(6,668)
Share of results of a joint venture		–	–
<b>Loss before tax</b>	7	<b>(94,749)</b>	(3,420)
Taxation	8	<b>(1,319)</b>	1,146

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)***Year ended 30 June 2014*

	<i>Note</i>	<b>2014</b> <b>HK\$'000</b>	<b>2013</b> <b>HK\$'000</b>
<b>Loss for the year, attributable to equity holders of the Company</b>		<b>(96,068)</b>	<b>(2,274)</b>
<b>Other comprehensive loss</b>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
– Change in fair value of available-for-sale investments		<b>59</b>	58
– Reclassification adjustment relating to disposal of available-for-sale investments		<b>(109)</b>	–
– Exchange difference arising on translation of foreign operations		–	(373)
<b>Other comprehensive loss for the year, net of tax</b>		<b>(50)</b>	<b>(315)</b>
<b>Total comprehensive loss for the year, attributable to equity holders of the Company</b>		<b>(96,118)</b>	<b>(2,589)</b>
<b>LOSS PER SHARE</b>			
Basic	9	<b>(7.26) HK cents</b>	<i>(adjusted)</i> <b>(0.21) HK cents</b>
Diluted		<b>(7.26) HK cents</b>	<b>(0.21) HK cents</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	<i>Note</i>	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
<b>Non-current assets</b>			
Investment properties	<i>10</i>	<b>326,000</b>	373,587
Property, plant and equipment		<b>4,765</b>	4,530
Promissory note receivable from a joint venture	<i>12</i>	<b>121,457</b>	144,314
Other assets		<b>312</b>	1,973
Interest in a joint venture		–	–
Prepaid lease payments – non-current portion		<b>1,471</b>	1,511
Available-for-sale investments		<b>179</b>	278
		<b>454,184</b>	526,193
<b>Current assets</b>			
Trade and other receivables	<i>11</i>	<b>10,430</b>	26,179
Amount due from a joint venture		<b>16,763</b>	16,763
Prepaid lease payments – current portion		<b>40</b>	40
Bank balances and cash		<b>10,764</b>	18,098
		<b>37,997</b>	61,080
Non-current assets classified as held for sale		<b>17,569</b>	–
		<b>55,566</b>	61,080
<b>Current liabilities</b>			
Other payables		<b>4,682</b>	19,385
Interest-bearing borrowings		<b>98,777</b>	78,311
Obligation under a finance lease		<b>595</b>	1,162
Convertible bonds	<i>13</i>	–	40,906
		<b>104,054</b>	139,764
Liabilities associated with non-current assets classified as held for sale		<b>16,956</b>	–
		<b>121,010</b>	139,764
<b>Net current liabilities</b>		<b>(65,444)</b>	(78,684)
<b>Total assets less current liabilities</b>		<b>388,740</b>	447,509
<b>Capital and reserves</b>			
Share capital		<b>11,598</b>	8,378
Share premium and reserves		<b>377,142</b>	411,578
<b>Total equity</b>		<b>388,740</b>	419,956
<b>Non-current liabilities</b>			
Obligation under a finance lease		–	595
Convertible bonds	<i>13</i>	–	22,745
Deferred tax liabilities		–	4,213
		–	27,553
		<b>388,740</b>	447,509

## NOTES:

### 1. BASIS OF PREPARATION

The 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.

The 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. The 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

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2013 consolidated financial statements except for the adoption of the following new / revised HKFRSs effective from the current year that are relevant to the Group:

#### *HKFRS 10: Consolidated financial statements*

HKFRS 10, which replaces the requirements in HKAS 27 relating to the preparation of consolidated financial statements and HKSIC-Int 12, introduces a single control model to determine whether an investee should be consolidated. It changes the definition of control by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

In accordance with the transitional provisions of HKFRS 10, the Group reassessed the control conclusion for its investees at the date of initial application. The exercise does not change any of the control conclusions reached by the Group in respect of its involvement with other entities at that date.

#### *HKFRS 11: Joint arrangements*

HKFRS 11, which replaces HKAS 31 and HKSIC-Int 13, divides joint arrangements into joint operations and joint ventures. Such classification is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, legal form, contractual terms and other facts and circumstances.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement while a joint venture is a joint arrangement whereby those parties have rights to the net assets of the arrangement. Joint operations are recognised on a line-by-line basis to the extent of the joint operator’s interest while joint ventures are accounted for using the equity method. Proportionate consolidation is no longer allowed.

As a result of the adoption of HKFRS 11, the Group has reassessed its involvement in its joint arrangements and has reclassified the investment from jointly-controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore the application of the standard does not have any material impact on the amounts recognised.

#### *HKFRS 12: Disclosure of interests in other entities*

HKFRS 12 sets out in a single standard all the disclosure requirements relevant to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. In general, the disclosures required by HKFRS 12 are more extensive than those previously required by the respective standards.

### *HKFRS 13: Fair value measurement*

This new standard improves consistency by providing a single source of guidance for fair value measurement and disclosures about fair value measurement when such measurement is required or permitted by other HKFRSs. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In accordance with the transitional provisions, the standard has been applied prospectively. Apart from the additional disclosures about fair value measurements on investment properties, the application of the new standard does not have any material impact on the amounts recognised.

### 3. TURNOVER AND REVENUE

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Turnover</b>		
Gross rental income from investment properties	279	–
<b>Other revenue</b>		
Bank interest income	–	9
<b>Total revenue</b>	<u>279</u>	<u>9</u>

### 4. OTHER INCOME

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Dividend income	–	19
Gain on disposal of financial assets at fair value through profit or loss	–	468
Gain on disposal of other assets	519	–
Gain on disposal of available-for-sale investments	170	–
Exchange gain, net	28	–
Sundry income	96	–
	<u>813</u>	<u>487</u>

### 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 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 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 2014 are presented below:

	<b>Resort and property development</b>	<b>Property investment</b>	<b>Investment holding</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover</b>	–	279	–	279
<b>Other revenue and income</b>	–	–	689	689
	–	279	689	968
<b>Results</b>				
Segment results	<u>(24,481)</u>	<u>(11,015)</u>	<u>(384)</u>	(35,880)
Unallocated corporate income				124
Unallocated corporate expenses				(32,428)
Finance costs				(3,708)
Impairment loss on promissory note receivable from a joint venture	(22,857)			(22,857)
Loss before tax				(94,749)
Taxation				(1,319)
Loss for the year				<u>(96,068)</u>

Segment assets and liabilities as of 30 June 2014 and other segment information for the year ended 30 June 2014 are presented below:

	<b>Resort and property development</b>	<b>Property investment</b>	<b>Investment holding</b>	<b>Segment total</b>	<b>Unallocated</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>	<u>233,565</u>	<u>249,354</u>	<u>811</u>	<u>483,730</u>	<u>26,020</u>	<u>509,750</u>
<b>Liabilities</b>	<u>2,651</u>	<u>17,788</u>	<u>11,018</u>	<u>31,457</u>	<u>89,553</u>	<u>121,010</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	–	50	55	105	1,372	1,477
Additions to investment properties	2,109	–	–	2,109	–	2,109
Decrease in fair value of investment properties	22,608	9,519	–	32,127	–	32,127
Depreciation of property, plant and equipment	–	209	125	334	908	1,242
Gain on disposal of available-for-sale-investments	–	–	170	170	–	170
Gain on disposal of other assets	–	–	519	519	–	519
Impairment loss on other receivables	–	70	37	107	–	107
Release of prepaid lease payments	–	40	–	40	–	40

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

	Resort and property development <i>HK\$ '000</i>	Property investment <i>HK\$ '000</i>	Investment holding <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
<b>Turnover</b>	–	–	–	–
<b>Other revenue and income</b>	–	6	487	493
	<u>–</u>	<u>6</u>	<u>487</u>	<u>493</u>
<b>Results</b>				
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 joint venture	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 and property 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>
<b>Assets</b>	<u>277,432</u>	<u>258,715</u>	<u>2,641</u>	<u>538,788</u>	<u>48,485</u>	<u>587,273</u>
<b>Liabilities</b>	<u>5,070</u>	<u>16,755</u>	<u>1,593</u>	<u>23,418</u>	<u>143,899</u>	<u>167,317</u>
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

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 joint venture, finance costs and income tax expense. Segment assets and liabilities represent all assets and liabilities under each segment together with 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:

	<b>Turnover by geographical market</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Hong Kong	<u>279</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:

	<b>Carrying amounts of non-current assets</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Hong Kong	235,587	236,876
Panama	95,000	115,500
PRC	<u>1,961</u>	<u>29,225</u>
	<u>332,548</u>	<u>381,601</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 revenue from the Group's property investment segment is as follows:

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Customer A	126	N/A
Customer B	116	N/A
Customer C	<u>37</u>	<u>N/A</u>



## 6. FINANCE COSTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest on convertible bonds ( <i>Note 13</i> )	2,211	5,278
Interest expenses on bank borrowings – wholly repayable		
Within five years	287	31
More than five years	1,171	1,282
Finance charges on obligation under a finance lease	39	77
	<u>3,708</u>	<u>6,668</u>

The analysis above includes 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\$1,458,000 (2013: HK\$1,313,000).

## 7. LOSS BEFORE TAX

Loss before tax has been arrived at after charging (crediting):

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Staff costs, including directors' emoluments</b>		
Salaries and other benefits	13,664	12,952
Retirement benefit scheme contributions	100	100
	<u>13,764</u>	<u>13,052</u>
<b>Other operating (income) expenses, net</b> (Reversal of) Provision for compensation on sale and purchase agreement for disposal of an investment property	(971)	2,066
Impairment loss on other receivables	107	–
	<u>(864)</u>	<u>2,066</u>
<b>Other items</b>		
Auditor's remuneration	520	520
Depreciation of property, plant and equipment	1,242	1,215
Direct operating expenses relating to investment properties that generated rental income	184	–
Direct operating expenses relating to investment properties that did not generate rental income	3,235	2,317
Exchange (gain) loss, net	(28)	191
Legal and professional fees ( <i>Note</i> )	13,109	2,537
Operating lease payments on premises	1,989	1,684
Release of prepaid lease payments	40	40

*Note:* The amount included a reduction in legal costs recoverable of approximately HK\$7.7 million due to the decisions of taxation court up to August 2014.

## 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 2014 and 2013.

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 charge (credit) comprises:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<i>Current tax</i>	–	–
<i>Deferred taxation</i>		
Origination and reversal of temporary differences	<u>1,319</u>	<u>(1,146)</u>
Total tax charge (credit) for the year	<u><u>1,319</u></u>	<u><u>(1,146)</u></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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Loss for the purposes of basic loss per share	<u>96,068</u>	<u>2,274</u>
	2014 <i>No. of shares</i>	2013 <i>No. of shares (adjusted)</i>
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>1,323,351,024</u>	<u>1,067,323,854</u>

The number of shares for the purpose of calculating basic loss per share for the years ended 30 June 2014 and 2013 has been adjusted to reflect the bonus element of rights issue of shares completed subsequent to the end of the reporting period.

For the years ended 30 June 2014 and 2013, 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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Held in Hong Kong:		
Long-term leases	231,000	231,000
Held outside Hong Kong:		
Medium-term leases	–	27,087
Freehold	95,000	115,500
	<u>326,000</u>	<u>373,587</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 2014 (2013: HK\$Nil).

### (ii) Other receivables

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Deposits, prepayments and other debtors	1,605	3,859
Legal costs recoverable	8,825	22,213
Amount due from a related party	–	107
	<u>10,430</u>	<u>26,179</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 JOINT VENTURE

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 amounted to US\$22 million (equivalent to approximately HK\$171,600,000) 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 current year. 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.

The promissory note is unsecured. At the end of the reporting period, the promissory note was past due for more than one year (2013: more than one year).

### 13. CONVERTIBLE BONDS

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Liability component</b>		
At beginning of the reporting period	<u>63,651</u>	<u>39,099</u>
Nominal value of convertible bonds issued	–	31,080
Issue costs apportioned to liability component	–	(334)
Equity component at the issue date	<u>–</u>	<u>(8,131)</u>
At the issue date	–	22,615
Interest expenses ( <i>Note 6</i> )	2,211	5,278
Interest paid / payable	(960)	(3,341)
Conversion during the year	<u>(64,902)</u>	<u>–</u>
<b>At the end of the reporting period</b>	<u><u>–</u></u>	<u><u>63,651</u></u>
<b>Representing by:</b>		
Due within 12 months, current portion	–	40,906
Due after 12 months, non-current portion	<u>–</u>	<u>22,745</u>
	<u><u>–</u></u>	<u><u>63,651</u></u>
<b>Equity component</b>		
At beginning of the reporting period	11,858	3,846
Convertible bonds issued	–	8,131
Issue costs apportioned to equity component	–	(119)
Conversion during the year	<u>(11,858)</u>	<u>–</u>
<b>At the end of the reporting period</b>	<u><u>–</u></u>	<u><u>11,858</u></u>

### DIVIDEND

The Directors do not recommend payment of any dividends for the year ended 30 June 2014 (2013: Nil).

### ANNUAL GENERAL MEETING

The 2014 Annual General Meeting of the Company will be held on Tuesday, 4 November 2014 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 Friday, 31 October 2014 to Tuesday, 4 November 2014, both days inclusive. To qualify for attending the forthcoming Annual General Meeting of the Company to be held on Tuesday, 4 November 2014, 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, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 30 October 2014.

## **CHAIRMAN'S STATEMENT HIGHLIGHT**

The Group recorded a loss of approximately HK\$96.1 million for the year ended 30 June 2014 as compared to a loss of approximately HK\$2.3 million for the corresponding year ended 30 June 2013. The increase in loss was mainly due to (i) impairment loss (net estimated imputed interest expense) on promissory note receivable from a joint venture non-cash item of approximately HK\$22.9 million and (ii) decrease in fair value of investment properties non-cash item of approximately HK\$32.1 million for the year ended 30 June 2014 as compared to (i) interest income on promissory note receivable from a joint venture non-cash item of approximately HK\$11.9 million and (ii) increase in their corresponding fair values of investment properties non-cash item of approximately HK\$18.1 million for the year ended 30 June 2013.

As stated in our interim report 2014 delivered to shareholders of the Company (the "Shareholders") on 7 March 2014, (the "Interim Report 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 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 applied for leave to appeal the decision of BVI Court of Appeal and the application has been set for hearing at the next sitting of the BVI Privy Council in Tortola. Subsequently, Applied Enterprises was advised by its newly engaged legal counsel to consider proceeding with the arbitration proceedings immediately 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, result in InterIsle's interests in Quorum will still 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.

As stated in the Interim 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, the upper court upheld the decision in the Judgment, and Quorum Electronics was required to proceed with the purchase and sale agreement. Details of the impact of the Disposal will be set out in the consolidated financial statements for the year ended 30 June 2014 as included in the Company’s Annual Report 2014.

## **BUSINESS PLAN**

The Group has its resort projects, one in the British Virgin Islands (“BVI”) and one in Panama, which are expected to provide a satisfactory return to the Group. The main investment properties held by the Group in Hong Kong, Severn Villa, started to generate rental income to the Group since the second quarter of 2014. The Company continues to look for any investment opportunities which may provide a good return to the Shareholders.

## **RESULTS**

The Group recorded a loss of approximately HK\$96.1 million for the year ended 30 June 2014 as compared to a loss of approximately HK\$2.3 million for the corresponding year ended 30 June 2013. The increase in loss was mainly due to (i) impairment loss (net estimated imputed interest expense) on promissory note receivable from a joint venture non-cash item of approximately HK\$22.9 million and (ii) decrease in fair value of investment properties non-cash item of approximately HK\$32.1 million for the year ended 30 June 2014 as compared to (i) interest income on promissory note receivable from a joint venture non-cash item of approximately HK\$11.9 million and (ii) increase in their corresponding fair values of investment properties non-cash item of approximately HK\$18.1 million for the year ended 30 June 2013.

## **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 approximately HK\$231,000,000 (2013: HK\$231,000,000);
- (b) all monies earned by the above pledged investment properties of the Group. During the year, there was rental income of approximately HK\$279,000 generated from these investment properties (2013: HK\$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 (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.

The Group’s obligation under a financial lease is secured by the lessor’s charge over certain leased assets with a carrying amount of approximately HK\$1,910,000 (2013: HK\$2,605,000).



## **BUSINESS REVIEW**

### **(i) Resort and Property Development**

#### ***BVI Project***

In December 2012, Applied Enterprises commenced legal proceeding in the BVI High Court and filed (i) 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 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 applied for leave to appeal the decision of BVI Court of Appeal and the application has been set for hearing at the next sitting of the BVI Privy Council in Tortola. Subsequently, Applied Enterprises was advised by its newly engaged, legal counsel to consider proceeding with the arbitration proceedings immediately instead 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, the Dilution will proceed and 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 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.

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 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 is being processed by the relevant authorities. Subject to no opposition being made against the application and no other unforeseen circumstances, the hot spring concession is expected to be granted by the end of 2014. 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, generated rental income to the Group since the second quarter of 2014 in the amount of approximately HK\$279,000.

## **(iii) Investment Holding**

During the year ended 30 June 2014, the Group realised all the remaining financial assets held by the Group at 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 future. In addition, the Group will continue to seek other appropriate investment opportunities which may bring satisfactory return to the Group.

## **PORTAL OPERATION**

The Group’s website at [www.applieddev.com](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**

During the year ended 30 June 2014, both the convertible bonds issued by the Company due (i) 2013 and (ii) 2018 were fully converted by the relevant bondholders (further details are stated in Note 13 of this announcement).

On 15 August 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. The net proceeds of the Rights Issue were approximately HK\$77 million.

As at 30 June 2014, the Group’s total net asset value and borrowings amounted to approximately HK\$388.7 million and approximately HK\$99.4 million respectively, representing a gearing ratio of approximately 25.6% as compared to approximately 34.2% for the year ended 30 June 2013. As at 30 June 2014, the Group’s current asset value and current liabilities, excluding bank borrowings over one year (based on scheduled payment date) amounted to approximately HK\$55.6 million and approximately HK\$55.8 million respectively, representing a current ratio of 1.0 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.

## **EMPLOYEE INFORMATION**

As at 30 June 2014, the Group employed a total of 9 (2013: 10) 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, save in respect of Code Provision A.42 of the CG Code, all Directors who are appointed to fill vacancies are subject re-elected at the first general meeting after their appointments by the Board, and every Director, including those appointed for a specific term should be retirement by rotation at least one every three years. The Bye-Laws deviates from this Code Provision that under Bye-Laws 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.

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 includes a majority of Independent Non-executive Directors. The Remuneration Committee comprises 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 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 2014.

## **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 2014 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 2014.

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, 19 September 2014

*\* For identification purpose only*