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APPLIED DEVELOPMENT HOLDINGS LIMITED

實力建業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 519)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2023

The board (the “Board”) of directors (the “Directors”) of Applied Development Holdings Limited (the “Company”) hereby announces the audited consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the financial year ended 30 June 2023 (“FY2023”), together with the comparative figures for the previous year prepared in accordance with the generally accepted accounting principles in Hong Kong as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Revenue	3	93,673	11,131
Cost of sales		(70,170)	(3,917)
Gross profit		23,503	7,214
Other revenue	3	966	2,184
Other income	4	2,623	1,717
Net (loss) gain on disposal of financial assets at fair value through profit or loss (“FVPL”)		(889)	937
Net decrease in fair value of financial assets at FVPL		(29,123)	(128,823)
Net decrease in fair value of investment properties	11	(14,200)	(21,600)
Reversal of impairment loss on loans and interest receivables	15(b)	8,450	18,618
Impairment loss on other receivables	15(b)	–	(580)
Selling expenses		(2,639)	(4,956)
Administrative expenses		(26,096)	(30,675)
Finance costs	6	(9,429)	(5,472)

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss before taxation	7	(46,834)	(161,436)
Taxation	8	<u>3,168</u>	<u>(1,441)</u>
Loss for the year		<u>(43,666)</u>	<u>(162,877)</u>
Other comprehensive loss			
<i>Item that may be reclassified subsequently to profit or loss</i>			
– Exchange differences arising on translation of foreign operations		(32,018)	(12,862)
<i>Item that will not be reclassified to profit or loss</i>			
– Change in fair value of financial assets at fair value through other comprehensive income (“Designated FVOCI”)		<u>(56)</u>	<u>(22)</u>
Total other comprehensive loss for the year		<u>(32,074)</u>	<u>(12,884)</u>
Total comprehensive loss for the year		<u>(75,740)</u>	<u>(175,761)</u>
Loss attributable to:			
Owners of the Company		(43,449)	(162,877)
Non-controlling interests		<u>(217)</u>	<u>–</u>
		<u>(43,666)</u>	<u>(162,877)</u>
Total comprehensive loss attributable to:			
Owners of the Company		(75,523)	(175,761)
Non-controlling interests		<u>(217)</u>	<u>–</u>
		<u>(75,740)</u>	<u>(175,761)</u>
Loss per share			
Basic	9	<u>(1.73) HK cents</u>	<u>(6.50) HK cents</u>
Diluted		<u>(1.73) HK cents</u>	<u>(6.50) HK cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Investment properties	<i>11</i>	280,900	295,100
Property, plant and equipment		68,285	70,640
Designated FVOCI		119	175
		<u>349,304</u>	<u>365,915</u>
 Current assets			
Properties under development	<i>13</i>	–	631,490
Properties held for sales	<i>14</i>	727,896	120,404
Financial assets at FVPL	<i>12</i>	147,172	184,274
Other receivables	<i>15</i>	33,426	55,585
Restricted bank deposits		21,411	18,217
Cash and cash equivalents		20,609	60,474
		<u>950,514</u>	<u>1,070,444</u>
 Current liabilities			
Accounts and other payables	<i>16</i>	189,608	217,555
Interest-bearing borrowings	<i>17</i>	210,124	244,218
Tax payables		2,090	988
		<u>401,822</u>	<u>462,761</u>
Net current assets		<u>548,692</u>	<u>607,683</u>
Total assets less current liabilities		<u>897,996</u>	<u>973,598</u>

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Deferred tax liabilities	<u>95,849</u>	<u>100,611</u>
Net assets	<u>802,147</u>	<u>872,987</u>
Capital and reserves		
Share capital	25,051	25,051
Reserves	<u>772,413</u>	<u>847,936</u>
Equity attributable to owners of the Company	797,464	872,987
Non-controlling interests	<u>4,683</u>	<u>–</u>
Total equity	<u>802,147</u>	<u>872,987</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is Unit 2408A, 24th Floor, Tower 1, Lippo Centre, 89 Queensway, Hong Kong.

The consolidated financial statements are presented in Hong Kong Dollar (“HK\$”), which is the functional currency of the Company.

The Company acts as an investment holding company. The Group is principally engaged in resort and property development, property investment and investment holding.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable HKFRSs, 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 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 (the “Listing Rules”).

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2022 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year.

Adoption of new/revised HKFRSs

Amendments to HKAS 16: Proceeds before Intended Use

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 37: Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 3: Reference to the Conceptual Framework

The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Annual Improvements Project – 2018-2020 Cycle

HKFRS 1: Subsidiary as a First-time Adopter

This amendment simplifies the application of HKFRS 1 for a subsidiary that becomes a first-time adopter of HKFRSs later than its parent – i.e. if a subsidiary adopts HKFRSs later than its parent and applies HKFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to HKFRSs.

HKFRS 9: Fees in the “10 per cent” Test for Derecognition of Financial Liabilities

This amendment clarifies that – for the purpose of performing the “10 per cent test” for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

HKFRS 16: Lease Incentives

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, Example 13 is not clear as to why such payments are not a lease incentive.

HKAS 41: Taxation in Fair Value Measurements

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in HKAS 41 with those in HKFRS 13.

The adoption of the above amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 12: International Tax Reform – Pillar Two Model Rules

The amendments provide entities with temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's Pillar Two model rules. The amendments also introduce targeted disclosure requirements to help investors understand an entity's exposure to income taxes arising from the rules.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Future changes in HKFRSs

At the date of authorisation of the consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are relevant to the Group and are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 1	Disclosure of Accounting Policies ^[1]
Amendments to HKAS 8	Definition of Accounting Estimates ^[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ^[1]
HKFRS 17	Insurance Contracts ^[1]
Amendments to HKAS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information ^[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ^[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants ^[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ^[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ^[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ^[3]

^[1] Effective for annual periods beginning on or after 1 January 2023

^[2] Effective for annual periods beginning on or after 1 January 2024

^[3] The effective date to be determined

The directors of the Company are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the consolidated financial statements.

3. REVENUE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue		
<i>Revenue from contracts with customers within HKFRS 15:</i>		
Sale of properties in the People's Republic of China (the "PRC")		
– at a point in time and fixed price	<u>88,186</u>	<u>4,705</u>
 <i>Revenue from other sources:</i>		
Gross rental income from investment properties	4,823	4,406
Interest income from financial assets at FVPL	452	1,404
Dividend income from financial assets at FVPL	<u>212</u>	<u>616</u>
	<u>5,487</u>	<u>6,426</u>
	<u>93,673</u>	<u>11,131</u>
 Other revenue		
Bank interest income	296	86
Loan interest income	668	2,098
Other interest income	<u>2</u>	<u>–</u>
	<u>966</u>	<u>2,184</u>
	<u>94,639</u>	<u>13,315</u>

4. OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Management fee income	1,237	1,157
Sundry income	<u>1,386</u>	<u>560</u>
	<u>2,623</u>	<u>1,717</u>

5. SEGMENT INFORMATION

Management identifies operating segments based on internal reports that are regularly reviewed by the chief operating decision makers, who are the executive directors of the Company, for the purposes of allocating resources to each segment and assessing their performance. The executive directors of the Company consider resort and property development, property investment and investment holding are the Group's major operating segments. The resort and property development segment includes properties under development and properties held for sales during the year. The property investment segment includes mainly commercial properties that are held for capital appreciation or earning rental income. The investment holding segment includes holding of investment funds, equity securities, debt instruments and other assets. No operating segments have been aggregated.

Segment revenue and results for the year ended 30 June 2023 are presented below:

	Resort and property development	Property investment	Investment holding	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	88,186	4,823	664	93,673
Other revenue and income	<u>1,392</u>	<u>965</u>	<u>100</u>	<u>2,457</u>
	<u>89,578</u>	<u>5,788</u>	<u>764</u>	<u>96,130</u>
Results				
Segment results	<u>5,546</u>	<u>(12,833)</u>	<u>(31,174)</u>	(38,461)
Unallocated corporate income				9,582
Unallocated corporate expenses				(8,526)
Finance costs				<u>(9,429)</u>
Loss before taxation				(46,834)
Taxation				<u>3,168</u>
Loss for the year				<u>(43,666)</u>

Segment assets and liabilities as at 30 June 2023 and other segment information for the year ended 30 June 2023 are presented below:

	Resort and property development	Property investment	Investment holding	Segment total	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets	<u>756,532</u>	<u>283,397</u>	<u>177,211</u>	<u>1,217,140</u>	<u>82,678</u>	<u>1,299,818</u>
Liabilities	<u>(280,966)</u>	<u>(204,275)</u>	<u>(160)</u>	<u>(485,401)</u>	<u>(12,270)</u>	<u>(497,671)</u>
Other segment information:						
Additions to property, plant and equipment	7	-	-	7	25	32
Depreciation – Property, plant and equipment	(37)	-	(17)	(54)	(2,322)	(2,376)
Net loss on disposal of financial assets at FVPL	-	-	(889)	(889)	-	(889)
Net decrease in fair value of financial assets at FVPL	-	-	(29,123)	(29,123)	-	(29,123)
Net decrease in fair value of investment properties	-	(14,200)	-	(14,200)	-	(14,200)
Reversal of impairment loss on loans and interest receivables	-	-	-	-	8,450	8,450
Write-off of property, plant and equipment	<u>(4)</u>	<u>-</u>	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>(4)</u>

Segment revenue and results for the year ended 30 June 2022 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>
Revenue	4,705	4,406	2,020	11,131
Other revenue and income	<u>511</u>	<u>891</u>	<u>40</u>	<u>1,442</u>
	<u>5,216</u>	<u>5,297</u>	<u>2,060</u>	<u>12,573</u>
Results				
Segment results	<u>(17,487)</u>	<u>(21,580)</u>	<u>(127,764)</u>	(166,831)
Unallocated corporate income				21,077
Unallocated corporate expenses				(10,210)
Finance costs				<u>(5,472)</u>
Loss before taxation				(161,436)
Taxation				<u>(1,441)</u>
Loss for the year				<u>(162,877)</u>

Segment assets and liabilities as at 30 June 2022 and other segment information for the year ended 30 June 2022 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>
Assets	<u>780,502</u>	<u>299,103</u>	<u>266,147</u>	<u>1,345,752</u>	<u>90,607</u>	<u>1,436,359</u>
Liabilities	<u>(316,661)</u>	<u>(234,113)</u>	<u>(179)</u>	<u>(550,953)</u>	<u>(12,419)</u>	<u>(563,372)</u>
Other segment information:						
Additions to property, plant and equipment	110	–	–	110	2,325	2,435
Depreciation						
– Property, plant and equipment	(39)	–	(52)	(91)	(2,163)	(2,254)
– Right-of-use assets	–	–	–	–	(285)	(285)
Net gain on disposal of financial assets at FVPL	–	–	937	937	–	937
Net decrease in fair value of financial assets at FVPL	–	–	(128,823)	(128,823)	–	(128,823)
Net decrease in fair value of investment properties	–	(21,600)	–	(21,600)	–	(21,600)
Reversal of impairment loss on loans and interest receivables	–	–	–	–	18,618	18,618
Impairment loss on other receivables	(580)	–	–	(580)	–	(580)
Write-off of property, plant and equipment	<u>(57)</u>	<u>–</u>	<u>–</u>	<u>(57)</u>	<u>(240)</u>	<u>(297)</u>

There was no revenue generated from inter-segment transactions for both years. Revenue from resort and property development segment reported above represents sale of properties in the PRC to external customers. 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 corporate income, central administration expenses, finance costs and income tax expenses. Total 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 on consolidation.

All assets are allocated to the operating and reportable segments except for certain property and equipment of self-occupied properties, certain other receivables and certain cash and cash equivalents.

Geographical information

The Group's operations are principally located in Hong Kong and the PRC (other than Hong Kong).

The following table provides an analysis of the Group's revenue from external customers by geographical market. For interest income from financial assets at FVPL, the analysis is based on the location of the markets of the respective investments.

	Revenue by geographical market	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	5,415	6,312
The PRC	<u>88,258</u>	<u>4,819</u>
	<u>93,673</u>	<u>11,131</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	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	349,114	365,627
The PRC	<u>71</u>	<u>113</u>
	<u>349,185</u>	<u>365,740</u>

Non-current assets presented above exclude financial assets. The Group does not have net deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

Information about major customers

None of the external customers contributed 10% or more of the revenue of the Group for the years ended 30 June 2023 and 2022.

6. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest expenses on bank and other borrowings	9,429	5,471
Interest expenses on lease liabilities	<u>–</u>	<u>1</u>
	<u>9,429</u>	<u>5,472</u>

7. LOSS BEFORE TAXATION

This is stated after charging (crediting):

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Staff costs, including directors' emoluments		
Salaries and other benefits	11,709	10,092
Retirement benefit scheme contributions	<u>725</u>	<u>684</u>
Total staff costs	<u>12,434</u>	<u>10,776</u>
Other items		
Auditor's remuneration		
– Audit service	920	860
– Non-audit related service	95	91
Cost of inventories	70,170	3,917
Depreciation		
– Property, plant and equipment	2,376	2,254
– Right-of-use assets	–	285
Direct operating expenses relating to investment properties that did not generate rental income	277	262
Exchange loss (gain), net	164	(366)
Write-off of property, plant and equipment	4	297
Lease payments for short-term leases	<u>–</u>	<u>720</u>

8. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for tax purpose for both years.

The PRC Enterprise Income Tax (“EIT”) in respect of operations in the PRC is calculated at a rate 25% (2022: 25%) on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof. EIT has not been provided for the year ended 30 June 2023 as the Group’s estimated assessable profits for the year are wholly absorbed by unrelieved tax losses brought forward from previous year. For the year ended 30 June 2022, EIT was not provided as the Group incurred a loss for tax purposes.

The PRC Land Appreciation Tax (“LAT”) is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. LAT is recognised as an income tax expense. LAT paid is deductible expenses for EIT purposes.

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
The net tax comprises:		
Current year		
LAT	1,730	–
Deferred taxation		
(Reversal of) Provision for temporary differences	<u>(4,898)</u>	<u>1,441</u>
Tax (credit) expenses for the year	<u><u>(3,168)</u></u>	<u><u>1,441</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purposes of calculating basic loss per share	<u>(43,449)</u>	<u>(162,877)</u>
	2023 <i>No. of shares</i>	2022 <i>No. of shares</i>
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	<u>2,505,105,739</u>	<u>2,505,105,739</u>

For the years ended 30 June 2023 and 2022, diluted loss per share is the same as basic loss per share. The Company did not have any dilutive potential ordinary shares during the years ended 30 June 2023 and 2022.

10. DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 30 June 2023 (2022: Nil).

11. INVESTMENT PROPERTIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Fair value		
At the beginning of the reporting period	295,100	316,700
Decrease in fair value	<u>(14,200)</u>	<u>(21,600)</u>
At the end of the reporting period	<u>280,900</u>	<u>295,100</u>

Notes:

- (a) At the end of the reporting period, the Group's investment properties with a carrying value of HK\$280,900,000 (2022: HK\$295,100,000) were pledged to secure bank borrowings (Note 17(a)) and bank facilities granted to the Group.

- (b) The investment properties held at the end of both reporting periods were valued by AVISTA Valuation Advisory Limited, an independent professional valuer. The valuation, which conforms to the Hong Kong Institute of Surveyors Valuation Standards on Properties, was conducted on an open market basis by the direct comparison approach assuming sale with the benefit of vacant possession or by making reference to comparable sale evidence as available in the relevant market. Sales prices of comparable properties in close proximity adjusted for differences in key valuation attributes, such as size and age, were used to value the properties. The most significant input used in this valuation approach is price per square foot.

All of the Group's property interests held under leases to earn rental or for capital appreciation purposes are measured using the fair value model and are classified as investment properties.

- (c) The investment properties of the Group are situated in Hong Kong, with remaining unexpired lease term of 36 years (2022: 37 years).

Leasing arrangement – as lessor

Certain investment properties are leased to tenants for a term ranging from 1 to 2 years. The leases provide the lessees with option to renew the leases upon expiry. Monthly rental charges consist of fixed payments. The tenants also bear the management fees.

The lease income from operating leases is set out in note 3 to the consolidated financial statements.

Properties under leases are subject to residual value risk. The lease contracts, as a result, include a provision based on which the Group has the right to charge the tenants for any damages to the investment properties at the end of the leases. Besides, the Group has purchased insurance to protect it against any losses that may arise from accidents or physical damages of the properties.

Below is a maturity analysis of undiscounted lease payments to be received from the investment properties under operating leases.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Year 1	2,483	2,905
Year 2	353	1,318
	<u>2,836</u>	<u>4,223</u>

12. FINANCIAL ASSETS AT FVPL

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Unlisted investment funds	<i>(a)</i>	92,500	97,871
Listed equity securities	<i>(b)</i>		
– Hong Kong		50,530	79,337
– the PRC		2,260	3,995
– Overseas		829	932
Listed debt instruments	<i>(c)</i>		
– Hong Kong		639	997
– Overseas		414	1,142
		147,172	184,274

Notes:

(a) The unlisted investment funds mainly comprise:

- (i) At the end of the reporting period, the unlisted investment funds represented 100% Class A participating, redeemable, non-voting shares of Green Asia Restructure SP and 100% Class A participating, redeemable, non-voting shares of Green Asia Restructure SP II (the “Green Asia Funds”) with carrying amount of approximately HK\$7,767,000 (2022: *approximately HK\$21,394,000*) and HK\$7,452,000 (2022: *approximately HK\$11,783,000*) respectively. The Green Aisa Funds are segregated portfolios held by a third party of the Group, Green Asia Restructure Fund SPC, an exempted company incorporated in the Cayman Islands with limited liability (“Green Asia”), which is managed by a third party of the Group, Long Asia Asset Management Limited, a company incorporated in the Cayman Islands with limited liability.

Green Asia is registered as segregated portfolio company in the Cayman Islands. The investment objective of Green Asia is capital appreciation by investing in the business of originating, underwriting, acquiring and trading debt securities and loans in listed and unlisted corporate, which may be publicly traded or privately placed.

On 18 January 2022, the Group issued redemption notices to Green Asia to redeem 4,200 Class A shares of the Green Asia Funds with aggregate redemption proceeds of HK\$30,497,000. In view of the failure in settlement of the redemption proceeds by Green Asia, the Group had filed petitions to the Grand Court of the Cayman Islands (the “Grand Court”) against Green Asia. Consequently, Mr. Lai Kar Yan and Mr. Chan Man Hoi of Deloitte Touche Tohmatsu and Mr. Michael Green of Deloitte & Touche LLP were appointed jointly and severally as receivers of the Green Asia Funds by the order from the Grand Court on 6 July 2022. HK\$21,918,000 (2022: *HK\$30,497,000*) of the redemption proceeds have been included and recognised as “other receivables” as at 30 June 2023.

At the end of the reporting period, the fair value of the Group's investments in Green Asia Funds amounted to approximately HK\$15,219,000 (2022: HK\$33,177,000), which was determined by the management with reference to the valuation report on Green Asia Funds issued by an independent professional valuer, APAC Appraisal and Consulting Limited, based on the net asset value of the Green Asia Funds at the end of the reporting period.

- (ii) At the end of the reporting period, included in the unlisted investment funds were 5,000,000 participating and non-voting shares of Jinshan Portfolio (the "Jinshan Portfolios") at a total subscription amount of US\$5,000,000, which represented approximately 16.67% (2022: 16.67%) of Jinshan Portfolios under Huangpu River Capital SPC (the "Huangpu River Fund").

The Huangpu River Fund is an exempted company incorporated with limited liability and registered as segregated portfolio company in the Cayman Islands. The investment objective of the Huangpu River Fund is capital appreciation by investing the series C preferred stock of Beijing Horizon Robotics Technology Development Co., Ltd., which is principally engaged in the business of the development and manufacturing of intelligent processors based on artificial intelligence algorithms, the development of relevant software and hardware, and the provision of cloud services.

At the end of the reporting period, the fair value of the Group's investments in the Huangpu River Fund amounted to approximately HK\$53,659,000 (2022: HK\$36,258,000), which was based on the backsolve method under market approach (2022: *trending analysis*) evaluated by an independent professional valuer, AVISTA Valuation Advisory Limited.

- (b) The fair value of listed equity securities is mainly based on quoted market prices in active market in both years.

At the end of the reporting period, financial assets at FVPL with carrying amounts of approximately HK\$27,244,000 (2022: HK\$21,052,000) were pledged as collateral to the margin loan facilities granted to the Group, together with a corporate guarantee provided by the Company. No (2022: No) margin loan facilities were utilised and outstanding at the end of the reporting period.

- (c) At the end of the reporting period, the Group held debt instruments listed in Hong Kong and overseas amounting to approximately HK\$639,000 (2022: HK\$997,000) and HK\$414,000 (2022: HK\$1,142,000) respectively, which bore fixed annual interest at 7.25% (2022: 7.25%) and 7.25% (2022: 7.25%) respectively. The fair value of these debt instruments at the end of the reporting period was determined on the basis of quoted market price.

13. PROPERTIES UNDER DEVELOPMENT

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Properties under development (“PUD”)	–	709,151
Write-down to net realisable value	–	(77,661)
	<u>–</u>	<u>(77,661)</u>
	<u>–</u>	<u>631,490</u>

The PUD were located in the PRC and held under lease term of 40 years from 2014 to 2053.

The construction of the PUD was completed and the costs of which were transferred to PHS during the year.

14. PROPERTIES HELD FOR SALES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Properties held for sales (“PHS”)	800,289	120,404
Write-down to net realisable value	(72,393)	–
	<u>727,896</u>	<u>120,404</u>

All PHS are located in the PRC and held under lease term of 40 years from 2014 to 2053.

The net realisable value of PHS was determined by the management with reference to the valuation performed by AVISTA Valuation Advisory Limited. The valuation adopted the residual method, which is based on the completed gross development value after deducting the estimated costs necessary to make the sale.

15. OTHER RECEIVABLES

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Loans and interest receivables	<i>(a)</i>	19,394	44,703
Loss allowances	<i>(b)</i>	(19,394)	(27,844)
		<u>–</u>	<u>16,859</u>
Other receivables	<i>(c)</i>	33,247	37,307
Loss allowances	<i>(b)</i>	(4,917)	(5,274)
		<u>28,330</u>	<u>32,033</u>
Deposits and prepayments		<u>5,096</u>	6,693
		<u>33,426</u>	<u>55,585</u>

Notes:

- (a) As at 30 June 2022, a loan with principal amount of HK\$15,500,000 granted to a third-party borrower was unsecured, bearing fixed interest rates at 4% per annum and overdue more than 24 months. The loan was fully settled during the year ended 30 June 2023.

As at the end of the reporting period, the loans with principal amount of HK\$19,394,000 (2022: HK\$27,744,000) granted to another third-party borrower, in which the spouse of Mr. Yuen Chi Ping, a former director of the Company, has equity interest and had been a director until she resigned on 14 December 2019, were unsecured and bearing fixed interest rate at 4% (2022: 4%) per annum. Pursuant to the extension arrangement dated 8 September 2021, the Group has agreed to further extend the repayment date in the following manner: (i) HK\$3,000,000 on or before 31 January 2022, which had been repaid during the year ended 30 June 2022; and (ii) the remaining balance on or before 30 September 2022.

The principal amount and interest receivables of HK\$8,450,000 had been settled during the year ended 30 June 2023 and the remaining balance of HK\$19,394,000 was overdue. In view of the failure in settlement of the remaining balance, the Group had filed petitions to the High Court of the Hong Kong Special Administrative Region in February 2023 to wind up the borrower. On 20 September 2023, the court order to wind up the borrower was granted.

- (b) The movement in the loss allowances for the loans and interest receivables during the year is summarised below.

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss allowances for loans and interest receivables		
At the beginning of the reporting period	27,844	46,462
Decrease in allowances	(8,450)	(18,618)
	<hr/>	<hr/>
At the end of the reporting period	<u>19,394</u>	<u>27,844</u>

The movements in the loss allowance for the other receivables during the year are summarised below.

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss allowances for other receivables		
At the beginning of the reporting period	5,274	5,413
Increase in allowances	–	580
Write-off	–	(580)
Exchange realignment	(357)	(139)
	<hr/>	<hr/>
At the end of the reporting period	<u>4,917</u>	<u>5,274</u>

- (c) Included in the other receivables are the redemption proceeds of HK\$21,918,000 (2022: HK\$30,497,000) as detailed in note 12(a) to the consolidated financial statements.

16. ACCOUNTS AND OTHER PAYABLES

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Accounts payable			
To third parties	<i>(a)</i>	<u>145,690</u>	<u>79,134</u>
Other payables			
Accrued charges and other creditors		18,686	17,783
Deposits received		190	2,548
Contract liabilities	<i>(b)</i>	25,042	86,368
Provision for land transfer fees	<i>(c)</i>	<u>–</u>	<u>31,722</u>
		<u>43,918</u>	<u>138,421</u>
		<u>189,608</u>	<u>217,555</u>

Notes:

- (a) The ageing analysis of accounts payable of the Group is presented based on recognition date at the end of the reporting period as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0-180 days	8,030	18,659
181-365 days	46,907	17,975
Over 365 days	<u>90,753</u>	<u>42,500</u>
	<u>145,690</u>	<u>79,134</u>

(b) Contract liabilities

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the year are as follows:

	2023	2022
	HK\$'000	HK\$'000
At the beginning of the reporting period	86,368	79,358
Receipt in advance	5,314	11,891
Recognised as revenue	(62,508)	(2,560)
Exchange realignment	(4,132)	(2,321)
	<u>25,042</u>	<u>86,368</u>

At the end of the reporting period, none (2022: none) of the contract liabilities were expected to be settled after more than 12 months.

(c) The amounts were unsecured, interest-free and fully settled during the year ended 30 June 2023.

17. INTEREST-BEARING BORROWINGS

		2023	2022
	<i>Notes</i>	HK\$'000	HK\$'000
Current portion			
Bank borrowings, secured	<i>(a)</i>	202,190	232,190
Other borrowings, unsecured	<i>(b)</i>	7,934	12,028
		<u>210,124</u>	<u>244,218</u>

Notes:

- (a) At the end of the reporting period, the Group's bank borrowings carried interest at 2.25% above Hong Kong Interbank Offered Rate (2022: 2.25% above Hong Kong Interbank Offered Rate) and were repayable in lump sum in November 2023 (2022: November 2023). The effective interest rate during the year was 4.24% (2022: 2.13%) per annum. As the bank borrowings contain a clause in their terms that gives the bank an overriding right to demand for repayment without notice at its sole discretion, the bank borrowings are classified as current liabilities even though the directors do not expect that the bank would exercise its rights to demand repayment before the scheduled due date. The bank borrowings are secured by the assets of the Group as follows:
- (i) pledge of investment properties and property, plant and equipment of the Group with carrying amounts of approximately HK\$280,900,000 (2022: HK\$295,100,000) and HK\$66,630,000 (2022: HK\$68,498,000) respectively;
 - (ii) assignment agreements in respect of rental income of the Group's investment properties duly executed by the Group in favour of the bank. During the year ended 30 June 2023, rental income of approximately HK\$4,823,000 (2022: approximately HK\$4,406,000) was generated from the investment properties; and
 - (iii) assignment agreements in respect of insurance compensation of the Group's investment properties duly executed by the Group in favour of the bank.
- (b) At the end of the reporting period, the Group's other borrowings were unsecured and bearing fixed interest at 10% (2022: 6.5% to 10%) per annum and repayable within twelve months.

18. COMMITMENTS

At the end of the reporting period, the Group had the following commitments for expenditure:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Contracted but not provided for:		
– Expenditure in respect of the PUD	–	73,474
– Air-conditioning work	<u>19,667</u>	<u>–</u>
	<u>19,667</u>	<u>73,474</u>

19. CONTINGENT LIABILITIES

A wholly-owned subsidiary of the Company, Wuxi Shengye Haigang Joint Stock Company Limited* (無錫盛業海港股份有限公司) (“Wuxi Shengye”) received a writ of summon issued by the People’s Court of Huishan District, Wuxi* (無錫市惠山區人民法院)(the “Court”) regarding a civil litigation (the “Litigation”) filed by Mr. Su Keru (the “Plaintiff”) against Mr. Chen Yonghua (“Mr. Chen”) and Wuxi Shengye as the defendants in June 2023.

In the statement of claim, it was alleged that, among others: (i) in December 2013, the Plaintiff paid the deposits for construction works of RMB20,000,000 (equivalent to approximately HK\$22,532,000) to Mr. Chen and Mr. Chen failed to refund such deposits to the Plaintiff despite all conditions for refund had been satisfied; (ii) in July 2015, the Plaintiff provided a loan of RMB20,000,000 (equivalent to approximately HK\$22,532,000) to Mr. Chen and Mr. Chen failed to repay such loan; and (iii) in May 2017, Wuxi Shengye acknowledged that such deposits and loan (together, the “Alleged Debt”) were used in its development projects and agreed to repay the Alleged Debt jointly with Mr. Chen.

The Plaintiff is seeking from the Court for ordering that (i) Mr. Chen and Wuxi Shengye to jointly repay the Alleged Debt of RMB40,000,000 (equivalent to approximately HK\$45,064,000) together with interests of approximately RMB34,300,000 (equivalent to approximately HK\$38,642,000) (calculated up to 13 April 2023); and (ii) Mr. Chen and Wuxi Shengye to bear the costs of the Litigation. In this connection, the Court has issued an order for the seizure and freezing of the bank deposits and other assets of Mr. Chen and Wuxi Shengye as property preservation measures.

As at the date of approval of these consolidated financial statements, no judgement has been received from the Court. The directors have sought advice from its PRC lawyer and are of the view that Wuxi Shengye has good grounds of defence because there is lack of legal or factual basis to support the Plaintiff’s claims. Therefore, no provision for repayment of the Alleged Debt and the related interests and costs is considered necessary.

* *For identification purposes only*

20. EVENTS AFTER REPORTING PERIOD

On 26 July 2023, the Company entered into the subscription agreement with Ruixing Investments Limited (the “Subscriber”), a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Wu Zhanming, a substantial shareholder of the Company, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for 550,000,000 new shares of the Company at HK\$0.068 per subscription share (the “Subscription”).

After deducting related fees and expenses, the net proceeds of the Subscription will amount to approximately HK\$36,558,000, representing a net subscription price of approximately HK\$0.066 per subscription share. The net proceeds will be used as follows: (i) approximately HK\$26,558,000 will be used for the general working capital of the Group; and (ii) approximately HK\$10,000,000 will be used for potential investment opportunities as identified by the Group from time to time. A circular related to the Subscription has been despatched to shareholders of the Company on 28 September 2023.

FINAL DIVIDEND

The Board has resolved not to recommend a final dividend for FY2023 (2022: Nil).

RESULTS

During FY2023, the Company recorded a loss of approximately HK\$43,666,000, which was mainly due to a net decrease in fair value of financial assets at FVPL of HK\$29,123,000 and a net decrease in fair value of investment properties of HK\$14,200,000.

BUSINESS REVIEW

The Group's principal business is resort and property development, property investment and investment holding during FY2023.

Resort and Property Development

After the acquisition of Wuxi Shengye Haigang Joint Stock Company Limited* (無錫盛業海港股份有限公司) (“Wuxi Shengye”) in June 2017, the pre-sale of the properties under development commenced in October 2017 and the constructions of the first, second and third phase of the apartment portion were completed in the third quarter of 2019, 2020 and 2022 respectively. The whole project (the “Wuxi Property Project”) has completed construction as at 30 June 2023. Most of the apartment portion of the first and second phase have been delivered to customers as at 30 June 2021. During FY2023, some apartments of the third phase were delivered to customers and recognised a revenue of HK\$88,186,000 with overall gross profit margin of 31% after reversing the revaluation consolidated adjustment. As at 30 June 2023, the sale amounts with the contracts signed but properties not yet delivered were approximately HK\$26,229,000. Looking forward to 2024, although there are challenges in the property market and global economy, the sequential rebound in the PRC property sales is anticipated as the property policies continued to ease after Coronavirus Disease 2019 (“COVID-19”).

Property Investment

The Group commenced sub-division of the property of the whole 24th Floor, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong (the “Sub-division Properties”) in October 2018 and the sub-division was completed in February 2019. After the completion of sub-division, four units of the Sub-division Properties were sold in 2019.

The Sub-division Properties included three self-use units and fifteen leasing units. The fair value of the Group's investment properties as at 30 June 2023 was HK\$280,900,000 (30 June 2022: HK\$295,100,000). The economy and properties market of Hong Kong are currently in the period of recovery after being hit by the coronavirus variants. The fair value of the Group's investment properties decreased by HK\$14,200,000 for FY2023 (2022: HK\$21,600,000). It is emphasised that the fair value loss was non-cash in nature.

The Group's investment properties contributed rental income of HK\$4,823,000 in total for FY2023 (2022: HK\$4,406,000). Rental income increased because the occupancy rate increased for FY2023.

Investment Holding

The Group's investment strategy for its investment holding business is mainly to diversify its investments in unlisted investment funds, listed equity securities and listed debt instruments. For FY2023, the Group recorded interest and dividend income from financial assets at FVPL of HK\$664,000 (2022: HK\$2,020,000), net loss on disposal of financial assets at FVPL of HK\$889,000 (2022: net gain of HK\$937,000) and a net decrease in fair value of financial assets at FVPL of HK\$29,123,000 (2022: HK\$128,823,000). Details of the significant investments held by the Group for FY2023 are set out as follows:

1. Green Asia Restructure SP and Green Asia Restructure SP II

Since 2017, the Group invested in Green Asia Restructure SP and Green Asia Restructure SP II (collectively, the "Green Asia Funds"), both of which are segregated portfolios of Green Asia Restructure Fund SPC ("Green Asia"). The investment objective of Green Asia is capital appreciation by engaging in the business of originating, underwriting, acquiring and trading debt securities and loans in listed and unlisted corporations, which may be publicly traded or privately placed.

During FY2022, the Group made a partial redemption and received the redemption amount of approximately HK\$5,657,000 in September 2021. On 18 January 2022, the Group further issued redemption notices for an aggregated redemption amount of approximately HK\$30,497,000. Green Asia failed to pay the redemption amount to the Group, and as a result, the Group filed petitions for applications for the appointment of receivers over the assets of the Green Asia Funds with the Grand Court of the Cayman Islands (the "Cayman Court") on 19 May 2022 (Cayman Islands time). At the hearing of the petitions on 6 July 2022, Mr. Lai Kar Yan and Mr. Chan Man Hoi of Deloitte Touche Tohmatsu and Mr. Michael Green of Deloitte & Touche LLP were appointed as joint and several receivers over the assets of the Green Asia Funds (the "Green Asia Funds Receivers") by the order of the Cayman Court. For details, please refer to the announcement of the Company dated 23 May 2022.

Further, as disclosed in the announcement of the Company dated 3 April 2023, the Company has obtained its first dividend of HK\$8,579,000 declared by the Green Asia Funds, the recovery rate is about 28.13% of its claim of HK\$30,497,000 in respect of the admitted unsecured claims for the time being. As at the date of this announcement, the assets realization procedure is in progress. The Company would continue to strive its best efforts to retrieve its investment in the Green Asia Funds.

As at 30 June 2023, the Group held 11,756 and 5,289 shares in Green Asia Restructure SP and Green Asia Restructure SP II, respectively, representing 100% of the equity interests in both Green Asia Restructure SP and Green Asia Restructure SP II. As at 30 June 2023, the fair value of the Group's investment in Green Asia Restructure SP and Green Asia Restructure SP II was HK\$7,767,000 and HK\$7,452,000 respectively. The aggregate fair value of the Group's investments in the Green Asia Funds accounted for approximately 1.17% of the Group's total assets. During FY2023, the fair value of the Group's investment in the Green Asia Funds decreased by HK\$17,958,000. As at 30 June 2023, the investment cost in relation to the Green Asia Funds incurred by the Group was approximately HK\$134,503,000. During FY2023, the Group did not recognise gain or loss from the investment of the Green Asia Funds. After the dividend distributed from the Green Asia Funds Receivers, the receivable balance from the Green Asia Funds was HK\$21,918,000.

2. Zall Smart Commerce Group Limited (“Zall Smart”)

As at 30 June 2023, the Group held 123,876,000 ordinary shares of Zall Smart, representing approximately 1.0% of the total issued share capital of Zall Smart. The shares of Zall Smart are listed on the Main Board of the Stock Exchange (stock code: 2098). Zall Smart and its subsidiaries are principally engaged in developing and operating large-scale consumer product-focused wholesale shopping malls, and providing supply chain management and trading business, e-commerce services, financial services, warehousing and logistics services for online and offline customers in the PRC. The acquisition cost of Zall Smart's shares held by the Group as at 30 June 2023 was HK\$1.28 per share. As at 30 June 2023, the fair value of the investment in Zall Smart was approximately HK\$45,834,000, which represented approximately 3.53% of the Group's total assets. During FY2023, the Group disposed of 10,478,000 shares of Zall Smart and recognised a loss of disposal of HK\$1,159,000, while the fair value of the Group's investment in Zall Smart decreased by HK\$17,343,000. Apart from that, the Group had not received and recognised any dividend or other investment income from its holding of Zall Smart's shares.

The remaining investments held by the Group mainly included unlisted investment funds, listed equity securities and listed debt instruments, each of which represented less than 5% of the Group's total assets as at 30 June 2023.

PROSPECTS

2022 was a remarkable year with the ever-changing international situation, causing the global economic situation increasingly difficult. Despite that the business activities of the Group and the daily life of our staff had recovered to normal situation gradually as the comprehensively optimization of the domestic pandemic prevention and control measures in the PRC in the first half of 2023, the sales work of the Wuxi Property Project of the Group had been suppressed for a long time and still faces various challenges.

1. Property business: In 2022, with the tightening of macroeconomic situation, the real estate industry still faced different adverse factors together with an unpromising market prospects. Under the impact of the pandemic, the sales progress of the Wuxi Property Project of the Group was relatively slow, while the completion acceptance work thereof was successfully finished in the year with the Group's all-out efforts and the significant support from the partners, enabling this project to enter into a new stage of development.
2. Investment business: In the first half of 2023, the recovery of the global economy was sluggish as a result of the continuous turmoil of geopolitics and the increasing risk of global stagflation. Under a highly volatile financial environment, the Group was committed to exploring the investments with future trends and seeking valuable investment opportunities. During the year, the Group had established a subsidiary for the purpose of exploring the opportunities in the field of the autonomous driving technology and innovation.

In the coming year, the Group will continue to uphold the development philosophy of prudence and practicality, strengthen its internal management, and optimize the asset structure. Amid to the severe global economic situation, the Group will promote its sustainable development with a high sense of responsibility and mission, and pursue better development opportunities of the Group.

FINANCIAL REVIEW

Revenue, Cost of Sales and Gross Profit Margin

The revenue of the Group increased by HK\$82,542,000, or approximately 742%, from HK\$11,131,000 for the financial year ended 30 June 2022 (“FY2022”) to HK\$93,673,000 for FY2023. Most of the revenue generated during FY2023 was derived from resort and property development segment. The properties of Wuxi Shengye were delivered to customers and bringing in revenue. The revenue generated from resort and property development segment for FY2023 was HK\$88,186,000 (2022: HK\$4,705,000) and the gross profit margin was approximately 20% (2022: approximately 17%). There was an increase in revenue because the properties were delivered to customers in bulk for FY2023, while no bulk delivery was arranged for FY2022.

Net (Loss) Gain on Disposal of Financial Assets at FVPL

Net loss on disposal of financial assets at FVPL of the Group was HK\$889,000 for FY2023 (2022: net gain of HK\$937,000). There was no material gain or loss from disposal of a single investment for both FY2022 and FY2023.

Net Decrease in Fair Value of Financial Assets at FVPL

Net decrease in fair value of financial assets at FVPL of the Group decreased by HK\$99,700,000, or approximately 77%, from HK\$128,823,000 for FY2022 to HK\$29,123,000 for FY2023. The net decrease in financial assets at FVPL for FY2023 was the net impact mainly derived from the decrease in the fair value of the investment in the Green Asia Funds in the amount of HK\$17,958,000, the decrease in the fair value of the investment in Zall Smart in the amount of HK\$17,343,000 and the increase in the fair value of the investment of Jinshan Portfolios in the amount of HK\$17,401,000.

The fair value of the Group’s investments in the Green Asia Funds was determined by the Directors with reference to the valuation report (the “Valuation Report”) on the investments in the Green Asia Funds issued by an independent professional valuer, APAC Appraisal and Consulting Limited (“APAC”), based on the net asset value of the Green Asia Funds at the end of FY2023.

As the valuation of the Green Asia Funds is dependent on the cash flows from their underlying investments, the discounted cash flow method was adopted in the Valuation Report to derive the present value of cash flows based on the settlement schedule in relation to the underlying investments of the Green Asia Funds and a recoverability assessment on the expected cash flows. APAC is of the view that the discounted cash flow method is appropriate to evaluate the fair value of a fund in the circumstances.

The key assumptions and inputs adopted by APAC in the Valuation Report were:

1. bond yields of CCC grade companies to derive the discount rate is about 19% for the cash flow receivables from the outstanding underlying investments of the Green Asia Funds; and
2. regarding the cash flow receivables whose settlements were not made before the valuation date, the recovery rate was 41.9%, which in turn was determined with reference to Moody's Ultimate Recovery Database – Average debt recovery rates measured by ultimate recoveries, 1987-2022.

As at the date of this announcement, there are no subsequent changes to the valuation method as referred to above following its adoption.

The Board wishes to emphasize that the fair value loss on the investment in the Green Asia Funds and other financial assets is non-cash in nature. The net proceeds that the Group will be able to receive from its redemption of its investments in the Green Asia Funds will ultimately be determined by the results of the asset realization procedures undertaken by the Green Asia Funds Receivers.

Net Decrease in Fair Value of Investment Properties

The Group recognized a net decrease in fair value of investment properties of HK\$14,200,000 in FY2023 (2022: HK\$21,600,000). The fair value of investment properties of the Group was determined with reference to the valuation conducted by an independent professional valuer, AVISTA Valuation Advisory Limited. The valuer has adopted the direct comparison method for the valuation by comparing recent market evidence of similar properties located in the neighborhood. The fair value of investment properties was affected by the economy and properties market of Hong Kong. The overall trading volume and price of grade-A offices in Hong Kong are still affected by the aftermath of the COVID-19 pandemic. The recovery of the property market is slower than expected.

Reversal of Impairment Loss on Loans and Interest Receivables

The Group recognized a reversal of impairment loss on loans and interest receivables of HK\$8,450,000 for FY2023 (2022: HK\$18,618,000), which was mainly due to the partial repayments received from debtors in the corresponding periods. As disclosed in the announcement of the Company dated 21 November 2022, except for the further repayment of HK\$9,119,000 received by the Group in July 2022, the principal amount of HK\$19,394,000 and the accrued interest of HK\$435,000 was still outstanding. Thus, the Company has presented a winding-up petition against the debtor, and the court order was granted to the Company on 20 September 2023 to winding up the debtor. The Company will continue its endeavour to collect the remaining balance from the debtor.

Selling Expenses

Selling expenses of the Group decreased by HK\$2,317,000, or approximately 47%, from HK\$4,956,000 for FY2022 to HK\$2,639,000 for FY2023. The selling expenses of FY2023 mainly comprised sales service, salary and consulting fees. The decrease in selling expenses was mainly due to the sluggishness of property sales in the PRC in FY2023.

Administrative Expenses

Administrative expenses of the Group decreased by HK\$4,579,000, or approximately 15%, from HK\$30,675,000 for FY2022 to HK\$26,096,000 for FY2023. The administrative expenses of FY2023 mainly comprised staff costs and legal and professional fees. The decrease in administrative expenses was mainly due to (i) the decrease in legal and professional fees; and (ii) the one-off compensation provision recognized for FY2022 but no such expense was incurred for FY2023.

Finance Costs

Finance costs of the Group increased by HK\$3,957,000, or approximately 72%, from HK\$5,472,000 for FY2022 to HK\$9,429,000 for FY2023. The increase in finance costs was due to the significant increase in the interest rate during FY2023.

Loss for the Year

Loss for the year of the Group decreased by HK\$119,211,000, or approximately 73%, from HK\$162,877,000 for FY2022 to HK\$43,666,000 for FY2023. The loss for the year for FY2023 was mainly due to (i) the net decrease in fair value of financial assets at FVPL of HK\$29,123,000; and (ii) the net decrease in fair value of investment properties of HK\$14,200,000. The Board would like to emphasize that such reductions were non-cash in nature.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2023, the Group had current assets of HK\$950,514,000 (2022: HK\$1,070,444,000) and current liabilities of HK\$401,822,000 (2022: HK\$462,761,000), representing a current ratio of approximately 2.4 times (2022: approximately 2.3 times). The Group's total equity and the total bank and other borrowings as at 30 June 2023 amounted to HK\$802,147,000 (2022: HK\$872,987,000) and HK\$210,124,000 (2022: HK\$244,218,000) respectively. All of the bank and other borrowings of the Group are repayable within one year (2022: HK\$42,028,000 were repayable within one year; approximately HK\$202,190,000 were repayable over one year but not exceeding two years). The gearing ratio of the Group as at 30 June 2023, calculated as a ratio of the bank and other borrowings to total equity, was approximately 26.0% (2022: 28.0%).

OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group for FY2023 are set out in note 5 to the consolidated financial statements of this announcement.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in the section headed "Business Review - Investment Holding" in this announcement, the Group did not have any significant investments, nor material acquisitions or disposals of subsidiaries, associates and joint ventures during FY2023.

There was no formal plan authorised by the Board for any significant investments, nor material acquisitions or disposals of subsidiaries, associates and joint ventures as at 30 June 2023 and up to the date of this announcement.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have other future plans for material investments or capital assets during FY2023.

COMMITMENTS

Details of the commitments of the Group as at 30 June 2023 are set out in note 18 to the consolidated financial statements of this announcement.

PLEDGE OF ASSETS

As at 30 June 2023, the Group had provided the following securities for banking facilities granted to the Group:

- (i) pledge of leasehold land and buildings under investment properties and properties, plant and equipment of the Group with carrying amount of HK\$280,900,000 and HK\$66,630,000 respectively (*30 June 2022: HK\$295,100,000 and HK\$68,498,000 respectively*);
- (ii) assignment agreements in respect of rental income of the Group's investment properties duly executed by the Group in favour of the bank; and
- (iii) assignment agreements in respect of insurance compensation of the Group's investment properties and leasehold land and building duly executed by the Group in favour of the bank.

As at 30 June 2023, the carrying value of the financial assets at FVPL of approximately HK\$27,244,000 (*2022: HK\$21,052,000*) was pledged as collateral to the margin loan facilities granted to the Group with corporate guarantee provided by the Company. No margin loan facilities were utilised as at 30 June 2023 (*30 June 2022: Nil*).

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 30 June 2023 are set out in note 19 to the consolidated financial statements of this announcement.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2023, the Group employed a total of 32 (*2022: 38*) full-time employees and executive Directors. The Group's total staff costs including Directors' emoluments amounted to HK\$12,434,000 for FY2023 (*2022: HK\$10,776,000*). The remuneration packages for Directors and employees are normally reviewed annually and are structured with reference to market terms and individual competence, performance and experience. The Group also provides medical insurance coverage and operates a provident fund scheme or relevant fund scheme for its employees in Hong Kong and the PRC.

SUBSEQUENT EVENTS

Details of events after reporting period as at 30 June 2023 are set out in note 20 to the consolidated financial statements of this announcement.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during FY2023.

CORPORATE GOVERNANCE

The Board is committed to maintaining high standard of corporate governance practices at all times. The Board believes that good corporate governance helps the Company to safeguard the interests of the Shareholders and to enhance the performance of the Group. The Company has adopted the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "CG Code") as its own code on corporate governance.

The Company complied with all the applicable code provisions (the "Code Provision(s)") of the CG Code as set out in Appendix 14 of the Listing Rules throughout FY2023, save for Code Provisions B.2.2 and C.2.1. Details of the deviation with reasons are set out in the paragraphs below:

Under Code Provision B.2.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. During the period from 1 July 2022 to 15 December 2022, the Bye-laws of the Company (the "Old Bye-laws") deviate from this Code Provision.

Under Bye-law 87(1) of the Old 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 (the "Chairman") 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 provision of Bye-law 87(1) of the Old Bye-laws, in practice, the Chairman, Mr. Wu Zhanming, voluntarily submits himself for re-election by the Shareholders at the annual general meeting at least once every three years. Accordingly in practice, all Directors (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 of the Company.

In order to comply with the Code Provision B.2.2 of the CG Code, the Company has amended its bye-laws, and the amended and restated bye-laws of the Company were adopted by a special resolution passed at an annual general meeting of the Company which was held on 15 December 2022.

Under Code Provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The chief executive officer of the Company (the “CEO”) is responsible for day-to-day management of the business of the Group, whilst the Chairman is responsible for the leadership for the Board to ensure that the Board acts diligently and in the best interests of the Group, and that meetings are planned and conducted effectively. The Chairman is also responsible for approving the agenda for each Board meeting, taking into account, where appropriate, matters proposed by the Directors. The Chairman also actively encourages the Directors to make full contributions and actively participate in the Board’s affairs. It is also the responsibility of the Chairman to ensure that good corporate governance practices and procedures are established.

During FY2023, Mr. Wu Zhanming was the Chairman and acting CEO of the Company. The Board believes that the holding of both positions of Chairman and CEO by the same individual will not impair the balance of power and authority between the Board and the management of the Group because the balance of power and authority is governed by the operations of the Board which comprises experienced and high caliber individuals with demonstrated integrity. The Board will review the current structure from time to time and shall make necessary changes when appropriate and inform the Shareholders accordingly.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiries with the Directors, all Directors have confirmed that they had complied with the required standards as set out in the Model Code during FY2023.

AUDIT COMMITTEE

The consolidated financial statements and annual results of the Company for FY2023 have been reviewed by the audit committee of the Company (the “Audit Committee”) before they are duly approved by the Board under the recommendation of the Audit Committee.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Company's consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for FY2023 as set out in the preliminary announcement have been agreed by the Company's auditor, Mazars CPA Limited ("Mazars"), to the amounts set out in the Company's draft consolidated financial statements for FY2023.

The work performed by Mazars 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 Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by Mazars on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from Mazars, the external auditor of the Company, on the Group's consolidated financial statements for FY2023. The report includes particulars of emphasis of matter without modifying the opinion.

"Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2023, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

Emphasis of Matter

We draw attention to note 19 to the consolidated financial statements of this announcement concerning the uncertainty related to the possible outcome of a lawsuit lodged by an individual to the People's Court of Huishan District, Wuxi, the PRC, for ordering the Group and another individual to, inter alia, repay debts and related interests in an aggregate amount of approximately RMB74,300,000 (equivalent to approximately HK\$81,180,000). Upon advice from the Group's PRC lawyer, the Directors consider that no provision for the claims is necessary as there is a lack of legal or factual basis to support the claims. Therefore, the consolidated financial statements of the Group do not include any adjustments that would result from the outcome of the lawsuit. We consider that appropriate disclosures have been made and our opinion is not modified in this respect."

PUBLICATION OF INFORMATION ON WEBSITES

This annual results announcement is available for viewing on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.applieddev.com.

By order of the Board
Applied Development Holdings Limited
Wu Zhanming
Chairman, Acting CEO and Executive Director

Hong Kong, 28 September 2023

As at the date of this announcement, the executive Directors are Mr. Wu Zhanming (Chairman and Acting CEO) and Mr. Wu Tao; and the independent non-executive Directors are Mr. Yu Tat Chi, Michael, Mr. Zhu Xinhui and Dr. Chan Kin Keung Eugene SBS, BBS, JP.

* *For identification purposes only*

In the event of inconsistency, the English text of this announcement shall prevail over the Chinese text thereof.