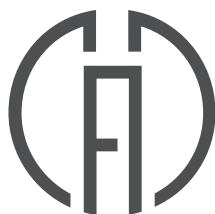


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APPLIED DEVELOPMENT HOLDINGS LIMITED

實力建業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 519)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

The board (the “Board”) of directors (the “Directors”) of Applied Development Holdings Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2020 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2020

		Six months ended 31 December	
		2020	2019
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	2	196,374	223,613
Cost of sales		(188,767)	(214,119)
Gross profit		7,607	9,494
Other revenue	2	1,290	2,017
Other income		897	90
Net gain (loss) on disposal of financial assets at fair value through profit or loss (“FVPL”)		220	(14,279)
Net increase (decrease) in fair value of financial assets at FVPL		6,052	(58,158)
Net decrease in fair value of investment properties		(34,700)	(18,339)
Reversal (Provision) of impairment loss on loans and interest receivables, net	12(b)	9,685	(1,550)
Selling expenses		(2,525)	(8,419)
Administrative expenses		(9,446)	(15,616)
Finance costs	4	(3,076)	(5,484)

		Six months ended	
		31 December	
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Loss before taxation	5	(23,996)	(110,244)
Taxation	6	<u>549</u>	<u>5,614</u>
Loss for the period, attributable to equity holders of the Company		(23,447)	(104,630)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
– Exchange differences arising on translation of foreign operations		<u>29,174</u>	–
Total other comprehensive income for the period, net of tax		<u>29,174</u>	–
Total comprehensive income (loss) for the period, attributable to equity holders of the Company		<u>5,727</u>	<u>(104,630)</u>
Loss per share	7		
Basic		<u>(0.94) HK cents</u>	<u>(4.18) HK cents</u>
Diluted		<u>(0.94) HK cents</u>	<u>(4.18) HK cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Notes</i>	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
Non-current assets			
Investment properties	8	309,200	415,200
Property, plant and equipment	9	71,760	533
Right-of-use assets		676	1,068
Financial assets designated at fair value through other comprehensive income		155	155
		381,791	416,956
Current assets			
Properties under development	10	566,203	514,891
Properties held for sale	10	158,511	315,304
Financial assets at FVPL	11	390,921	332,291
Other receivables	12	9,305	23,252
Tax recoverable		–	8
Restricted bank deposits		17,530	15,899
Cash and cash equivalents		203,923	270,671
		1,346,393	1,472,316
Current liabilities			
Accounts and other payables	13	284,152	447,422
Tax payables		8,621	–
Interest-bearing borrowings		272,190	272,190
Lease liabilities		700	791
		565,663	720,403
Net current assets		780,730	751,913
Total assets less current liabilities		1,162,521	1,168,869
Non-current liabilities			
Deferred tax liabilities		84,231	96,009
Lease liabilities		–	297
		84,231	96,306
Net assets		1,078,290	1,072,563
Capital and reserves			
Share capital	14	25,051	25,051
Reserves		1,053,239	1,047,512
Total equity		1,078,290	1,072,563

NOTES

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements of the Group for the six months ended 31 December 2020 (the “Interim Financial Statements”) are unaudited, but have been reviewed by the Audit Committee of the Company. These unaudited Interim Financial Statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Hong Kong Accounting Standard No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The Interim Financial Statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments which are measured at fair values.

The Interim Financial Statements should be read in conjunction with the Group’s consolidated financial statements for the year ended 30 June 2020 (“2020 Annual Financial Statements”). The accounting policies adopted in the Interim Financial Statements are consistent with those applied in the preparation of 2020 Annual Financial Statements, except for the adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRSs”), which are relevant to the Group’s operation and are effective for the Group’s financial year beginning on 1 July 2020 as described below.

Amendments to HKASs 1 and 8	Definition of Material
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform – Phase 1
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

The adoption of those new/revised HKFRSs has no material impact on the Group’s results and financial position for the current or prior periods and does not result in any significant change in accounting policies of the Group.

2. REVENUE

	Six months ended	
	31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue		
Gross rental income from investment properties	3,164	2,908
Sale of properties	192,525	220,160
Interest income from financial assets at FVPL	685	545
	<u>196,374</u>	<u>223,613</u>
Other revenue		
Bank interest income	74	134
Loan interest income	1,215	1,746
Other	1	137
	<u>1,290</u>	<u>2,017</u>
Total revenue	<u><u>197,664</u></u>	<u><u>225,630</u></u>

3. SEGMENT INFORMATION

Management identifies operating segments based on internal reports that are regularly reviewed by the chief operating decision maker, who are the executive directors of the Company, for the purposes of allocating resources to segments and assessing their performance. The executive directors 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, second (six months ended 31 December 2019: first) phase of project has been completed and transferred to properties held for sales during the period. The property investment segment includes mainly commercial properties that are held for capital appreciation or for earning rental income. The investment holding segment includes investing and holding unlisted investment fund, equity securities and debt instruments and other assets. No operating segments have been aggregated.

Segment revenue and results for the six months ended 31 December 2020 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>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	192,525	3,164	685	196,374
Other revenue and income	<u>84</u>	<u>357</u>	<u>273</u>	<u>714</u>
	<u>192,609</u>	<u>3,521</u>	<u>958</u>	<u>197,088</u>
Results				
Segment results	<u>(1,559)</u>	<u>(32,013)</u>	<u>7,188</u>	(26,384)
Unallocated corporate income				11,158
Unallocated corporate expenses				(5,694)
Finance costs				<u>(3,076)</u>
Loss before taxation				(23,996)
Taxation				<u>549</u>
Loss for the period				<u>(23,447)</u>

Segment assets and liabilities as at 31 December 2020 are presented below:

	Resort and property development <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Investment holding <i>HK\$'000</i> (Unaudited)	Segment total <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
As at 31 December 2020						
Assets	<u>761,427</u>	<u>381,670</u>	<u>527,040</u>	<u>1,670,137</u>	<u>58,047</u>	<u>1,728,184</u>
Liabilities	<u>(371,993)</u>	<u>(276,889)</u>	<u>(245)</u>	<u>(649,127)</u>	<u>(767)</u>	<u>(649,894)</u>

Other segment information for the six months ended 31 December 2020 are presented below:

	Resort and property development <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Investment holding <i>HK\$'000</i> (Unaudited)	Segment total <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Six months ended 31 December 2020						
Other segment information:						
Additions to property, plant and equipment	2	–	–	2	–	2
Net decrease in fair value of investment properties	–	(34,700)	–	(34,700)	–	(34,700)
Depreciation of property, plant and equipment	(24)	–	(59)	(83)	–	(83)
Depreciation of right-of-use assets	–	–	–	–	(392)	(392)
Net increase in fair value of financial assets at FVPL	–	–	6,052	6,052	–	6,052
Net gain on disposal of financial assets at FVPL	–	–	220	220	–	220
Reversal of impairment loss of loans and interest receivables	–	–	–	–	9,685	9,685

Segment revenue and results for the six months ended 31 December 2019 are presented below:

	Resort and property development <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Investment holding <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue	220,160	2,908	545	223,613
Other revenue and income	<u>142</u>	<u>11</u>	<u>2</u>	<u>155</u>
	<u><u>220,302</u></u>	<u><u>2,919</u></u>	<u><u>547</u></u>	<u><u>223,768</u></u>
Results				
Segment results	<u><u>(9,301)</u></u>	<u><u>(16,281)</u></u>	<u><u>(72,296)</u></u>	(97,878)
Unallocated corporate income				1,952
Unallocated corporate expenses				(8,834)
Finance costs				<u>(5,484)</u>
Loss before taxation				(110,244)
Taxation				<u>5,614</u>
Loss for the period				<u><u>(104,630)</u></u>

Segment assets and liabilities as at 30 June 2020 are presented below:

	Resort and property development <i>HK\$'000</i> (Audited)	Property investment <i>HK\$'000</i> (Audited)	Investment holding <i>HK\$'000</i> (Audited)	Segment total <i>HK\$'000</i> (Audited)	Unallocated <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
As at 30 June 2020						
Assets	<u>865,483</u>	<u>428,465</u>	<u>520,073</u>	<u>1,814,021</u>	<u>75,251</u>	<u>1,889,272</u>
Liabilities	<u>(538,130)</u>	<u>(276,680)</u>	<u>(150)</u>	<u>(814,960)</u>	<u>(1,749)</u>	<u>(816,709)</u>

Other segment information for the six months ended 31 December 2019 are presented below:

	Resort and property development <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Investment holding <i>HK\$'000</i> (Unaudited)	Segment total <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Six months ended 31 December 2019						
Other segment information:						
Additions to property, plant and equipment	9	–	14	23	–	23
Additions to investment properties	–	459	–	459	–	459
Net decrease in fair value of investment properties	–	(18,339)	–	(18,339)	–	(18,339)
Depreciation of property, plant and equipment	(27)	–	(59)	(86)	–	(86)
Depreciation of right-of-use assets	–	–	–	–	(389)	(389)
Net decrease in fair value of financial assets at FVPL	–	–	(58,158)	(58,158)	–	(58,158)
Net loss on disposal of financial assets at FVPL	–	–	(14,279)	(14,279)	–	(14,279)
Impairment loss of loans and interest receivables	–	–	–	–	(1,550)	(1,550)

There was no revenue generated from inter-segment transactions for both periods. Revenue from resort and property development segment reported above represents sales of properties in the People's Republic of China other than Hong Kong (the "PRC") to the external customers. Segment results represent profit or loss attributable to each segment without allocation of corporate income, central administration costs, finance costs and income tax credit. 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.

Geographical information

The Group's operations are principally located in Hong Kong and the PRC.

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

	Revenue by geographical market	
	Six months ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	3,790	3,338
The PRC	192,525	220,160
Others	59	115
	<u>196,374</u>	<u>223,613</u>

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

	Carrying amounts of non-current assets	
	31 December	30 June
	2020	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong	381,526	416,678
The PRC	110	123
	<u>381,636</u>	<u>416,801</u>

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

4. FINANCE COSTS

	Six months ended	
	31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest expenses on bank and other borrowings	6,356	7,864
Interest expenses on lease liabilities	<u>14</u>	<u>14</u>
	6,370	7,878
Less: Interest capitalised into properties under development	<u>(3,294)</u>	<u>(2,394)</u>
	<u><u>3,076</u></u>	<u><u>5,484</u></u>

5. LOSS BEFORE TAXATION

	Six months ended	
	31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period is stated after charging:		
Staff costs, including directors' emoluments		
Salaries and other benefits	4,236	5,020
Retirement benefit scheme contribution	<u>165</u>	<u>276</u>
Total staff costs	<u><u>4,401</u></u>	<u><u>5,296</u></u>
Other items		
Cost of inventories	188,767	214,119
Depreciation		
– Property, plant and equipment	83	86
– Right-of-use assets	392	389
Direct operating expenses relating to investment properties that did not generate rental income	564	321
Short-term lease expenses	<u><u>56</u></u>	<u><u>66</u></u>

6. TAXATION

	Six months ended	
	31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	6,728	4,466
PRC Land Appreciation Tax	4,057	5,303
	<u>10,785</u>	<u>9,769</u>
Deferred tax		
Reversal of temporary differences	<u>(11,334)</u>	<u>(15,383)</u>
Total income tax credit	<u><u>(549)</u></u>	<u><u>(5,614)</u></u>

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes for the six months ended 31 December 2020 and 2019.

PRC Enterprise Income Tax (“EIT”) in respect of operations in the PRC has been provided based on the estimated assessable profits in accordance with the relevant tax laws applicable to the entities in the PRC. The statutory EIT tax rate in the PRC is 25%.

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 tax and all property development expenditures. The Group has estimated, made and included in the income tax a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. Prior to the actual cash settlement of the LAT liabilities, the LAT provision is subject to the final review/approval by the tax authorities.

7. LOSS PER SHARE

The calculation of the basic loss per share for the six months ended 31 December 2020 is based on the loss attributable to equity holders of the Company of approximately HK\$23,447,000 (six months ended 31 December 2019: HK\$104,630,000) and on the weighted average of 2,505,105,739 (six months ended 31 December 2019: 2,505,105,739) ordinary shares of the Company in issue during the period.

The diluted loss per share is the same as the basic loss per share for the six months ended 31 December 2020 and 2019. The Company did not have any dilutive potential ordinary shares during the six months ended 31 December 2020 and 2019.

8. INVESTMENT PROPERTIES

	31 December	30 June
	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Investment properties, at fair value	<u>309,200</u>	<u>415,200</u>

9. PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2020, comprised of leasehold land and buildings with the carrying value of HK\$71,300,000 transferred from investment properties upon the change of usage of the properties from leased out for earning rental income and capital appreciation to owner's occupation in December 2020, the fair value of which at the date of transfer amounted to HK\$71,300,000 were revalued by an independent professional valuer.

10. PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE

	31 December	30 June
	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Properties under development ("PUD")	566,203	514,891
Properties held for sale ("PHS")	<u>158,511</u>	<u>315,304</u>
	<u>724,714</u>	<u>830,195</u>

The PUD and PHS are located in the PRC held under lease term of 40 years from 2014 to 2053. The development of the properties as at 31 December 2020 is expected to be completed within one year (30 June 2020: is expected to be completed within one year).

11. FINANCIAL ASSETS AT FVPL

		31 December	30 June
		2020	2020
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Unlisted investment funds	<i>(a)</i>	183,513	178,260
Equity securities listed in Hong Kong	<i>(b)</i>	174,445	146,170
Debt instruments listed in Hong Kong	<i>(c)</i>	26,779	7,861
Debt instruments listed in overseas	<i>(d)</i>	6,184	–
		390,921	332,291

Notes:

- (a) As at 31 December 2020, included in the unlisted investment funds were 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 with carrying amount of approximately HK\$119,211,000 and HK\$56,502,000 (30 June 2020: HK\$120,581,000 and HK\$57,679,000) respectively. Green Asia Restructure SP and Green Asia Restructure SP II are segregated portfolios managed by Green Asia Restructure Fund SPC (the “Green Asia Fund”).

The Green Asia Fund is an exempted company incorporated with limited liability and registered as segregated portfolio company in the Cayman Islands. The investment objective of the Green Asia Fund is capital appreciation by engaging 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.

As at 31 December 2020 and 30 June 2020, the fair value of the Green Asia Fund was established by reference to the prices quoted by the fund administrators (30 June 2020: a professional external valuer) based on its net assets value.

- (b) The fair value of listed equity securities are based on quoted market prices in active market.
- (c) As at 31 December 2020, the debt instruments listed in Hong Kong bore fixed interest rate ranging from 7.25% to 12% per annum. The fair value of these debt instruments at the end of the reporting period was determined on the basis of quoted market price.
- (d) As at 31 December 2020, the debt instruments listed in overseas bore fixed interest rate ranging from 7.25% to 8.75% per annum. The fair value of these debt instruments at the end of the reporting period was determined on the basis of quoted market price.

The above financial instruments were designated at fair value upon initial recognition as they are managed and evaluated on a fair value basis.

12. OTHER RECEIVABLES

		31 December	30 June
		2020	2020
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Loans and interest receivables	<i>(a)</i>	54,139	63,824
Loss allowances	<i>(b)</i>	(54,139)	(63,824)
		<u>—</u>	<u>—</u>
Other receivables		6,288	6,138
Loss allowances	<i>(b)</i>	(5,363)	(4,905)
		<u>925</u>	<u>1,233</u>
Deposits, prepayments and other debtors		8,380	20,397
Dividend receivables		<u>—</u>	<u>1,622</u>
		<u>8,380</u>	<u>22,019</u>
		<u>9,305</u>	<u>23,252</u>

Notes:

- (a) As at 31 December 2020, the loan with principal amount of HK\$15,500,000 (30 June 2020: HK\$15,500,000) granted to a third party borrower is unsecured, bearing fixed interest rates at 4% (30 June 2020: 4%) per annum and is overdue more than 9 months (30 June 2020: more than 3 months). The remaining loans with principal amount of HK\$37,744,000 (30 June 2020: HK\$48,008,000) granted to another third party borrower, in which the spouse of Mr. Yuen Chi Ping, the Company's former director, has 20% equity interest and had been a director of the borrower until she resigned on 14 December 2019, are unsecured, bearing fixed interest rates of 4% (30 June 2020: 4%) per annum. Pursuant to partial repayment and extension of loan agreement dated 11 November 2020, the repayment date has been extended to 15 July 2021 (30 June 2020: Overdue more than 3 months).

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

	31 December	30 June
	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Loss allowances for the loans and interest receivables:		
At the beginning of the period/year	63,824	4,835
Reversal of loss allowances	(10,264)	–
Increase in allowance	579	58,989
	<u>54,139</u>	<u>63,824</u>
At the end of the period/year	<u>54,139</u>	<u>63,824</u>

The movement in the loss allowances for other receivables during the reporting period is summarised below.

	31 December	30 June
	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Loss allowances for the loans and interest receivables:		
At the beginning of the period/year	4,905	–
Increase in allowance	–	4,995
Exchange realignment	458	(90)
	<u>5,363</u>	<u>4,905</u>
At the end of the period/year	<u>5,363</u>	<u>4,905</u>

13. ACCOUNTS AND OTHER PAYABLES

		31 December	30 June
		2020	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Accounts payables			
To third parties	<i>(a)</i>	<u>127,710</u>	<u>131,173</u>
Other payables			
Accrued charges and other creditors		10,761	9,745
Deposits received	<i>(b)</i>	2,603	14,595
Contract liabilities	<i>(c)</i>	107,335	259,222
Provision for land transfer fees		22,646	20,710
Interest payables – other borrowings		<u>13,097</u>	<u>11,977</u>
		<u>156,442</u>	<u>316,249</u>
		<u>284,152</u>	<u>447,422</u>

Notes:

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

	31 December	30 June
	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0-180 days	38,036	16,942
181-365 days	73,945	105,304
Over 365 days	<u>15,729</u>	<u>8,927</u>
	<u>127,710</u>	<u>131,173</u>

- (b) Deposits received represent intention deposits received from potential customers for purchase of PUD and PHS.
- (c) Contract liabilities represent sale proceeds received from customers in connection with the Group's pre-sale of properties. The deposit will be transferred to profit or loss upon the Group's revenue recognition criteria are met.

14. SHARE CAPITAL

	31 December 2020 (Unaudited)		30 June 2020 (Audited)	
	Number of ordinary shares	HK\$'000	Number of ordinary shares	HK\$'000
Authorised:				
At 31 December 2020/30 June 2020, ordinary shares of HK\$0.01 each	<u>6,000,000,000</u>	<u>60,000</u>	<u>6,000,000,000</u>	<u>60,000</u>
Issued:				
At 31 December 2020/30 June 2020	<u>2,505,105,739</u>	<u>25,051</u>	<u>2,505,105,739</u>	<u>25,051</u>

15. INTERIM DIVIDEND

The Directors do not recommend payment of an interim dividend for the six months ended 31 December 2020 (six months ended 31 December 2019: Nil).

16. CAPITAL COMMITMENTS

	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
Contracted but not provided in respect of the acquisition of financial assets at FVPL	<u>15,600</u>	<u>–</u>

On 3 December 2020, the Group has entered into an investment agreement to subscribe the Class A participating, non-redeemable, non-voting shares of an unlisted fund with consideration including subscription amount of US\$2,000,000 which is an exempted company incorporated with limited liability and registered as segregated portfolio company in Cayman Island. The subscription has completed by January 2021.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2020 (2019: nil).

RESULTS

The Company recorded a loss of HK\$23,447,000 for the six months ended 31 December 2020 as compared to the loss of HK\$104,630,000 for the six months ended 31 December 2019. Reduction in loss was mainly due to, among others, the net increase in fair value of financial assets at fair value through profit or loss (“FVPL”) from a net loss of HK\$58,158,000 for the six months ended 31 December 2019 to a net gain of HK\$6,052,000 for the six months ended 31 December 2020. The loss for the six months ended 31 December 2020 was mainly attributable to, among others, the net impact of the decrease in fair value of investment properties of HK\$34,700,000 and the reversal of impairment loss on loans and interest receivables of HK\$9,685,000.

BUSINESS REVIEW

The Group’s principal business is resort and property development, property investment and investment holding.

Resort and Property Development

The Group has acquired 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, the construction of the first and second phase of the apartment portion were completed in the third quarter of 2019 and third quarter of 2020 respectively. The completion of the whole project (“Wuxi Property Project”) is expected to take place in the fourth quarter of 2021. Most of the apartment portion of first and second phase have been delivered to customers as at 31 December 2020. During the six months ended 31 December 2020, Wuxi Shengye delivered properties to customers and recognised a revenue of HK\$192,525,000. As at 31 December 2020, the contracted sales with the contracts signed but properties not yet delivered were HK\$151,021,000. Although outbreak of COVID-19 has caused a heavy strike to the global economy in 2020, the comprehensive and strict pandemic prevention measures in the PRC have brought the pandemic under control in months, and the economy has begun to recover in 2020. Thus the impact to Wuxi Property Project was not material.

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 for a consideration of HK\$108,300,000, and the Group recognised a gain on disposal of approximately HK\$8,316,000 for the year ended 30 June 2019. No Sub-division Properties were sold during the six months ended 31 December 2020.

As at 31 December 2020, three units of the Sub-division Properties with carrying value of HK\$71,300,000 were transferred from investment properties to owner’s occupation as properties, plant and equipment. The fair value of the Group’s investment properties as at 31 December 2020 was HK\$309,200,000 (30 June 2020: HK\$415,200,000). The economy and properties market of Hong Kong were being hit by the outbreak of COVID-19, which led to the decrease in the fair value of the Group’s investment properties for the six months ended 31 December 2020 by HK\$34,700,000 (2019: HK\$18,339,000). It is emphasised that the fair value loss was non-cash in nature.

The Group’s investment properties contributed rental income of HK\$3,164,000 in total for the six months ended 31 December 2020 (2019: HK\$2,908,000), the Sub-division Properties has contributed stable returns to the Group in a long term.

Investment Holding

The Group’s investments strategy for its investment holding business is mainly expected to diversify its investments in unlisted investment funds, listed equity securities and listed debt instruments. For the six months ended 31 December 2020, the Group recorded interest income from financial assets at FVPL of HK\$685,000 (2019: HK\$545,000), net gain on disposal of financial assets at FVPL of HK\$220,000 (2019: net loss of HK\$14,279,000) and an increase in fair value of financial assets at FVPL of HK\$6,052,000 (2019: a decrease of fair value of HK\$58,158,000). Details of the significant investments held by the Group for the six months ended 31 December 2020 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, both of which are segregated portfolios managed by Green Asia Restructure Fund SPC (the “Green Asia Fund”). The investment objective of the Green Asia Fund is capital appreciation by engaging 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.

The investment cost of the Green Asia Fund held by the Group as at 31 December 2020 was HK\$173,797,000. As at 31 December 2020, the fair value of Green Asia Restructure SP and Green Asia Restructure SP II was HK\$119,211,000 and HK\$56,502,000 respectively. The fair value of the Green Asia Fund accounted for 10% of the Group’s total assets. During the six months ended 31 December 2020, the fair value of the Group’s investment in the Green Asia Fund increased by HK\$4,619,000. The Group made a partial redemption of such investments of HK\$7,120,000 during the six months ended 31 December 2020. There was no realised gain or loss with respect to such investments during the six months ended 31 December 2020 as the partial redemption was completed at its fair value.

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

As at 31 December 2020, the Group held 148,283,000 ordinary shares of Zall Smart, representing approximately 1.3% of the total issued share capital of Zall Smart. The shares of Zall Smart are listed on Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (stock code: 2098). Zall Smart and its subsidiaries are principally engaged in developing and operating of 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 the online and offline customers in the PRC. The acquisition cost of Zall Smart shares held by the Group as at 31 December 2020 was HK\$1.28 per share. As at 31 December 2020, the fair value of investment in Zall Smart was approximately HK\$105,281,000, which amounted for 6% of the Group’s total assets. During the six months ended 31 December 2020, the fair value of the Group’s investment in Zall Smart remained unchanged. At the same time, the Group had not received and recognised any dividend, investment income or realised gain or loss 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 31 December 2020.

PROSPECTS

For the six months ended 31 December 2020, the Group has steadily progressed its existing business and projects despite the adverse effects of the external macro environment. Wuxi Property Project of the Group is advancing the sales and delivery of apartments as planned, while its planning and sales preparation for commercial part have been stepping up, with the overall progress of project in line with expectations. The Group continues to enhance the governance and innovation of its business segments, and in the investment segment, deeply explores valuable investment opportunities, conducts research for exploring, deploying and making prudent investments in the directions and industries such as new energy, biomedicine, artificial intelligence and consumption upgrades, in an effort to improve the profitability of the Group. Looking forward to the financial year ending 30 June 2021, the Group will adhere to the principles of striving for stability in policy and execution, strengthening the development of existing business segments and seizing every opportunity. Meanwhile, the Group will expand income and reduce expenditure, reinforce the foundation of the Company with the aim to strive for the growth of the results of the Group.

FINANCIAL REVIEW

Revenue, cost of sales and gross profit margin

The revenue of the Group decreased by HK\$27,239,000, or 12%, from HK\$223,613,000 for the six months ended 31 December 2019 to HK\$196,374,000 for the six months ended 31 December 2020. The revenue generated for both periods was mainly derived from resort and property development segment, the properties of Wuxi Shengye were delivered to customers and bringing in revenue. There was a decrease in revenue because most of the properties delivered to customers in the six months ended 31 December 2019 were with decoration while the properties delivered to customers in the six months ended 31 December 2020 were partly bare shells which were sold with a lower unit price. The revenue recognised from properties sales was HK\$192,525,000 and cost of sales after considering the fair value adjustment at acquisition was HK\$188,767,000 and gross profit margin was 2% for the six months ended 31 December 2020. The low gross profit margin was mainly attributable to the revaluation of the properties under development at the date of acquisition of Wuxi Shengye in 2017. Excluding the fair value adjustment on inventories, from the perspective of Wuxi Shengye, the gross profit margin for the sale of properties was 14%.

Net gain (loss) on disposal of financial assets at FVPL

The Group recognised a net loss on disposal of financial assets at FVPL of HK\$14,279,000 for the six months ended 31 December 2019 and a net gain on disposal of financial assets at FVPL of HK\$220,000 for the six months ended 31 December 2020. The net loss of pervious period was mainly derived from the loss on disposal of the shares of Redsun Properties Group Limited (stock code: 1996) of HK\$16,251,000. No material disposal was noted for the six months ended 31 December 2020.

Net increase (decrease) in fair value of financial assets at FVPL

The fair value of financial assets at FVPL of the Group increased from a net decrease in fair value of financial assets at FVPL of HK\$58,158,000 for the six months ended 31 December 2019 to a net increase in fair value of financial assets at FVPL of HK\$6,052,000 for the six months ended 31 December 2020. The net decrease in financial assets at FVPL for the six months ended 31 December 2019 was mainly derived from the decrease in the fair value of Zall Smart's shares held by the Group of HK\$31,658,000 and the Green Asia Fund of HK\$19,698,000. The financial performance of the financial assets at FVPL held by the Group for the six months ended 31 December 2020 is stable.

Net decrease in fair value of investment properties

The net fair value loss of investment properties of the Group increased from HK\$18,339,000 for the six months ended 31 December 2019 to HK\$34,700,000 for the six months ended 31 December 2020. 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 area. The fair value of investment properties was affected by the economy and properties market of Hong Kong. The outbreak of the COVID-19 hit overall trading volume and price of grade-A offices in Hong Kong.

Reversal (Provision) of impairment loss on loans and interest receivables

The Group recognised a provision of impairment loss on loans and interest receivables of HK\$1,550,000 for the six months ended 31 December 2019 and a reversal of impairment loss on loans and interest receivables of HK\$9,685,000 for the six months ended 31 December 2020. As disclosed in the announcement of the Company dated 11 November 2020, HK\$10,000,000 partial repayment has been received from a debtor and the corresponding provision provided previously of HK\$10,000,000 has been reversed for the six months ended 31 December 2020. The impairment loss on loans and interest receivables as at 31 December 2020 has been assessed by an independent professional valuer, APAC Appraisal and Consulting Limited. Besides the partial repayment of HK\$10,000,000, there were no significant changes in the valuation method, principle assumptions and key inputs adopted by the Group for the year ended 30 June 2020. For details of the valuation method, principle assumptions and key inputs relating to the provision of impairment loss on loans and interest receivables, please refer to pages 7 to 9 of the annual report of the Company for the year ended 30 June 2020.

Selling expenses

Selling expenses of the Group decreased by HK\$5,894,000, or 70%, from HK\$8,419,000 for the six months ended 31 December 2019 to HK\$2,525,000 for the six months ended 31 December 2020. The selling expenses for the six months ended 31 December 2020 mainly comprised of sales commission and sales service fees. The decrease in selling expenses was mainly due to the reduction in commission expenses and advertising expenses incurred with less pre-sales activities in the six months ended 31 December 2020.

Administrative expenses

Administrative expenses of the Group decreased by HK\$6,170,000, or 40%, from HK\$15,616,000 for the six months ended 31 December 2019 to HK\$9,446,000 for the six months ended 31 December 2020. The administrative expenses for the six months ended 31 December 2020 mainly comprised of staff costs and legal and professional fees. The decrease in administrative expenses was mainly due to (i) one-off compensation expenses recognised for the six months ended 31 December 2019 and none was noted for the six months ended 31 December 2020; and (ii) the reduction in legal and professional fees and entertainment expenses for the six months ended 31 December 2020.

Finance cost

Finance cost of the Group decreased by HK\$2,408,000, or 44%, from HK\$5,484,000 for the six months ended 31 December 2019 to HK\$3,076,000 for the six months ended 31 December 2020. The decrease in finance costs was because the effective interest rate reduced and a margin loan of HK\$100,000,000 has been fully repaid in October 2019.

Loss for the period

Loss for the period of the Group decreased by HK\$81,183,000, or 78%, from HK\$104,630,000 for the six months ended 31 December 2019 to HK\$23,447,000 for the six months ended 31 December 2020. The loss for the six months ended 31 December 2020 mainly included (i) the net decrease in fair value of investment properties of HK\$34,700,000; and (ii) the reversal of impairment loss on loans and interest receivables of HK\$9,685,000. The reduction in loss were mainly contributed to, among others, the net increase in fair value of financial assets at FVPL from a net loss of HK\$58,158,000 for the six months ended 31 December 2019 to a net gain of HK\$6,052,000 for the six months ended 31 December 2020.

Liquidity, financial resources and capital structure

As at 31 December 2020, the Group had current assets of HK\$1,346,393,000 (30 June 2020: HK\$1,472,316,000) and current liabilities of HK\$565,663,000 (30 June 2020: HK\$720,403,000), representing a current ratio of about 2.4 times (30 June 2020: 2.0 times). The Group's total equity and the total bank and other borrowings as at 31 December 2020 amounted to HK\$1,078,290,000 (30 June 2020: HK\$1,072,563,000) and HK\$272,190,000 (30 June 2020: HK\$272,190,000) respectively. All of the bank and other borrowings of the Group are repayable within one year. The gearing ratio of the Group as at 31 December 2020, calculated as a ratio of the total bank and other borrowings to total equity, was approximately 25% (30 June 2020: 25%).

OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group for the six months ended 31 December 2020 are set out in note 3 to the condensed consolidated financial statements of this announcement.

CAPITAL COMMITMENTS

Details of the capital commitments of the Group as at 31 December 2020 are set out in note 16 to the condensed consolidated financial statements of this announcement.

PLEDGE OF ASSETS

As at 31 December 2020, 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\$309,200,000 and HK\$71,300,000 respectively (30 June 2020: investment properties of HK\$415,200,000);
- (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 buildings duly executed by the Group in favour of the bank.

As at 31 December 2020, the fair value of the financial assets at FVPL of HK\$45,556,000 (30 June 2020: HK\$35,329,000) was pledged as collateral to margin loan facilities granted to the Group with a corporate guarantee provided by the Company. No margin loan facilities was utilised as at 31 December 2020 (30 June 2020: Nil).

LITIGATION

As at 31 December 2020, the Group has no material litigation against it which had to be disclosed.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2020, the Group employed a total of 32 (30 June 2020: 28) employees and executive Director. The Group's total staff costs including Directors' emoluments amounted to HK\$4,401,000 for the six months ended 31 December 2020 (2019: HK\$5,296,000). The remuneration packages for Directors and employees are normally reviewed annually and are structured by 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

The Group has no significant subsequent events after 31 December 2020.

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

During the six months ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

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 of the Company (the “Shareholders”) and to enhance the performance of the Group. The Company has adopted the Corporate Governance Code (the “CG Code”) set out in Appendix 14 of the Listing Rules as its own code of corporate governance.

The Company complied with all the applicable code provisions (the “Code Provisions”) of the CG Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 31 December 2020, save for Code Provisions A.4.2 and A.2.1. Details of the deviation with reasons are set out in the paragraphs below:

Under Code Provision A.4.2 of the CG Code, all directors who are appointed to fill casual vacancies are subject to re-election at the first general meeting after their appointments by the board, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Bye-laws deviate from this Code Provision in the following aspects:

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

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

- (b) Under Bye-law 87(1) of the Bye-laws, at the annual general meetings of the Company, one third of the Directors for the time being (or where the number is not a multiple of three, the number nearest to, but not greater than one third), including the Independent Non-executive Directors, shall retire from office by rotation provided that the Chairman of the Board and/or the managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. Notwithstanding the provision of Bye-law 87(1), in practice, the Chairman of the Board, Mr. Wu Zhanming will voluntarily submit 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.

Under Code Provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer (the “CEO”) should be separate and performed by different individuals. During the six months ended 31 December 2020, 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. The Board is now taking steps to identify suitable candidates to act as the CEO.

AUDIT COMMITTEE

The unaudited condensed consolidated financial statements of the Group for the six months ended 31 December 2020 have been reviewed by the Audit Committee and have been duly approved by the Board under the recommendation of the Audit Committee.

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries with the Directors, all the Directors have confirmed that they had complied with the required standards set out in the Model Code during the six months ended 31 December 2020.

PUBLICATION OF INFORMATION ON WEBSITES

This results announcement is available for viewing on the website of the Stock Exchange at <http://www.hkex.com.hk> and on the website of the Company at <http://www.applieddev.com>.

By Order of the Board

Applied Development Holdings Limited

Wu Zhanming

Chairman, Acting Chief Executive Officer and Executive Director

Hong Kong, 25 February 2021

As at the date of this announcement, the Executive Director is Mr. Wu Zhanming (Chairman and Acting Chief Executive Officer); the Non-executive Directors are Mr. Wu Tao and Mr. Yao Wei Rong and the Independent Non-executive Directors are Mr. Lau Chi Keung, Mr. Yu Tat Chi, Michael and Mr. Chiu Kit Man, Calvin.

* *For identification purpose only*

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