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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 2021**

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 2021 (“FY2021”), 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 2021*

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Revenue	3	<b>253,977</b>	248,384
Cost of sales	7	<b>(232,248)</b>	(223,313)
Gross profit		<b>21,729</b>	25,071
Other revenue	3	<b>1,351</b>	3,175
Other income	4	<b>1,733</b>	745
Net loss on disposal of financial assets at fair value through profit or loss (“FVPL”)		<b>(1,142)</b>	(40,097)
Net decrease in fair value of financial assets at FVPL		<b>(43,244)</b>	(50,288)
Net decrease in fair value of investment properties	10	<b>(27,200)</b>	(74,992)
Write-down of properties under development		–	(10,251)
Reversal (Provision) of impairment loss on loans and interest receivables	15(b)	<b>17,362</b>	(58,989)
Impairment loss on other receivables	15(b)	–	(4,995)
Selling expenses		<b>(4,316)</b>	(10,322)
Administrative expenses		<b>(19,904)</b>	(26,596)
Finance costs	6	<b>(5,934)</b>	(9,365)

	<i>Notes</i>	<b>2021</b> <b><i>HK\$'000</i></b>	2020 <i>HK\$'000</i>
<b>Loss before taxation</b>	7	<b>(59,565)</b>	(256,904)
Taxation	8	<u>(662)</u>	<u>1,755</u>
<b>Loss for the year</b>		<u><b>(60,227)</b></u>	<u>(255,149)</u>
<b>Other comprehensive income (loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
– Exchange differences arising on translation of foreign operations		<b>36,370</b>	(15,476)
<i>Items 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>42</u>	<u>(20)</u>
<b>Total other comprehensive income (loss) for the year, net of tax</b>		<u><b>36,412</b></u>	<u>(15,496)</u>
<b>Total comprehensive loss for the year</b>		<u><b>(23,815)</b></u>	<u>(270,645)</u>
<b>Loss per share</b>	9		
Basic		<u><b>(2.40) HK cents</b></u>	<u>(10.19) HK cents</u>
Diluted		<u><b>(2.40) HK cents</b></u>	<u>(10.19) HK cents</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties	<i>10</i>	<b>316,700</b>	415,200
Property, plant and equipment	<i>11</i>	<b>70,759</b>	533
Right-of-use assets		<b>285</b>	1,068
Designated FVOCI		<b>197</b>	155
		<hr/> <b>387,941</b> <hr/>	<hr/> 416,956 <hr/>
<b>Current assets</b>			
Properties under development	<i>13</i>	<b>599,599</b>	514,891
Properties held for sales	<i>14</i>	<b>128,711</b>	315,304
Financial assets at FVPL	<i>12</i>	<b>425,889</b>	332,291
Other receivables	<i>15</i>	<b>20,825</b>	23,252
Tax recoverable		–	8
Restricted bank deposits		<b>19,234</b>	15,899
Cash and cash equivalents		<b>72,022</b>	270,671
		<hr/> <b>1,266,280</b> <hr/>	<hr/> 1,472,316 <hr/>
<b>Current liabilities</b>			
Accounts and other payables	<i>16</i>	<b>208,740</b>	447,422
Interest-bearing borrowings	<i>17</i>	<b>292,956</b>	272,190
Tax payables		<b>1,963</b>	–
Lease liabilities		<b>297</b>	791
		<hr/> <b>503,956</b> <hr/>	<hr/> 720,403 <hr/>
<b>Net current assets</b>		<hr/> <b>762,324</b> <hr/>	<hr/> 751,913 <hr/>
<b>Total assets less current liabilities</b>		<hr/> <b>1,150,265</b> <hr/>	<hr/> 1,168,869 <hr/>

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current liabilities</b>		
Deferred tax liabilities	<b>101,517</b>	96,009
Lease liabilities	–	297
	<u><b>101,517</b></u>	<u>96,306</u>
<b>Net assets</b>	<u><b>1,048,748</b></u>	<u>1,072,563</u>
<b>Capital and reserves</b>		
Share capital	<b>25,051</b>	25,051
Reserves	<u><b>1,023,697</b></u>	<u>1,047,512</u>
<b>Total equity</b>	<u><b>1,048,748</b></u>	<u>1,072,563</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 June 2021*

### 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 Suite 803, 8/F, Harcourt House, 39 Gloucester Road, Wan Chai, 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 Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the Stock Exchange (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 2020 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 HKASs 1 and 8: Definition of Material***

The amendments clarify the definition of material and align the definition used across HKFRSs.

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

### ***Amendments to HKFRS 3: Definition of a Business***

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

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***

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Coronavirus disease 2019 (“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 2021. 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 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform – Phase 2 <sup>1</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions Beyond 30 June 2021 <sup>2</sup>
Amendments to HKAS 16	Proceeds before Intended Use <sup>3</sup>
Amendments to HKAS 37	Cost of Fulfilling a Contract <sup>3</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>3</sup>
Annual Improvements to HKFRSs	2018–2020 Cycle <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>4</sup>
Amendments to HKAS 1	Disclosure of Accounting Policies <sup>4</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>4</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>4</sup>
HKFRS 17	Insurance Contracts <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 April 2021

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>5</sup> The effective date to be determined

The directors of the Company do not anticipate that the application of these new/revised HKFRSs will have any material impact on the Group’s consolidated financial statements in the future.

### 3. REVENUE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue</b>		
<i>Revenue from contracts with customers within HKFRS 15:</i>		
Sales of properties in the People's Republic of China (the "PRC")		
– at a point in time	<u>243,327</u>	<u>239,636</u>
 <i>Revenue from other sources:</i>		
Gross rental income from investment properties	6,245	6,324
Interest income from financial assets at FVPL	2,330	802
Dividend income from financial assets at FVPL	<u>2,075</u>	<u>1,622</u>
	<u>10,650</u>	<u>8,748</u>
	<u>253,977</u>	<u>248,384</u>
 <b>Other revenue</b>		
Bank interest income	125	492
Loan interest income	1,224	2,681
Other	<u>2</u>	<u>2</u>
	<u>1,351</u>	<u>3,175</u>
	<u><b>255,328</b></u>	<u><b>251,559</b></u>

#### 4. OTHER INCOME

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Management fee income	1,281	558
Sundry income	<u>452</u>	<u>187</u>
	<u><u>1,733</u></u>	<u><u>745</u></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 2021 are presented below:

	<b>Resort and property development</b>	<b>Property investment</b>	<b>Investment holding</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	243,327	6,245	4,405	253,977
<b>Other revenue and income</b>	<u>271</u>	<u>1,015</u>	<u>81</u>	<u>1,367</u>
	<u><b>243,598</b></u>	<u><b>7,260</b></u>	<u><b>4,486</b></u>	<u><b>255,344</b></u>
<b>Results</b>				
Segment results	<u><b>2,185</b></u>	<u><b>(23,094)</b></u>	<u><b>(40,985)</b></u>	<b>(61,894)</b>
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><b>(60,227)</b></u>

Segment assets and liabilities as at 30 June 2021 and other segment information for the year ended 30 June 2021 are presented below:

	<b>Resort and property development</b>	<b>Property investment</b>	<b>Investment holding</b>	<b>Segment total</b>	<b>Unallocated</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>	<b>763,203</b>	<b>325,477</b>	<b>463,971</b>	<b>1,552,651</b>	<b>101,570</b>	<b>1,654,221</b>
<b>Liabilities</b>	<b>(318,145)</b>	<b>(276,500)</b>	<b>(189)</b>	<b>(594,834)</b>	<b>(10,639)</b>	<b>(605,473)</b>
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	(2)	-	-	(2)	-	(2)

Segment revenue and results for the year ended 30 June 2020 are presented below:

	Resort and property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>	239,636	6,324	2,424	248,384
<b>Other revenue and income</b>	<u>237</u>	<u>287</u>	<u>751</u>	<u>1,275</u>
	<b><u>239,873</u></b>	<b><u>6,611</u></b>	<b><u>3,175</u></b>	<b><u>249,659</u></b>
<b>Results</b>				
Segment results	<b><u>(18,728)</u></b>	<b><u>(70,525)</u></b>	<b><u>(87,837)</u></b>	(177,090)
Unallocated corporate income				2,645
Unallocated corporate expenses				(73,094)
Finance costs				<u>(9,365)</u>
Loss before taxation				(256,904)
Taxation				<u>1,755</u>
Loss for the year				<b><u>(255,149)</u></b>

Segment assets and liabilities as at 30 June 2020 and other segment information for the year ended 30 June 2020 are presented below:

	Resort and property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Assets</b>	<u>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>
<b>Liabilities</b>	<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:						
Additions to property, plant and equipment/ investment properties	11	460	14	485	–	485
Depreciation						
– Property, plant and equipment	(55)	–	(118)	(173)	–	(173)
– Right-of-use assets	–	–	–	–	(780)	(780)
Net loss on disposal of financial assets at FVPL	–	–	(40,097)	(40,097)	–	(40,097)
Net decrease in fair value of financial assets at FVPL	–	–	(50,288)	(50,288)	–	(50,288)
Net decrease in fair value of investment properties	–	(74,992)	–	(74,992)	–	(74,992)
Write-down of properties under development	(10,251)	–	–	(10,251)	–	(10,251)
Provision for impairment loss on loans and interest receivables	–	–	–	–	(58,989)	(58,989)
Provision for impairment loss on other receivables	<u>(4,995)</u>	<u>–</u>	<u>–</u>	<u>(4,995)</u>	<u>–</u>	<u>(4,995)</u>

There was no revenue generated from inter-segment transactions for both years. Revenue from resort and property development segment reported above represents sales 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 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 in 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, which interest income from financial assets at FVPL is based on the location of the markets of the respective investments:

	Revenue by geographical market	
	2021	2020
	HK\$'000	HK\$'000
Hong Kong	10,440	8,611
The PRC	243,350	239,636
Others	187	137
	<u>253,977</u>	<u>248,384</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	
	2021	2020
	HK\$'000	HK\$'000
Hong Kong	387,641	416,678
The PRC	103	123
	<u>387,744</u>	<u>416,801</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 (2020: none) of external customers contributed 10% or more of the revenue of the Group for the year.

## 6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest expenses on bank and other borrowings	5,912	12,132
Less: Interest capitalised into properties under development	<u>–</u>	<u>(2,803)</u>
	5,912	9,329
Interest expenses on lease liabilities	<u>22</u>	<u>36</u>
	<b><u>5,934</u></b>	<b><u>9,365</u></b>

## 7. LOSS BEFORE TAXATION

This is stated after charging:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Staff costs, including directors' emoluments</b>		
Salaries and other benefits	7,395	9,503
Retirement benefit scheme contributions	<u>296</u>	<u>312</u>
Total staff costs	<b><u>7,691</u></b>	<b><u>9,815</u></b>
<b>Other items</b>		
Auditor's remuneration		
– Audit service	850	850
– Non-audit related service	88	218
Cost of inventories	232,248	223,313
Depreciation		
– Property, plant and equipment	1,097	173
– Right-of-use assets	783	780
Direct operating expenses relating to investment properties that did not generate rental income	103	507
Exchange loss, net	283	138
Short-term lease expenses	<b><u>122</u></b>	<b><u>188</u></b>

## 8. TAXATION

Hong Kong Profit Tax has not been provided as the Group incurred a loss for tax purpose for the year ended 30 June 2021. Hong Kong Profits Tax had not been provided as the Group's estimated assessable profits for the year ended 30 June 2020 are wholly absorbed by unrelieved tax losses brought forward from previous years.

The PRC Enterprise Income Tax ("EIT") in respect of operations in the PRC is calculated at a rate 25% (2020: 25%) on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

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 sales 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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The net tax comprises:		
<b>Current year</b>		
EIT	–	6,405
LAT	<u>4,759</u>	<u>4,072</u>
	<u>4,759</u>	<u>10,477</u>
<b>Deferred taxation</b>		
Reversal of temporary differences	<u>(4,097)</u>	<u>(12,232)</u>
Tax expenses (credit) during the year	<u><u>662</u></u>	<u><u>(1,755)</u></u>

## 9. LOSS PER SHARE

The calculation of the basic loss per share attributable to the equity holders of the Company is based on the following data:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year for the purposes of calculating basic loss per share	<u>(60,227)</u>	<u>(255,149)</u>
	<b>2021</b> <i>No. of shares</i>	<b>2020</b> <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 2021 and 2020, 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 2021 and 2020.

## 10. INVESTMENT PROPERTIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Fair value</b>		
At the beginning of the reporting period	415,200	454,000
Additions	–	460
Transfer from assets classified as held for sale	–	35,732
Transfer to property, plant and equipment ( <i>note 11</i> )	(71,300)	–
Decrease in fair value	<u>(27,200)</u>	<u>(74,992)</u>
At the end of the reporting period	<u>316,700</u>	<u>415,200</u>

*Notes:*

- (a) At the end of the reporting period, the Group's investment properties with a carrying value of HK\$316,700,000 (2020: HK\$415,200,000) were pledged to secure its bank loans (*note 17(a)*) and bank facilities.
- (b) The investment properties of the Group are situated in Hong Kong. The remaining unexpired lease term of investment properties is 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 lease upon expiry. Monthly rental charges consist of fixed payments. The tenants also bear the management fee.

The lease income from operating leases are set out in note 3.

Properties under operating 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 damage to the investment properties at the end of the lease. Besides, the Group has purchased insurance to protect certain investment properties against any loss 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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Year 1	3,268	5,186
Year 2	<u>1,048</u>	<u>778</u>
	<u><u>4,316</u></u>	<u><u>5,964</u></u>

## **11. PROPERTY, PLANT AND EQUIPMENT**

In December 2020, the Group has 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. The land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over its remaining lease term of 38 years, using straight-line method.

At the end of the reporting period, the Group's land and buildings with carrying value of HK\$70,366,000 (*2020: HK\$Nil*) were pledged to secure its bank loans (*note 17(a)*) and bank facilities.

## 12. FINANCIAL ASSETS AT FVPL

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Unlisted investment funds	<i>(a)</i>	<b>231,079</b>	178,260
Listed equity securities			
– Hong Kong	<i>(b)</i>	<b>149,359</b>	146,170
– the PRC	<i>(b)</i>	<b>12,884</b>	–
– Overseas	<i>(b)</i>	<b>3,400</b>	–
Listed debt instruments			
– Hong Kong	<i>(c)</i>	<b>26,339</b>	7,861
– Overseas	<i>(c)</i>	<b>2,828</b>	–
		<b>425,889</b>	332,291

### *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 with carrying amount of approximately HK\$104,986,000 and HK\$51,229,000 respectively (2020: HK\$120,581,000 and HK\$57,679,000 respectively). Green Asia Restructure SP and Green Asia Restructure SP II 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 (the “Green Asia Fund”), 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.

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 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.

At the end of the reporting period, the fair value of the Group’s investments in the Green Asia Fund amounted to approximately HK\$156,215,000 (2020: HK\$178,260,000), which was based on the prices evaluated by an independent professional valuer, APAC Appraisal and Consulting Limited, with reference to the net assets value of the Segregated Portfolios at the end of the reporting period.

- (ii) In April 2021, the Group subscribed 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% 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 Horizon Robotics 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\$39,000,000 (2020: HK\$Nil), 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 year.

At the end of the reporting period, included in financial assets at FVPL with carrying amount of approximately HK\$164,533,000 (2020: HK\$35,329,000) was pledged as collateral to the margin loan facilities granted to the Group with corporate guarantee provided by the Company. No (2020: No) margin loan facilities has been 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\$26,339,000 (2020: HK\$7,861,000) and HK\$2,828,000 (2020: HK\$Nil) respectively, which bore fixed annual interest rate ranging from 7.25% to 12% (2020: 4.75%) and at 7.25% (2020: Nil) 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Properties under development (“PUD”)	679,307	587,112
Write-down to net realisable value	<u>(79,708)</u>	<u>(72,221)</u>
	<u><b>599,599</b></u>	<u><b>514,891</b></u>

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

At the end of the reporting period, none (2020: none) of the PUD is 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 year, no write-down of PUD recognised by the Group based on the valuation report of the PUD (2020: the Group has recognised write-down of PUD of approximately HK\$10,251,000 as a result of the cost of which exceeded their net realisable value based on the valuation report of the PUD).

### 14. PROPERTIES HELD FOR SALES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Properties held for sales (“PHS”)	<u><b>128,711</b></u>	<u><b>315,304</b></u>

All PHS is located in the PRC 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>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loans and interest receivables	<i>(a)</i>	<b>53,462</b>	63,824
Loss allowances	<i>(b)</i>	<b>(46,462)</b>	(63,824)
		<b>7,000</b>	–
Other receivables		<b>6,185</b>	6,138
Loss allowances	<i>(b)</i>	<b>(5,413)</b>	(4,905)
		<b>772</b>	1,233
Deposits and prepayments		<b>11,301</b>	20,397
Dividend receivables		<b>1,752</b>	1,622
		<b>13,053</b>	22,019
		<b>20,825</b>	23,252

### *Notes:*

- (a) As at the end of the reporting period, the loan with principal amount of HK\$15,500,000 (2020: HK\$15,500,000) granted to a third party borrower is unsecured, bearing fixed interest rates at 4% (2020: 4%) per annum. The loans are overdue for more than 12 months (2020: 3 months).

The remaining loans with principal amount of HK\$37,744,000 (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 until she resigned on 14 December 2019, are also unsecured, bearing fixed interest rates at 4% (2020: 4%) per annum. As at 30 June 2020, the loan was overdue for more than 3 months. Pursuant to partial repayment and extension of loan agreement dated 11 November 2020, the Group received a partial repayment of HK\$10,000,000 from the borrower and agreed to extend the repayment date to 15 July 2021.

Subsequent to the end of the reporting period, pursuant to 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 extend the repayment date in following manner: (i) HK\$3,000,000 on or before 31 January 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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Loss allowances for loans and interest receivables</b>		
At the beginning of the reporting period	63,824	4,835
(Decrease) Increase in allowances	<u>(17,362)</u>	<u>58,989</u>
At the end of the reporting period	<u><u>46,462</u></u>	<u><u>63,824</u></u>

The movement in the loss allowance for the other receivables during the year is summarised below.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Loss allowances for other receivables</b>		
At the beginning of the reporting period	4,905	–
Increase in allowances	–	4,995
Exchange realignment	<u>508</u>	<u>(90)</u>
At the end of the reporting period	<u><u>5,413</u></u>	<u><u>4,905</u></u>

## 16. ACCOUNTS AND OTHER PAYABLES

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Accounts payables</b>			
To third parties	<i>(a)</i>	<u>89,788</u>	<u>131,173</u>
<b>Other payables</b>			
Accrued charges and other creditors		13,400	9,745
Deposits received	<i>(b)</i>	3,337	14,595
Contract liabilities	<i>(c)</i>	79,358	259,222
Provision for land transfer fees	<i>(d)</i>	22,857	20,710
Interest payables – other borrowings	<i>(e)</i>	<u>–</u>	<u>11,977</u>
		<u>118,952</u>	<u>316,249</u>
		<u><b>208,740</b></u>	<u><b>447,422</b></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:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 180 days	13,410	16,942
181 – 365 days	28,791	105,304
Over 365 days	<u>47,587</u>	<u>8,927</u>
	<u><b>89,788</b></u>	<u><b>131,173</b></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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At the beginning of the reporting period	259,222	349,897
Receipt in advance	28,059	147,134
Recognised as revenue	(229,743)	(223,845)
Exchange realignment	21,820	(13,964)
	<u>21,820</u>	<u>(13,964)</u>
At the end of the reporting period	<u>79,358</u>	<u>259,222</u>

At the end of the reporting period, none (2020: none) of the contract liabilities that are expected to be settled after more than 12 months. HK\$121,365,000 (2020: HK\$310,575,000) are expected to be recognised as revenue within 12 months.

(d) The amount was unsecured, interest-free and repayable on demand.

(e) As at 30 June 2020, the Group's interest payables in respect of other borrowings are unsecured and bearing fixed interest rates ranging from 10% to 24% per annum and repayable on demand.

## 17. INTEREST-BEARING BORROWINGS

		2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
	<i>Notes</i>		
<b>Current portion</b>			
Bank borrowings, secured	<i>(a)</i>	272,190	272,190
Other borrowings, unsecured	<i>(b)</i>	20,766	–
		<u>292,956</u>	<u>272,190</u>

Notes:

- (a) At the end of the reporting period, the Group's bank borrowings carry interest rates at 2% above Hong Kong Interbank Offered Rate (2020: 2% below Hong Kong Dollar Prime Rate) and are repayable in lump sum in November 2021. The effective interest rate during the year was 2.16% (2020: 2.96%) per annum. As the bank borrowings contain a clause in their terms that gives the bank an overriding rights to demand for repayment without notice at its sole discretion, this is 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\$316,700,000 and HK\$70,366,000 respectively (2020: *pledge of investment properties of the Group with a carrying amount of approximately 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. During the year ended 30 June 2021, rental income of approximately HK\$6,245,000 (2020: *approximately HK\$6,324,000*) 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 are unsecured and bearing fixed interest rate ranging from 6.5% to 10% (2020: *Nil*) per annum and repayable within twelve months. Included in the other borrowings of HK\$5,233,000 are borrowed from a director of a subsidiary of the Company, which are unsecured and bearing fixed interest rate at 6.5% (2020: *Nil*) per annum and repayable in August 2021.

## 18. COMMITMENTS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Expenditure in respect of the properties under development contracted but not provided for	<u>82,414</u>	<u>124,641</u>

## 19. DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 30 June 2021 (2020: *HK\$ Nil*).

## **FINAL DIVIDEND**

The Board has resolved not to recommend a final dividend for FY2021 (2020: Nil).

## **RESULTS**

During FY2021, the Company recorded a loss of approximately HK\$60,227,000, which was mainly due to a net decrease in fair value of financial assets at FVPL of HK\$43,244,000 and a decrease in fair value of investment properties of HK\$27,200,000.

## **BUSINESS REVIEW**

The Group's principal business is resort and property development, property investment and investment holding during FY2021.

### **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 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 (the “Wuxi Property Project”) is expected to take place in the first quarter of 2022. Most of the apartment portion of first and second phase have been delivered to customers as at 30 June 2021. During FY2021, Wuxi Shengye delivered properties to customers and recognised a revenue of approximately HK\$243,327,000. As at 30 June 2021, the sale amounts with the contracts signed but properties not yet delivered were approximately HK\$121,365,000. Although outbreak of COVID-19 dealt a heavy blow and challenge to the global economy in 2020, the comprehensive and stringent pandemic prevention measures in the PRC brought the pandemic under control in months, and the economy recovered in 2020. With the rapid economic growth in the PRC in 2021, it is expected that the overall housing demand will remain strong this year.

### **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 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 2021 was HK\$316,700,000 (2020: HK\$415,200,000). The economy and properties market of Hong Kong were being hit by the social incidents and outbreak of the COVID-19 since 2019, and while the COVID-19 situation had been improving recently in Hong Kong, its impact on grade-A offices persisted. The fair value of the Group's investment properties decreased by HK\$27,200,000 for FY2021 (2020: HK\$74,992,000).

The Group's investment properties contributed rental income of HK\$6,245,000 in total for FY2021 (2020: HK\$6,324,000). The Sub-division Properties has contributed stable returns to the Group in both years.

### **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 FY2021, the Group recorded interest and dividend income from financial assets at FVPL of HK\$4,405,000 (2020: HK\$2,424,000), net loss on disposal of financial assets at FVPL of HK\$1,142,000 (2020: HK\$40,097,000) and a decrease in fair value of financial assets at FVPL of HK\$43,244,000 (2020: HK\$50,288,000). Details of the significant investments held by the Group for FY2021 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 corporations, which may be publicly traded or privately placed.

The investment cost of such investments as at 30 June 2021 was HK\$173,797,000. As at 30 June 2021, the fair value of Group's investment in Green Asia Restructure SP and Green Asia Restructure SP II was HK\$104,986,000 and HK\$51,229,000 respectively. The aggregate fair value of such investments accounted for 9.4% of the Group's total assets. During FY2021, the fair value of such investments decreased by HK\$14,879,000. The Group made a partial redemption of such investments of HK\$7,166,000 during FY2021. There was no realised gain or loss with respect to such investments in FY2021 as the partial redemption was completed at its fair value.

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

As at 30 June 2021, 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 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 2021 was HK\$1.28 per share. As at 30 June 2021, the fair value of investment in Zall Smart was approximately HK\$78,590,000, which represented 4.8% of the Group’s total assets. During FY2021, the fair value of the Group’s investment in Zall Smart decreased by HK\$26,691,000. During FY2021, the Group had not received and recognised any dividend, investment income or realised gain or loss from its holding of Zall Smart’s shares.

## **PROSPECTS**

We have faced great challenges since 2020. With the outbreak of COVID-19 during the year, the related work and progress of the Wuxi Property Project owned by the Group were impacted by the epidemic, which slowed down the progress of apartment sales and business planning. The Group strives to maintain normal operation on the premise of ensuring the health of its employees, which also brings challenges to corporate governance. The Group established an Independent Board Committee to upgrade the construction of its internal management system.

1. Property business: In the second half of 2020, upon the epidemic situation was effectively controlled, the resumption of work and production of Wuxi Property Project was gradually carried out. At present, while dealing with historical legacy issues, the completion acceptance work is being expedited, and the related commercial plans are also being actively formulated, advanced and implemented. The Group also plans to set up a new headquarter office in Lippo Centre in Hong Kong in 2021, thereby strengthening the leasing and sale management of the assets held by the Group in Lippo Centre.

2. Investment business: The year 2021 is fraught with volatility and difficulties for the investment market. Existing challenges and global uncertainties are likely to exacerbate market volatility. The Group is actively establishing and improving the system in relation to its investment business. While strengthening its investments, the Group will continue to adopt a prudent attitude by holding diversified securities and assets, and diversifying its investments to balance the risks and returns of its investment portfolio.

In the new financial year, the Group will focus on strengthening compliance control and strive to recover past investments. In view of the current situation of the Group, the Board and the management will continue to uphold the principles of risk control, increasing revenue and reducing expenditure and steady development, strive to actively expand the development model, seek opportunities amidst the challenges, and devote themselves to improving the quality and value of the Group's assets.

## **FINANCIAL REVIEW**

### **Revenue, Cost of Sales and Profit Margin**

The revenue of the Group increased by HK\$5,593,000, or 2%, from HK\$248,384,000 for FY2020 to HK\$253,977,000 for FY2021. The revenue generated for both years was mainly derived from resort and property development segment, the properties of Wuxi Shengye were delivered to customers and brought in revenue. During FY2021, the revenue recognised from properties sales was HK\$243,327,000, cost of sales after considering the fair value adjustment at acquisition was HK\$232,248,000 and gross profit margin was 5%. 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 year of 2017. Excluding the fair value adjustment on inventories, from the perspective of Wuxi Shengye, the gross profit margin for the sale of properties was 17%.

### **Net Loss on Disposal of Financial Assets at FVPL**

Net loss on disposal of financial assets at FVPL of the Group decreased by HK\$38,955,000, or 97%, from HK\$40,097,000 for FY2020 to HK\$1,142,000 for FY2021. The net loss for FY2020 was mainly derived from the loss on disposal of the shares of Redsun Properties Group Limited (stock code: 1996) of HK\$39,934,000. No material disposal was noted for FY2021.

### **Net Decrease in Fair Value of Financial Assets at FVPL**

Net decrease in fair value of financial assets at FVPL of the Group decreased by HK\$7,044,000, or 14%, from HK\$50,288,000 for FY2020 to HK\$43,244,000 for FY2021. The net decrease in financial assets at FVPL for FY2021 was mainly derived from the decrease in the fair value of Zall Smart's shares held by the Group of HK\$26,291,000 (2020: HK\$34,476,000) and the Green Asia Fund of HK\$14,879,000 (2020: HK\$14,651,000).

### **Net Decrease in Fair Value of Investment Properties**

The Group recognised a net decrease in fair value of investment properties of HK\$27,200,000 (2020: HK\$74,992,000) in FY2021. 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 COVID-19 continuously hit overall trading volume and price of grade-A offices in Hong Kong.

### **Write-Down of Properties Under Development**

The Group recognised a write-down of properties under development of HK\$10,251,000 in FY2020. The write-down mainly related to the car parking spaces, the cost of which exceeded their net realisable value, which was based on the valuation reports of the properties under development as at 30 June 2020 prepared by AVISTA. The valuation has adopted the residual method, which was based on the completed gross development value after deducting development costs and the Group's return. There were no significant changes in the principal assumptions, inputs and the valuation methods adopted for the valuation of properties under development in FY2021 as compared with valuation in FY2020. No further write-down was noted for the FY2021.

## **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\$58,989,000 for FY2020 and a reversal of impairment loss on loans and interest receivables of HK\$17,362,000 for FY2021. As disclosed in the announcements of the Company dated 11 November 2020 and 8 September 2021, HK\$10,000,000 and HK\$7,000,000 partial repayments have been received from a debtor respectively, and the corresponding provision provided previously has been reversed for FY2021.

The reversal/provision 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 Appraisal and Consulting Limited (the “Valuer”). 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:

<b>Classification</b>	<b>Definition</b>
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 Company has recognised the financial assets for Stage 1 to Stage 3 based on the below criteria:

<b>Asset Class</b>	<b>Criteria</b>
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**

The Valuer 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”).

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

Principle 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 borrower, 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\$7,000,000 in the assessment of LGD, the weighted average LGD was 87%.

There were no significant changes in the method adopted for the assessment of impairment loss in FY2021 as compared with the assessment made in FY2020. The reason of changes in the value of inputs and assumptions was mainly due to partial repayments received.

### **Selling Expenses**

Selling expenses of the Group decreased by HK\$6,006,000, or 58%, from HK\$10,322,000 for FY2020 to HK\$4,316,000 for FY2021. The selling expenses of FY2021 mainly comprised of sales commission and sales service fee. The decrease in selling expenses was mainly due to the reduction in commission expenses and advertising expenses incurred with less pre-sales activities in FY2021.

### **Administrative Expenses**

Administrative expenses of the Group decreased by HK\$6,692,000, or 25%, from HK\$26,596,000 for FY2020 to HK\$19,904,000 for FY2021. The administrative expenses of FY2021 mainly comprised of staff costs and legal and professional fees. The decrease in administrative expenses was mainly due to (i) one-off compensation expense of HK\$4,585,000 recognised for FY2020 and the amount recognised for FY2021 was immaterial; and (ii) the reduction in Directors' emoluments for FY2021.

### **Finance Costs**

Finance costs of the Group decreased by HK\$3,431,000, or 37%, from HK\$9,365,000 for FY2020 to HK\$5,934,000 for FY2021. 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 Year**

Loss of the year of the Group decreased by HK\$194,922,000, or 76%, from HK\$255,149,000 for FY2020 to HK\$60,227,000 for FY2021. The loss of the year for FY2021 mainly included (i) net decrease in fair value of financial assets at FVPL of HK\$43,244,000; and (ii) net decrease in fair value of investment properties of HK\$27,200,000. The Board would like to emphasize they were non-cash in nature. The reduction in loss were mainly contributed to, among others, (i) an impairment loss on loans receivables of HK\$58,989,000 was recorded for FY2020 while there was a reversal of impairment loss on loans receivables of approximately HK\$17,362,000 for FY2021; (ii) a decrease in the fair value loss of the Group's investment properties from HK\$74,992,000 for FY2020 to HK\$27,200,000 for FY2021; (iii) a decrease in a net loss on disposal of financial assets at FVPL from HK\$40,097,000 in FY2020 to HK\$1,142,000 for FY2021; and (iv) a decrease in overall expenses on administrative and selling and finance costs from HK\$46,283,000 for FY2020 to HK\$30,154,000 for FY2021.

## **Liquidity, Financial Resources and Capital Structure**

As at 30 June 2021, the Group had current assets of HK\$1,266,280,000 (2020: HK\$1,472,316,000) and current liabilities of HK\$503,956,000 (2020: HK\$720,403,000), representing a current ratio of 2.5 times (2020: 2.0 times). The Group's total equity and the total interest-bearing borrowings as at 30 June 2021 amounted to HK\$1,048,748,000 (2020: HK\$1,072,563,000) and HK\$292,956,000 (2020: HK\$272,190,000) respectively. All of the interest-bearing borrowings of the Group are repayable within one year. The gearing ratio of the Group as at 30 June 2021, calculated as a ratio of the total interest-bearing borrowings to total equity, was approximately 27.9% (2020: 25.4%). As at 30 June 2021, the Group had no significant contingent liabilities.

## **OPERATING SEGMENT INFORMATION**

Details of the operating segment information of the Group for FY2021 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, during FY2021, the Group did not have any significant investments, nor material acquisitions or disposals of subsidiaries, associates and joint ventures.

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 2021 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 FY2021.

## **COMMITMENTS**

Details of the commitments of the Group as at 30 June 2021 are set out in note 18 to the consolidated financial statements of this announcement.

## **PLEDGE OF ASSETS**

As at 30 June 2021, 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\$316,700,000 and HK\$70,366,000 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 building duly executed by the Group in favour of the bank.

As at 30 June 2021, the carrying value of the financial assets at FVPL of approximately HK\$164,533,000 (*2020: HK\$35,329,000*) 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 2021 (*30 June 2020: Nil*).

## **LITIGATION**

As at 30 June 2021, the Group has no material litigation against it which had to be disclosed.

## **HUMAN RESOURCES AND REMUNERATION POLICY**

As at 30 June 2021, the Group employed a total of 28 (*2020: 28*) full-time employees and executive Director. The Group's total staff costs including Directors' emoluments amounted to HK\$7,691,000 for FY2021 (*2020: HK\$9,815,000*). 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 2021 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 FY2021.

## **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 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 to the Listing Rules throughout FY2021, save for Code Provisions A.4.2 and A.2.1.

Details of the deviation from Code Provision A.4.2 and its 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 “AGM”).

The reason for retaining this Bye-law is for the purpose of compliance with paragraph 4(2) of Appendix 3 to 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 A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer (“CEO”) should be separate and performed by different individuals.

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

During FY2021, Mr. Wu Zhanming was the Chairman and Acting CEO of the Company. The Board is taking steps to identify suitable candidates to act as the CEO. 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.

## **AUDIT COMMITTEE**

The audited consolidated financial statements of the Company for FY2021 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 of the Directors, all Directors have confirmed that they had complied with the required standard set out in the Model Code during FY2021.

## **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 FY2021 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 FY2021.

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 assurance 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 2021

*As at the date of this announcement, the Executive Director is Mr. Wu Zhanming (Chairman and Acting CEO); 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 purposes only*

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