

I am pleased to present to you the results for the year ended 30th June, 2006. During the year, the Group has achieved strategic progress by signing the joint venture agreement (the "JV Agreement") with Interlink Realty International, Corp. ("Interlink") and Island Global Yachting Acquisition LLC ("IGY") on 11th August, 2006. The entering of the JV Agreement has not only provided the Company a premium immediate cash return for half of the stake in our resort development project in the British Virgin Islands, it has further strengthened the Group's position in becoming a worldwide resort developer.

RESULTS

The Group's audited consolidated profit before taxation for the year ended 30th June, 2006 amounted to approximately HK\$10,760,000, representing a decrease of approximately 89.3% compared to last year. The decrease in profit from operation was mainly due to the significant increase in fair value of investment property for the corresponding year as a result of the early adopting of the new Hong Kong Financial Standards.

According to the JV Agreement, when the transaction contemplated under the JV Agreement is completed on or before 30th November, 2006, the Group is expected to receive a disposal gain of approximately US\$26.2 million (approximately HK\$204,360,000) or approximately US\$20.95 million (approximately HK\$163,410,000) if the Group receives US\$35.25 million (approximately HK\$274,950,000) or US\$30 million (approximately HK\$234,000,000) respectively. Upon completion of the transactions under the JV Agreement, the Group will hold 50% of the total interest in Quorum Island (BVI) Limited ("Quorum") and its attributable interest in Quorum will be recognized using the proportionate consolidation method under Hong Kong Accountings Standard 31 "Interests in Joint Venture" provided that Quorum is qualified as a jointly controlled entity.

本人欣然向閣下提呈截至二零零六年六月三十日止年度業績。年內，本集團藉於二零零六年八月十一日與 Interlink Realty International, Corp. (「Interlink」) 及 Island Global Yachting Acquisition LLC (「IGY」) 簽訂合營協議 (「合營協議」)，取得策略性發展。訂立合營協議不只為本公司提供即時現金回報溢價，以撥付本公司佔五成股權位於英屬處女群島之渡假村發展項目之融資，同時亦鞏固本集團作為跨國渡假村發展商之地位。

業績

截至二零零六年六月三十日止年度之本集團之經審核綜合除稅前溢利約為 10,760,000 港元，與去年相比下降約 89.3%。經營溢利下降乃主要由於往年提早採納新香港財務準則至使該年之投資物業之公允值大幅增加所致。

根據合營企業協議，當合營企業協議項下之交易於二零零六年十一月三十日或之前完成時，倘本集團分別收到 35,250,000 美元 (約相等於 274,950,000 港元) 或 30,000,000 美元 (約相等於 234,000,000 港元)，則本集團預期將獲得出售收益約 26,200,000 美元 (約相等於 204,360,000 港元) 或約 20,950,000 美元 (約相等於 163,410,000 港元)。合營企業協議下之交易完成後，本集團將持有 Quorum Island (BVI) Limited (「Quorum」) 總權益之 50%，及倘 Quorum 合資格成為共同控制實體，其於 Quorum 之權益將根據香港會計準則第 31 號「於合營企業之權益」採用按比例合併法確認。

PLEDGE OF ASSETS

As at 30th June, 2006, the carrying values of investment properties, prepaid lease payments, property, plant and equipment pledged by the Group to secure banking facilities granted to the Group amount to HK\$178,750,000 (2005: HK\$275,800,000), HK\$216,000 (2005: HK\$222,000 as restated) and HK\$1,398,000 (2005: HK\$1,530,000 as restated) respectively. As at 30th June, 2006, the Group has also pledged its fixed deposit of HK\$3,059,000 (2005: HK\$2,969,000).

BUSINESS REVIEW

(i) Property Development

In view of the booming travel and resort industry, the Group aims to become a worldwide prestigious resort developer, targeting the upscale resort market in the world. The Group is well-positioned to capture the booming resort, golf, and marina market in the US and Europe. During the year under review, we have made strategic progress on our pipeline project and had partnered with high-end strong resort developers with a view to deliver promising returns in the future.

The British Virgin Islands Project ("BVI Project") continued to be our signature resort development project, and in view of the great development potential and expected significant investment returns of the BVI Project, we are pleased to have Interlink and IGY as our shareholders and partners in the Caribbean Sea. The participation of Interlink and IGY contributes extensive property and resort management experience into the Project.

資產抵押

於二零零六年六月三十日，本集團就獲取授予本集團之銀行融資總額而抵押之投資物業、預付租約付款以及物業、廠房及設備之賬面值分別為178,750,000港元（二零零五年：275,800,000港元）、216,000港元（二零零五年：222,000港元（經重列））及1,398,000港元（二零零五年：1,530,000港元（經重列））。於二零零六年六月三十日，本集團亦已抵押其定期存款3,059,000港元（二零零五年：2,969,000港元）。

業務回顧

(i) 物業發展

鑒於旅遊及渡假村行業蓬勃發展，本集團之目標乃成為世界高檔渡假村市場之世界頂級渡假村發展商。本集團已準備就緒，以爭取美國及歐洲日益興旺之渡假村、高爾夫球場及遊艇會市場。於回顧年度，本集團已在主要項目方面取得策略性進展，並與實力雄厚之高級渡假村發展商進行合作，以期於未來獲得可觀回報。

英屬處女群島項目（「英屬處女群島項目」）仍屬本集團具代表性之渡假村發展項目。鑒於英屬處女群島項目之巨大發展潛力及預期可觀之投資回報，本集團對Interlink及IGY成為本集團於加勒比海地區之股東及合作夥伴甚感欣慰。Interlink及IGY之參與可為該項目提供豐富之物業及渡假村管理經驗。

During the first half of the financial year, the Group together with some of the world-class specialists including Jack Nicklaus Signature, EDSA, ATM, Hill Glazier, Harris Civil Engineers and Wilson & Associates etc. have finalized the master plan of the BVI Project which features a 5-star luxury hotel, branded residency, an 18-hole signature golf course, and a state-of-the art mega yacht facility. The finalized master plan had been approved by the British Virgin Islands Government.

On 2nd December, 2005, the Group's wholly-owned subsidiary, Quorum signed an agreement with the Government of the British Virgin Islands for the development of Beef Island where the BVI Project is located (the "Development Agreement"). Under the Development Agreement, Quorum has been granted pioneer status on golf course, marina and mega-yacht facilities, and hotel aid on hotel and all branded villas, residences and fractional units. Many benefits are also granted to the Company which include a ten years (which is extendable) tax holidays and import duty exemptions on capital equipment. In addition, a ten years (which is extendable) tax holidays and import duty exemptions on building materials and equipment are also available to Quorum under the Hotel Aid Act of the Development Agreement. All these benefits have greatly minimized the development and operation cost of the Project, and is a sign of the Government's strong support towards our BVI project.

於本財政年度上半年內，本集團與若干世界級專業機構（包括 Jack Nicklaus Signature、EDSA、ATM、Hill Glazier、Harris Civil Engineers及Wilson & Associates等）携手，共同落實英屬處女群島項目之總規劃方案，該規劃包括一間五星級豪華酒店、擁有商標之住宅、一個18洞名師級高爾夫球場及豪華大型遊艇會設施。英屬處女群島項目之最終總規劃方案已獲英屬處女群島政府批准。

於二零零五年十二月二日，本公司全資附屬公司Quorum已就開發英屬處女群島項目所在之Beef Island與英屬處女群島政府簽署協議（「發展協議」）。根據發展協議，Quorum獲授予在高爾夫球場、遊艇會及大型遊艇設施方面成為「先驅者」之地位，並在酒店及所有擁有商標之別墅、住宅及分層單位獲得「酒店支援」。同時Quorum亦獲授多項利益，其中包括為期十年（可延長）免稅期及資本設備免入口稅之優惠。此外，根據發展協議之「酒店支援」條例，Quorum可享有為期十年（可延長）之免稅期及建築物料及器械免入口稅之優惠。全部優惠均大大減少項目之發展及經營成本，亦顯示其政府對本集團英屬處女群島項目之鼎力支持。

During the reporting year, the Group had reviewed several potential property and resort developments. On 16th June, 2006, the Group reached an acquisition agreement to purchase a site with an area size of approximately 413 US acre located in St. Croix Island of the United States Virgin Islands (USVI) for the consideration of US\$21,000,000 (approximately HK\$163,800,000). However, the results of the due diligence conducted by our consulting firms revealed certain geographical conditions which affect the property and its surrounding and render the property unsuitable for the development of a five star hotel complex. As the Group's business strategy is to continue to develop resort businesses around the world, the Group considered the limited potential of the property and decided to terminate the agreement with the vendors on 10th July, 2006.

The Group will continue to explore other suitable opportunities to further expand our resort businesses, in a view to bring a sustainable return to our shareholders.

(ii) Investment Properties

The Company believes that property investments in Hong Kong can bring high returns to the Group.

In light of the increasing value of real estate in the Hong Kong property market, it is a great opportunity and an appropriate time for the Group to realize its investment in the Hong Kong property market. Hence, during the year ended 30th June, 2006, the Group sold an investment property (the "Property") located at 41/F, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong at a net consideration of HK\$118.2 million with its original cost of HK\$60,480,000. The Group's other investment properties, mainly located in Hong Kong and PRC, generated a total rental revenue of approximately HK\$8,526,000 during the year under review. With reference to the market value of similar properties in the same locations, the Group believes that the rental yield is fair and reasonable and will use its best endeavours to bring a positive investment return to our shareholders.

於報告年度，本集團已檢討若干潛在物業及渡假村發展項目。本集團於二零零六年六月十六日簽訂一項收購協議，以代價21,000,000美元（約相等於163,800,000港元）購買一塊位於美屬處女群島St. Croix Island面積約413美制英畝之土地。然而，本集團顧問公司所進行之盡職審查結果顯示，由於若干地理環境因素影響該物業及其周邊地區，致使該物業不適合發展五星級酒店項目。因本集團之業務策略乃繼續於全球發展渡假村業務，本集團考慮到該物業之發展潛力有限，於二零零六年七月十日遂決定立即與賣方終止該項協議。

本集團將繼續尋求其他合適機會以進一步擴展其渡假村業務，從而為本集團股東帶來持久回報。

(ii) 投資物業

本公司相信，於香港之物業投資能夠為本集團帶來高額回報。

香港物業市場之房地產價值不斷攀升，此乃本集團實現其於香港物業市場之投資之大好良機。故此，本集團於截至二零零六年六月三十日止年度期間以淨代價118,200,000港元（其原成本為60,480,000港元）出售一項位於香港夏慤道16號遠東金融中心41樓之投資物業（「該物業」）。於回顧年度，本集團主要位於香港及中國之其他投資物業產生租金總收益約8,526,000港元。透過參考相同地點類似物業之市值，本集團認為租金收益率乃屬公平合理，並將傾其全力為其股東帶來正面投資回報。

(iii) OEM Business

During the year ended 30th June, 2006, the OEM of electronic business continued to form part of the Group's stable source of revenue. Despite the fierce market competition, the Group's OEM manufacturing company, supported by a stable customer base, was able to maintain its market share during the year.

In order to improve its production capacity, the Group moved its factory of OEM businesses to a larger factory in Shenzhen, PRC in April 2006 where the factory has increased its machinery intake to accommodate higher production volume.

OUTLOOK

The success of the Company rests on our ability to capitalize on global vision and foresight. We believe the growing potential lies on the upscale resort development businesses. In view of that, we are now positioned to develop more resorts in the tropical areas with the BVI Projects being our first flagship resort development project. We have strategically allied ourselves with world-renown architects, designers, and resort developers, in order to reposition ourselves as a well-regarded resort developer.

To signify the Group's transition to resort development business, the Group has changed its Company name from Applied International Holdings Limited to **Applied Development Holdings Limited**. The new name would be more appropriate to reflect the core objectives of the Company and our directions in future business development. Our new logo also represents the international venues of the Company and illustrates the Group's goal as a worldwide resort developer.

(iii) 原設備製造業務

於截至二零零六年六月三十日止年度，本集團之原設備電子製造業務繼續為其穩定之收入來源。儘管市場競爭激烈，但本集團之原設備製造公司憑藉穩定客戶基礎之支持，年內仍得以維持其市場佔有率。

為提升產能，在二零零六年四月，本集團之原設備製造業務搬遷至中國深圳之更大工廠，該工廠已擴大其機器產能以容納更高之原設備製造業務生產。

展望

本公司之成功，全賴具有善用國際視野之能力及遠見。本集團相信，增長潛力來自高檔渡假村發展業務。有鑑於此，本集團現正準備在熱帶地區發展更多渡假村，而英屬處女群島項目則是本集團於此地區之首個旗艦渡假村發展項目。本集團已與世界著名建築師、設計師及渡假村發展商結立策略聯盟，銳意使本集團成為受尊崇之渡假村發展商。

為反映本集團向渡假村發展業務過渡，本集團已將公司名稱由「實力國際集團有限公司」更改為「**實力建業集團有限公司**」。新名稱將更貼切地反映本公司之核心目標及其未來業務發展方向。新公司標誌亦代表了本公司之國際性經營範疇及展示本集團要成為世界級渡假村發展商之目標。

(i) Property Development

With an increasing growth of affluent individuals in the US and Europe, there is a continuing demand for high-end brands of resort around the world. These wealthy individuals are high income earners and often look for luxurious ways to pamper themselves, such as vacationing in tropical paradises. As people are getting more environmental conscious nowadays, destinations where local cultures and environments are preserved are most sought after.

In addition, the golf market recorded a robust growth with an increasing demand for such sport. By having a 5-star signature golf course, golf residences can yield a high premium in value. Furthermore, the recreational marina industry is also a rapidly growing segment of global economics.

Hence, we aim to become a worldwide prestigious resort developer targeting the upscale resort market. Positioned to capture the booming resort, golf, and marina market in the US and Europe, we have partnered with strong resort development expertise to deliver promising returns in the future.

The BVI Project

The BVI Project continues to bring promising development to the Group. With the approval of the JV Agreement being granted by the shareholders of the Company on 28th September, 2006, the management expects the transactions contemplated thereunder to be completed before 30th November, 2006.

(i) 物業發展

隨著美國及歐洲之富裕人士日益增多，全球對高檔渡假村之需求持續上升。該等富裕人士擁有高收入，大多數喜歡尋求奢華方式來娛樂自己，例如到熱帶樂園渡假。由於人們現時之環境意識日益增強，本土文化及環境受到保護之旅遊勝地最受歡迎。

此外，高爾夫球市場錄得強勁增長，該項運動之需求不斷上升。透過持有五星名師級高爾夫球場，高爾夫球會所住宅便能產生高增值。另外，娛樂遊艇會行業亦為全球經濟快速增長業務之一。

因此，本集團矢志要成為高檔渡假村市場之世界頂級渡假村發展商。本集團已作好準備進佔正在美國及歐洲蓬勃發展之渡假村、高爾夫球及遊艇會市場，並與實力雄厚之渡假村發展專業機構進行合作，以期於未來獲得可觀回報。

英屬處女群島項目

英屬處女群島項目繼續為本集團帶來良好之發展前景。由於本公司股東於二零零六年九月二十八日批准合營企業協議，管理層預期該協議下擬進行之交易將早於二零零六年十一月三十日完成。

The BVI project features the following:

- (1) a 5-star luxury condo hotel with 200 keys condo hotel rooms;
- (2) branded residential units of approximately 350 units be located at marina bay, golf residential, Mount Alma and ocean-view residential;
- (3) fractional ownership club;
- (4) a 18 holes Jack Nicklaus Signature golf course;
- (5) a marina village with state-of-the-art mega-yacht facility; and
- (6) airport commercial with guest house, shops, restaurants, amphitheatre and offices.

The Group also expects to launch the presales of residential and fractional units in early 2007.

In view of the steady growth of the resorts and property sector, the Group is determined to achieve further increase in business in the upcoming years. As the BVI Project is currently our signature project, we shall continue to seek new islands for further development.

(ii) OEM Business

After the relocation of OEM factory and the replacement of more advanced machinery in April 2006, it is expected that the factory will be able to increase its production capacity by 25% and its competitive edges will also be improved.

It is expected that the new production plant will be able to bring our OEM business to another level.

英屬處女群島項目之特點如下：

- (1) 一幢五星級豪華套房酒店，擁有200間酒店套房；
- (2) 約350個位於遊艇灣、高爾夫球住宅區、Mount Alma及海景住宅區之品牌住宅單位；
- (3) 分散業權會所；
- (4) 18洞Jack Nicklaus名師設計高爾夫球場；
- (5) 擁有先進大型遊艇設施之遊艇村；及
- (6) 機場商業區，包括旅館、商舖、餐廳、露天劇場及辦公室。

本集團亦預期於二零零七年初推出住宅及分層單位預售。

鑒於渡假旅遊及地產業之穩定發展，本集團決意於未來幾年進一步發展其業務。由於英屬處女群島目前為本集團之標誌性項目，本集團會繼續尋找新島嶼進一步發展。

(ii) 原設備製造業務

原設備製造工廠於二零零六年四月搬遷及安裝更多先進機器之後，預期該廠將可提高生產力25%及增強競爭力。

預期新工廠可將本集團之原設備製造業務推上另一個新水平。

PORTAL OPERATION

The Group leveraged on Internet tool by establishing our new corporate website www.applieddev.com. The new website serves as an electronic channel to enhance communication between the Company and the shareholders. It allows them to access to the most updated corporate and investor information.

LIQUIDITY AND FINANCIAL INFORMATION

As at 30th June, 2006, the Group's total net assets value and borrowings amounted to HK\$439.5 million and HK\$48.1 million respectively and the gearing ratio was 11.0% as compared to 17.6% of the corresponding year, representing a comparatively low level of the Group.

As at 30th June, 2006, the majority of the Group's assets were valued in Hong Kong or United States dollars and the exposure of foreign exchange and fluctuation of the US dollars were insignificant to the Group.

STAFF

At 30th June, 2006, the total number of employees of the Group amounted to 337 (2005: 335). The staff of the Group are rewarded by attractive salary packages and comprehensive medical insurance, provident fund and discretionary bonus.

網站營運

本集團建立本公司新網站 www.applieddev.com，以充份利用互聯網工具。新網站作為加強本公司與股東溝通之電子渠道，可使股東獲得最新之公司資料及投資者資料。

流動現金及財務資料

於二零零六年六月三十日，本集團資產淨值總額及總借款淨額為439,500,000港元及48,100,000港元，負債比率為11.0%，相較上年度之17.6%，顯示本集團負債水平相對較低。

於二零零六年六月三十日，本集團大部份資產均以港元或美元計值，故本集團之外匯及美元波動風險屬不重要。

員工

於二零零六年六月三十日，本集團員工總數為337人（二零零五年：335人）。本集團員工獲得具吸引力之薪金、週全之醫療保險、公積金及酌情花紅。

CORPORATE GOVERNANCE REPORT

The details of the corporate governance report was set out in pages from 26 to 33 of the Annual Report 2006.

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 instrument will be used.

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.

By order of the Board
Hung Wong Kar Gee, Mimi
Chairman

Hong Kong, 17th October, 2006

企業管治報告書

企業管治報告書詳載於本二零零六年年報第26至33頁。

匯率波動風險

本集團並無進行任何利率或外匯投機活動。本集團之外匯風險管理政策乃以相應開支配合外匯收入，倘預期有外匯風險存在，則運用適當之工具予以對沖。

鳴謝

謹借此機會代表董事會衷心感謝所有員工及業務夥伴所付出之辛勤努力及奉獻。

承董事會命
洪王家琪
主席

香港，二零零六年十月十七日