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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 2022**

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 2022 (“FY2022”), 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 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Revenue	3	11,131	253,977
Cost of sales		(3,917)	(232,248)
Gross profit		7,214	21,729
Other revenue	3	2,184	1,351
Other income	4	1,717	1,733
Net gain (loss) on disposal of financial assets at fair value through profit or loss (“FVPL”)		937	(1,142)
Net decrease in fair value of financial assets at FVPL		(128,823)	(43,244)
Net decrease in fair value of investment properties	10	(21,600)	(27,200)
Reversal of impairment loss on loans and interest receivables	15(b)	18,618	17,362
Impairment loss on other receivables	15(b)	(580)	–
Selling expenses		(4,956)	(4,316)
Administrative expenses		(30,675)	(19,904)
Finance costs	6	(5,472)	(5,934)

		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	7	(161,436)	(59,565)
Taxation	8	<u>(1,441)</u>	<u>(662)</u>
Loss for the year, attributable to owners of the Company		<u>(162,877)</u>	<u>(60,227)</u>
Other comprehensive (loss) income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
– Exchange differences arising on translation of foreign operations		(12,862)	36,370
<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>(22)</u>	<u>42</u>
Total other comprehensive (loss) income for the year, net of tax, attributable to owners of the Company		<u>(12,884)</u>	<u>36,412</u>
Total comprehensive loss for the year, attributable to owners of the Company		<u>(175,761)</u>	<u>(23,815)</u>
Loss per share			
Basic	9	<u>(6.50) HK cents</u>	<u>(2.40) HK cents</u>
Diluted		<u>(6.50) HK cents</u>	<u>(2.40) HK cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Investment properties	<i>10</i>	295,100	316,700
Property, plant and equipment	<i>11</i>	70,640	70,759
Right-of-use assets		–	285
Designated FVOCI		175	197
		<hr/> 365,915	<hr/> 387,941
 Current assets			
Properties under development	<i>13</i>	631,490	599,599
Properties held for sales	<i>14</i>	120,404	128,711
Financial assets at FVPL	<i>12</i>	184,274	425,889
Other receivables	<i>15</i>	55,585	20,825
Restricted bank deposits		18,217	19,234
Cash and cash equivalents		60,474	72,022
		<hr/> 1,070,444	<hr/> 1,266,280
 Current liabilities			
Accounts and other payables	<i>16</i>	217,555	208,740
Interest-bearing borrowings	<i>17</i>	244,218	292,956
Tax payables		988	1,963
Lease liabilities		–	297
		<hr/> 462,761	<hr/> 503,956
Net current assets		<hr/> 607,683	<hr/> 762,324
 Total assets less current liabilities		<hr/> 973,598	<hr/> 1,150,265

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities		
Deferred tax liabilities	<u>100,611</u>	<u>101,517</u>
Net assets	<u>872,987</u>	<u>1,048,748</u>
Capital and reserves		
Share capital	25,051	25,051
Reserves	<u>847,936</u>	<u>1,023,697</u>
Total equity	<u>872,987</u>	<u>1,048,748</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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 the registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company 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 Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the 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 2021 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 39, HKFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “Reform”). The amendments complement those issued in November 2019 and relate to:

- changes to contractual cash flows – a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;

- hedge accounting – a company will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and
- disclosures – a company will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

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

Amendments to HKFRS 16: Covid-19-Related Rent Concessions Beyond 30 June 2021

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2022. The amendments do not affect lessors.

The adoption of the amendments does not have any 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 16	Proceeds before Intended Use ^[1]
Amendments to HKAS 37	Cost of Fulfilling a Contract ^[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework ^[1]
Annual Improvements to HKFRSs	2018-2021 Cycle ^[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ^[2]
Amendments to HKAS 1	Disclosure of Accounting Policies ^[2]
Amendments to HKAS 8	Definition of Accounting Estimates ^[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ^[2]

^[1] Effective for annual periods beginning on or after 1 January 2022

^[2] Effective for annual periods beginning on or after 1 January 2023

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

	2022 <i>HK\$'000</i>	2021 <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>4,705</u>	<u>243,327</u>
 <i>Revenue from other sources:</i>		
Gross rental income from investment properties	4,406	6,245
Interest income from financial assets at FVPL	1,404	2,330
Dividend income from financial assets at FVPL	<u>616</u>	<u>2,075</u>
	<u>6,426</u>	<u>10,650</u>
	<u>11,131</u>	<u>253,977</u>
 Other revenue		
Bank interest income	86	125
Loan interest income	2,098	1,224
Other	<u>–</u>	<u>2</u>
	<u>2,184</u>	<u>1,351</u>
	<u>13,315</u>	<u>255,328</u>

4. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Management fee income	1,157	1,281
Sundry income	<u>560</u>	<u>452</u>
	<u>1,717</u>	<u>1,733</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 segments 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 2022 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	4,705	4,406	2,020	11,131
Other revenue and income	511	891	40	1,442
	<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	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	780,502	299,103	266,147	1,345,752	90,607	1,436,359
Liabilities	(316,661)	(234,113)	(179)	(550,953)	(12,419)	(563,372)
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	(57)	-	-	(57)	(240)	(297)

Segment revenue and results for the year ended 30 June 2021 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	243,327	6,245	4,405	253,977
Other revenue and income	<u>271</u>	<u>1,015</u>	<u>81</u>	<u>1,367</u>
	<u>243,598</u>	<u>7,260</u>	<u>4,486</u>	<u>255,344</u>
Results				
Segment results	<u>2,185</u>	<u>(23,094)</u>	<u>(40,985)</u>	(61,894)
Unallocated corporate income				19,079
Unallocated corporate expenses				(10,816)
Finance costs				<u>(5,934)</u>
Loss before taxation				(59,565)
Taxation				<u>(662)</u>
Loss for the year				<u>(60,227)</u>

Segment assets and liabilities as at 30 June 2021 and other segment information for the year ended 30 June 2021 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>763,203</u>	<u>325,477</u>	<u>463,971</u>	<u>1,552,651</u>	<u>101,570</u>	<u>1,654,221</u>
Liabilities	<u>(318,145)</u>	<u>(276,500)</u>	<u>(189)</u>	<u>(594,834)</u>	<u>(10,639)</u>	<u>(605,473)</u>
Other segment information:						
Additions to property, plant and equipment	15	–	–	15	–	15
Depreciation						
– Property, plant and equipment	(45)	–	(118)	(163)	(934)	(1,097)
– Right-of-use assets	–	–	–	–	(783)	(783)
Net loss on disposal of financial assets at FVPL	–	–	(1,142)	(1,142)	–	(1,142)
Net decrease in fair value of financial assets at FVPL	–	–	(43,244)	(43,244)	–	(43,244)
Net decrease in fair value of investment properties	–	(27,200)	–	(27,200)	–	(27,200)
Reversal of impairment loss on loans and interest receivables	–	–	–	–	17,362	17,362
Write-off of property, plant and equipment	<u>(2)</u>	<u>–</u>	<u>–</u>	<u>(2)</u>	<u>–</u>	<u>(2)</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.

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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	6,312	10,440
The PRC	4,819	243,350
Others	—	187
	<u>11,131</u>	<u>253,977</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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	365,627	387,641
The PRC	113	103
	<u>365,740</u>	<u>387,744</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 2022 and 2021.

6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest expenses on bank and other borrowings	5,471	5,912
Interest expenses on lease liabilities	<u>1</u>	<u>22</u>
	<u>5,472</u>	<u>5,934</u>

7. LOSS BEFORE TAXATION

This is stated after charging (crediting):

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Staff costs, including directors' emoluments		
Salaries and other benefits	10,092	7,395
Retirement benefit scheme contributions	<u>684</u>	<u>296</u>
Total staff costs	<u>10,776</u>	<u>7,691</u>
Other items		
Auditor's remuneration		
– Audit service	860	850
– Non-audit related service	91	88
Cost of inventories	3,917	232,248
Depreciation		
– Property, plant and equipment	2,254	1,097
– Right-of-use assets	285	783
Direct operating expenses relating to investment properties that did not generate rental income	262	103
Exchange (gain) loss, net	(366)	283
Write-off of property, plant and equipment	297	2
Lease payments for short-term leases	<u>720</u>	<u>122</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% (2021: 25%) on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof. EIT has not been provided as the Group incurred a loss for tax purposes for both years.

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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The net tax comprises:		
Current year		
LAT	—	4,759
	—	4,759
Deferred taxation		
Provision for (Reversal of) temporary differences	1,441	(4,097)
Tax expenses during the year	<u>1,441</u>	<u>662</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year for the purposes of calculating basic loss per share	<u>(162,877)</u>	<u>(60,227)</u>
	2022 <i>No. of shares</i>	2021 <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 2022 and 2021, 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 2022 and 2021.

10. INVESTMENT PROPERTIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Fair value		
At the beginning of the reporting period	316,700	415,200
Transfer to property, plant and equipment (<i>Note 11</i>)	–	(71,300)
Decrease in fair value	<u>(21,600)</u>	<u>(27,200)</u>
At the end of the reporting period	<u>295,100</u>	<u>316,700</u>

Notes:

- (a) At the end of the reporting period, the Group's investment properties with a carrying value of HK\$295,100,000 (2021: HK\$316,700,000) 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 the reporting period were valued by AVISTA Valuation Advisory Limited (2021: AVISTA Valuation Advisory Limited), an independent professional valuer. The valuation, which conforms to the HKIS 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.

- (c) The investment properties of the Group are situated in Hong Kong, with remaining unexpired lease term of 37 years (2021: 38 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.

	2022	2021
	HK\$'000	HK\$'000
Year 1	2,905	3,268
Year 2	1,318	1,048
	4,223	4,316

11. PROPERTY, PLANT AND EQUIPMENT

At 31 December 2020, the Group transferred investment properties with fair value of HK\$71,300,000 (Note 10) to land and buildings under property, plant and equipment for self-occupied as its office premises. Such land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off their cost less accumulated impairment losses over their remaining lease term, using straight-line method. At the end of the reporting period, the remaining lease term was about 37 years (2021: 38 years).

At the end of the reporting period, the Group's land and buildings with carrying value of HK\$68,498,000 (2021: HK\$70,366,000) were pledged to secure bank borrowings (Note 17(a)) and bank facilities granted to the Group.

12. FINANCIAL ASSETS AT FVPL

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Unlisted investment funds	<i>(a)</i>	97,871	231,079
Listed equity securities			
– Hong Kong	<i>(b)</i>	79,337	149,359
– the PRC	<i>(b)</i>	3,995	12,884
– Overseas	<i>(b)</i>	932	3,400
Listed debt instruments			
– Hong Kong	<i>(c)</i>	997	26,339
– Overseas	<i>(c)</i>	1,142	2,828
		184,274	425,889

Notes:

(a) The unlisted investment funds mainly comprise of:

- (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 “Funds”) with carrying amount of approximately HK\$21,394,000 and HK\$11,783,000 respectively (2021: HK\$104,986,000 and HK\$51,229,000 respectively). The Funds are segregated portfolios (the “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 Funds with aggregate redemption proceed of approximately HK\$30,497,000, which has been included and recognised as “other receivables” as at 30 June 2022. In view of the failure in settlement of the redemption proceed by Green Asia, the Group has filed petitions to Grand Court of the Cayman Islands (the “Grand Court”) against Green Asia in connection with the appointment of receivers over the assets of the Funds. The petitions were served to Green Asia on 20 May 2022. The hearing was completed on 6 July 2022 and 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 Funds by the order from the Grand Court.

At the end of the reporting period, the fair value of the Group’s investments in Green Asia amounted to approximately HK\$33,177,000 (2021: HK\$156,215,000), which was determined by the management with reference to the valuation report on the Group’s investments in the Funds issued by an independent professional valuer, APAC Appraisal and Consulting Limited, based on the net asset value of the Segregated Portfolios 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% (2021: 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 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\$36,258,000 (2021: HK\$39,000,000), which was based on the trending analysis method evaluated by an independent professional valuer, AVISTA Valuation Advisory Limited at the end of the reporting period.

- (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\$21,052,000 (2021: HK\$164,533,000) was pledged as collateral to the margin loan facilities granted to the Group, together with a corporate guarantee provided by the Company. No (2021: 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\$997,000 (2021: HK\$26,339,000) and HK\$1,142,000 (2021: HK\$2,828,000) respectively, which bore fixed annual interest rate at 7.25% (2021: ranging from 4.75% to 12%) and 7.25% (2021: 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Properties under development (“PUD”)	709,151	679,307
Write-down to net realisable value	<u>(77,661)</u>	<u>(79,708)</u>
	<u>631,490</u>	<u>599,599</u>

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

At the end of the reporting period, none (2021: none) of the PUD was expected to be completed after more than one year.

The net realisable value 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 of completion and the estimated costs necessary to make the sale. During the years ended 30 June 2022 and 2021, no write-down of PUD was recognised by the Group based on the valuation report of the PUD.

14. PROPERTIES HELD FOR SALES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Properties held for sales (“PHS”)	<u>120,404</u>	<u>128,711</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 of completion and the estimated costs necessary to make the sale.

15. OTHER RECEIVABLES

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loans and interest receivables	<i>(a)</i>	44,703	53,462
Loss allowances	<i>(b)</i>	(27,844)	(46,462)
		<u>16,859</u>	<u>7,000</u>
Other receivables	<i>(c)</i>	37,307	6,185
Loss allowances	<i>(b)</i>	(5,274)	(5,413)
		<u>32,033</u>	<u>772</u>
Deposits and prepayments		6,693	11,301
Dividend receivables		<u>–</u>	<u>1,752</u>
		<u>6,693</u>	<u>13,053</u>
		<u>55,585</u>	<u>20,825</u>

Notes:

- (a) As at the end of the reporting period, a loan with principal amount of HK\$15,500,000 (2021: HK\$15,500,000) granted to a third-party borrower was unsecured, bearing fixed interest rates at 4% (2021: 4%) per annum and overdue for more than 24 months (2021: more than 12 months). Subsequent to the end of the reporting period, the Group received the principal amount of HK\$15,500,000 in July 2022.

The remaining loans with principal amount of HK\$27,744,000 (2021: HK\$37,744,000) granted to another third-party borrower, in which the spouse of Mr. Yuen Chi Ping, the Company's former director, has equity interest and had been a director until she resigned on 14 December 2019, are unsecured and bearing fixed interest rates at 4% (2021: 4%) per annum.

Pursuant to a partial repayment and extension of loan agreement dated 11 November 2020, the Group received repayment of HK\$10,000,000 from the borrower and agreed to extend the repayment date to 15 July 2021.

Pursuant to another partial repayment and extension of loan agreement dated 8 September 2021, the Group received a partial repayment of HK\$7,000,000 and 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 early repaid during the year ended 30 June 2022; and (ii) the remaining balance on or before 30 September 2022.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss allowances for loans and interest receivables		
At the beginning of the reporting period	46,462	63,824
Decrease in allowances	<u>(18,618)</u>	<u>(17,362)</u>
At the end of the reporting period	<u><u>27,844</u></u>	<u><u>46,462</u></u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss allowances for other receivables		
At the beginning of the reporting period	5,413	4,905
Increase in allowances	580	–
Write-off	(580)	–
Exchange realignment	<u>(139)</u>	<u>508</u>
At the end of the reporting period	<u><u>5,274</u></u>	<u><u>5,413</u></u>

- (c) Included in the other receivables are the redemption proceed of HK\$30,497,000 (2021: Nil) as detailed in note 12(a) to the consolidated financial statements.

16. ACCOUNTS AND OTHER PAYABLES

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Accounts payables			
To third parties	<i>(a)</i>	<u>79,134</u>	<u>89,788</u>
Other payables			
Accrued charges and other creditors		17,783	13,400
Deposits received	<i>(b)</i>	2,548	3,337
Contract liabilities	<i>(c)</i>	86,368	79,358
Provision for land transfer fees	<i>(d)</i>	<u>31,722</u>	<u>22,857</u>
		<u>138,421</u>	<u>118,952</u>
		<u>217,555</u>	<u>208,740</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:

	2022 HK\$'000	2021 <i>HK\$'000</i>
0-180 days	18,659	13,410
181-365 days	17,975	28,791
Over 365 days	<u>42,500</u>	<u>47,587</u>
	<u>79,134</u>	<u>89,788</u>

- (b) Deposits received represent intention deposits received from potential customers for purchase of PUD and PHS.

(c) 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At the beginning of the reporting period	79,358	259,222
Receipt in advance	11,891	28,059
Recognised as revenue	(2,560)	(229,743)
Exchange realignment	(2,321)	21,820
	<u>79,358</u>	<u>259,222</u>
At the end of the reporting period	<u>86,368</u>	<u>79,358</u>

At the end of the reporting period, none (2021: none) of the contract liabilities were expected to be settled after more than 12 months.

(d) The amounts were unsecured, interest-free and repayable on demand.

17. INTEREST-BEARING BORROWINGS

		2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
	<i>Notes</i>		
Current portion			
Bank borrowings, secured	<i>(a)</i>	232,190	272,190
Other borrowings, unsecured	<i>(b)</i>	<u>12,028</u>	<u>20,766</u>
		<u>244,218</u>	<u>292,956</u>

Notes:

- (a) At the end of the reporting period, the Group's bank borrowings carried interest rates at 2.25% above Hong Kong Interbank Offered Rate (2021: 2% above Hong Kong Interbank Offered Rate) and were repayable in lump sum in November 2023 (2021: November 2021). The effective interest rate during the year was 2.13% (2021: 2.16%) 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. 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\$295,100,000 (2021: HK\$316,700,000) and HK\$68,498,000 (2021: HK\$70,366,000) 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 2022, rental income of approximately HK\$4,406,000 (2021: HK\$6,245,000) 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 rate ranging from 6.5% to 10% (2021: 6.5% to 10%) per annum and repayable within twelve months. Included in other borrowings as at 30 June 2021 were HK\$5,233,000 borrowed from a director of a subsidiary of the Company, which were unsecured, interest-free (2021: bearing fixed interest rate at 6.5% per annum) and fully repaid during the year ended 30 June 2022.

18. COMMITMENTS

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Expenditure in respect of the properties under development contracted but not provided for	<u>73,474</u>	<u>82,414</u>

19. DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 30 June 2022 (2021: Nil).

FINAL DIVIDEND

The Board has resolved not to recommend a final dividend for FY2022 (2021: Nil).

RESULTS

During FY2022, the Company recorded a loss of approximately HK\$162,877,000, which was mainly due to a net decrease in fair value of financial assets at FVPL of HK\$128,823,000 and a decrease in fair value of investment properties of HK\$21,600,000.

BUSINESS REVIEW

The Group's principal business is resort and property development, property investment and investment holding during FY2022.

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 completion of the whole property development project (the “Wuxi Property Project”) is expected to take place in the fourth quarter of 2022. Most of the apartment portion of the first and second phase have been delivered to customers as at 30 June 2021. During FY2022, only several apartments were delivered to customers and recognised a revenue of HK\$4,705,000 with overall gross profit margin of 17% after excluding the revaluation consolidation adjustment. As at 30 June 2022, the sale amounts with the contracts signed but properties not yet delivered were approximately HK\$111,650,000. Although the impact of COVID-19 in the PRC has been controlled in months after the outbreak in 2020, the new coronavirus variants are still bringing unpredictable challenges to the PRC property market and global economy.

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.

During the financial year ended 30 June 2021 (“FY2021”), three units of the Sub-division Properties with fair 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 30 June 2022 was HK\$295,100,000 (30 June 2021: HK\$316,700,000). The economy and properties market of Hong Kong are being hit by the coronavirus variants. The fair value of the Group’s investment properties decreased by HK\$21,600,000 for FY2022 (2021: HK\$27,200,000). It is emphasised that the fair value loss was non-cash in nature.

The Group’s investment properties contributed rental income of HK\$4,406,000 in total for FY2022 (2021: HK\$6,245,000). Rental income dropped because the rent and occupancy rate decreased for FY2022.

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 FY2022, the Group recorded interest and dividend income from financial assets at FVPL of HK\$2,020,000 (2021: HK\$4,405,000), net gain on disposal of financial assets at FVPL of HK\$937,000 (2021: net loss of HK\$1,142,000) and a decrease in fair value of financial assets at FVPL of HK\$128,823,000 (2021: HK\$43,244,000). Details of the significant investments held by the Group for FY2022 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 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. As at the date of this announcement, the assets realization procedure is in progress. For details, please refer to the announcement of the Company dated 23 May 2022.

As at 30 June 2022, the fair value of the Group’s investment in Green Asia Restructure SP and Green Asia Restructure SP II was HK\$21,394,000 and HK\$11,783,000 respectively. The aggregate fair value of the Group’s investments in the Green Asia Funds accounted for 2.3% of the Group’s total assets. During FY2022, the fair value of the Group’s investment in the Green Asia Funds decreased by HK\$87,655,000. As at 30 June 2022, the investment cost in relation to the Green Asia Funds incurred by the Group was approximately HK\$134,503,000. During FY2022, the Group recognized a realised gain of HK\$771,000 and a receivable of HK\$30,497,000 from its investment in the Green Asia Funds.

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

As at 30 June 2022, the Group held 134,354,000 ordinary shares of Zall Smart, representing approximately 1.1% 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 the 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 online and offline customers in the PRC. The acquisition cost of Zall Smart’s shares held by the Group as at 30 June 2022 was HK\$1.28 per share. As at 30 June 2022, the fair value of the investment in Zall Smart was approximately HK\$68,521,000, which represented 4.8% of the Group’s total assets. During FY2022, the Group disposed of 13,929,000 shares of Zall Smart and recognised a loss of disposal of HK\$790,000, the fair value of the Group’s investment in Zall Smart decreased by HK\$2,687,000. Besides 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 2022.

PROSPECTS

2021 was a difficult year with some uncertainties emerged in international landscape, causing the global supply chain tension and the growing recessionary trends in the worldwide. Due to the COVID-19 outbreaks in certain regions of China during the first half of 2022, the progress of the Wuxi Property Project of the Group was affected to a certain extent. Yet we overcame various challenges to push forward the relevant progress of the Wuxi Property Project as scheduled, thus allowing it to enter into a new stage of development.

1. Property business: In FY2022, the real estate industry of China was faced with unprecedented challenges while undergoing profound changes. The Group has experienced difficulties in implementing the property sales plan of the Wuxi Property Project. Nonetheless, we have been advancing various works with our full effort, while facing and dealing with historical legacy issues in a positive manner. The completion acceptance work is being orderly progressed, and the related commercial plans are also being actively formulated, advanced and implemented. During FY2022, the Group has relocated its headquarters to Lippo Centre in Hong Kong, achieving a smooth leasing and sale management of the assets held by the Group in Lippo Centre.
2. Investment business: In the first half of 2022, international turbulence posed a great challenge to the global economic recovery. Inflation hit record high across the globe and capital markets became more volatile, which was demanding for our investment business. The Group is improving the systems in relation to its investment business. While recovering some of its historical investments, the Group seeks for promising investments and diversifies its investment portfolio to cope with the risks and impacts of market fluctuations.

In the year to come, stability remains a keynote of the Group. To secure a progress while ensuring stability and quality, the Group will intensify internal management, optimize business structure and proactively meet challenges in all aspects. Amidst global unprecedented changes and accelerating industry developments, the Group will also explore new trends and opportunities to enhance its asset value.

FINANCIAL REVIEW

Revenue, Cost of Sales and Profit Margin

The revenue of the Group decreased by HK\$242,846,000, or 96%, from HK\$253,977,000 for FY2021 to HK\$11,131,000 for FY2022. Most of the revenue generated during FY2021 was derived from resort and property development segment, as the properties of Wuxi Shengye were delivered to customers and brought in revenue. The revenue generated from resort and property development segment for FY2022 was HK\$4,705,000 (2021: HK\$243,327,000) and the gross profit margin was 17% (2021: 5%). There was a decrease in revenue because the properties were delivered to customers in bulk for FY2021, while no bulk delivery was arranged for FY2022.

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

Net gain on disposal of financial assets at FVPL of the Group was HK\$937,000 for FY2022 (2021: net loss of HK\$1,142,000). There was no material gain or loss from disposal of a single investment for both FY2021 and FY2022.

Net Decrease in Fair Value of Financial Assets at FVPL

Net decrease in fair value of financial assets at FVPL of the Group increased by HK\$85,579,000, or 199%, from HK\$43,244,000 for FY2021 to HK\$128,823,000 for FY2022. The net decrease in financial assets at FVPL for FY2022 was mainly derived from the decrease in the fair value of the investment in the Green Asia Funds in the amount of HK\$87,655,000.

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 FY2022.

In FY2021, the precedent transaction method had been adopted in the valuation of its fair value, that is, by referring to the information on the latest net asset value statements of the Green Asia Funds and redemption made by the Group regarding its investments in the Green Asia Funds as transaction reference.

However, as disclosed in the paragraphs under the Business Review section in this announcement, in January 2022, despite the Group having issued redemption notices to Green Asia for an aggregate redemption amount of approximately HK\$30,497,000, Green Asia failed to pay the redemption amount to the Group. Subsequently, pursuant to the petitions filed by the Group with the Cayman Court, the assets of the Green Asia Funds were put under receivership. In addition, there was no recent redemption transaction available as at the valuation date. Therefore, instead of adopting the precedent transaction method, in the Valuation Report, APAC performed individual assessments on the cash flows receivables held by the Green Asia Funds based on information available.

As the valuation of the Green Asia Funds are 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 methods 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 ranging from 16% to 17% for the cash flows receivables from the outstanding underlying investment of the Green Asia Funds.
2. Regarding the portion of cash flows receivables whose settlement were made in full before the date of Valuation Report, the recovery rate of 100%.
3. Regarding the portion of cash flows receivables whose settlement were not made before the valuation date, the recover rate of 40.09%, which in turn was determined with reference to Moody's Ultimate Recovery Database – Average debt recovery rates measured by ultimate recoveries, 1987-2021.

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

The Board wishes to emphasize that the fair value loss on the investment in the Green Asia Funds 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 being undertaken by the Green Asia Funds Receivers.

Net Decrease in Fair Value of Investment Properties

The Group recognised a net decrease in fair value of investment properties of HK\$21,600,000 in FY2022 (2021: HK\$27,200,000). 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 (“AVISTA”). 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 coronavirus variants continuously hit overall trading volume and price of grade-A offices in Hong Kong.

Reversal of Impairment Loss on Loans and Interest Receivables

The Group recognised a reversal of impairment loss on loans and interest receivables of HK\$18,618,000 for FY2022 (2021: HK\$17,362,000) which was mainly due to the partial repayments received from debtors in the corresponding periods. Besides the partial repayments, there were no significant changes in the principal assumptions and key inputs adopted by the Group for the assessment of impairment loss for FY2022 as compared with that of FY2021.

The reversal of impairment loss has been made by the Directors after taking into consideration the valuation report which was prepared by an independent professional valuer, APAC. The assessment of impairment has been conducted in accordance with Hong Kong Financial Reporting Standard 9 (“HKFRS 9”) and the expected credit loss (the “ECL”) allowance of the loans has been conducted using a “three stage” model:

Classification	Definition
Stage 1	Stage 1 (Performing) assets are financial assets whose credit risk has not increased significantly since initial recognition. Companies are required to recognise 12-month ECL for these assets and recognise interest income based on the gross carrying amount.
Stage 2	Stage 2 (Underperforming) assets are financial assets whose credit risk has increased significantly since initial recognition. Companies are required to recognise lifetime ECL but interest income will continue to be recognised based on the gross carrying amount.

Stage 3 Stage 3 (Non-performing) assets are financial assets that are credit-impaired. Companies will continue to recognise lifetime ECL but they will now recognise interest income based on the amortized cost of the financial asset (i.e., the gross carrying amount adjusted for the loss allowance).

The Group has recognised the financial assets for Stage 1 to Stage 3 based on the below criteria:

Asset Class	Criteria
Stage 1	The subject loan should be overdue for less than 30 days
Stage 2	The subject loan should be overdue for more than or equal to 30 days but less than or equal to 90 days
Stage 3	The subject loan should be overdue for more than 90 days

ECL – Probability-Weighted Loss Default Model

APAC adopted the probability-weighted loss default model to determine the ECL for the loans. This model is a function of a probability of default (“PD”), a forward-looking adjustment factor (“K”), a loss given default (“LGD”), exposure at default (“EAD”), discount factor (“DF”).

$$ECL=PD \times K \times LGD \times EAD \times DF$$

Principal assumptions and key inputs include:

1. Given that the loans were defaulted before for extended periods of time with no certainty of future payments, the PD for the loans was considered to be 100%.
2. Although partial repayments were noted from the borrowers, it remained unclear of borrowers’ ability to further settle the remaining balance due to limited financial information provided by borrowers. After taking into account the subsequent settlement of HK\$16,858,000 in the assessment of LGD, the weighted average LGD was 63%.

Selling Expenses

Selling expenses of the Group increased by HK\$640,000, or 15%, from HK\$4,316,000 for FY2021 to HK\$4,956,000 for FY2022. The selling expenses of FY2022 mainly comprised of sales commission, sales service and consulting fee. The increase in selling expenses was mainly due to more consulting service incurred to improve overall sales strategy and planning for FY2022.

Administrative Expenses

Administrative expenses of the Group increased by HK\$10,771,000, or 54%, from HK\$19,904,000 for FY2021 to HK\$30,675,000 for FY2022. The administrative expenses of FY2022 mainly comprised of staff costs and legal and professional fees. The increase in administrative expenses was mainly due to (i) increase in the number of staff for the future development of the Wuxi Property Project; (ii) increase in legal and professional fees for the newly invested funds; and (iii) one-off compensation provision recognized for FY2022.

Finance Costs

Finance costs of the Group decreased by HK\$462,000, or 8%, from HK\$5,934,000 for FY2021 to HK\$5,472,000 for FY2022. The decrease in finance costs was because the partial bank loan was repaid during FY2022.

Loss for the Year

Loss for the year of the Group increased by HK\$102,650,000, or 170%, from HK\$60,227,000 for FY2021 to HK\$162,877,000 for FY2022. The loss for the year for FY2022 mainly included (i) net decrease in fair value of financial assets at FVPL of HK\$128,823,000; and (ii) net decrease in fair value of investment properties of HK\$21,600,000. The Board would like to emphasize they were non-cash in nature.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2022, the Group had current assets of HK\$1,070,444,000 (2021: HK\$1,266,280,000) and current liabilities of HK\$462,761,000 (2021: HK\$503,956,000), representing a current ratio of 2.3 times (2021: 2.5 times). The Group's total equity and the total bank and other borrowings as at 30 June 2022 amounted to HK\$872,987,000 (2021: HK\$1,048,748,000) and HK\$244,218,000 (2021: HK\$292,956,000) respectively. Among the bank and other borrowings, approximately HK\$42,028,000 are repayable within one year, approximately HK\$202,190,000 are repayable over one year but not exceeding two years (2021: all of the bank and other borrowings of the Group are repayable within one year). As the bank borrowings of HK\$202,190,000 which will be repayable in November 2023 contained a clause in its terms that gave the bank an overriding right to demand for repayment without notice at its sole discretion, the bank borrowing was classified as current liability. The gearing ratio of the Group as at 30 June 2022, calculated as a ratio of the bank and other borrowings to total equity, was approximately 28.0% (2021: 27.9%). As at 30 June 2022, the Group had no significant contingent liabilities.

OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group for FY2022 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 elsewhere in this announcement, the Group did not have any significant investments, nor material acquisitions or disposals of subsidiaries, associates and joint ventures during FY2022.

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 2022 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 FY2022.

COMMITMENTS

Details of the commitments of the Group as at 30 June 2022 are set out in note 18 to the consolidated financial statements of this announcement.

PLEDGE OF ASSETS

As at 30 June 2022, 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\$295,100,000 and HK\$68,498,000 respectively (*30 June 2021: HK\$316,700,000 and HK\$70,366,000 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 2022, the carrying value of the financial assets at FVPL of approximately HK\$21,052,000 (*2021: HK\$164,533,000*) 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 2022 (*30 June 2021: Nil*).

LITIGATION

Save as disclosed elsewhere in this announcement, as at 30 June 2022, the Group has no material litigation against it which had to be disclosed.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2022, the Group employed a total of 38 (*2021: 28*) full-time employees and executive Directors. The Group's total staff costs including Directors' emoluments amounted to HK\$10,776,000 for FY2022 (*2021: HK\$7,691,000*). 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

The Group has no material events subsequent to 30 June 2022 required to be disclosed as at the date 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 FY2022.

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 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code on corporate governance.

The Company complied with all the applicable code provisions (the "Code Provisions") of the CG Code as set out in Appendix 14 to the Listing Rules throughout FY2022, 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, 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 (this part of the Code Provision was removed with effect from 1 January 2022). 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 "AGM").

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 AGM, 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 AGMs, 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 AGM 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 C.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 FY2022, Mr. Wu Zhanming was the Chairman and Acting CEO of the Company. The Board believes that 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 Shareholders accordingly.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for FY2022 have been reviewed by the Audit Committee before they are duly approved by the Board under the recommendation of the Audit Committee.

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 transaction by Directors. Having made specific enquiries with the Directors, all Directors have confirmed that they had complied with the required standards set out in the Model Code during FY2022.

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 FY2022 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 FY2022.

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.

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 CEO and Executive Director

Hong Kong, 28 September 2022

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

* *For identification purposes only*

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