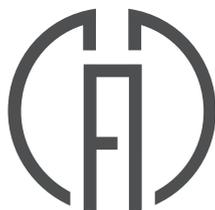


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## **APPLIED DEVELOPMENT HOLDINGS LIMITED**

**實力建業集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 519)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

The board (the “Board”) of directors (the “Directors”) of Applied Development Holdings Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 31 December 2019 together with the comparative figures as follows:

#### **CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 31 December 2019*

		<b>Six months ended 31 December</b>	
		<b>2019</b>	<b>2018</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	2	<b>223,613</b>	1,412
Cost of sales		<b>(214,119)</b>	–
Gross profit		<b>9,494</b>	1,412
Other revenue	2	<b>2,017</b>	2,058
Other income		<b>90</b>	–
Net loss on disposal of financial assets at fair value through profit or loss (“FVPL”)		<b>(14,279)</b>	(8,111)
Net (decrease) increase in fair value of financial assets at FVPL		<b>(58,158)</b>	66,594
Net decrease in fair value of investment properties		<b>(18,339)</b>	–
Impairment loss on loans receivables	12(b)	<b>(1,550)</b>	–
Selling and marketing expenses		<b>(8,419)</b>	(4,964)
Administrative expenses		<b>(15,616)</b>	(9,489)
Finance costs	4	<b>(5,484)</b>	(9,051)

		<b>Six months ended</b>	
		<b>31 December</b>	
		<b>2019</b>	2018
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Unaudited)
<b>(Loss) Profit before taxation</b>	5	<b>(110,244)</b>	38,449
Taxation	6	<u>5,614</u>	<u>–</u>
<b>(Loss) Profit for the period, attributable to equity holders of the Company</b>		<b>(104,630)</b>	38,449
<b>Other comprehensive income for the period, net of tax</b>		<u>–</u>	<u>–</u>
<b>Total comprehensive (loss) income for the period, attributable to equity holders of the Company</b>		<u><b>(104,630)</b></u>	<u>38,449</u>
<b>(Loss) Earnings per share</b>	7		
Basic		<u><b>(4.18) HK cents</b></u>	<u>1.53 HK cents</u>
Diluted		<u><b>(4.18) HK cents</b></u>	<u>1.53 HK cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	<i>Notes</i>	31/12/2019 <i>HK\$'000</i> (Unaudited)	30/06/2019 <i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Investment properties	8	436,120	454,000
Property, plant and equipment		625	688
Right-of-use assets	11	672	–
Designated fair value through other comprehensive income (“FVOCI”)		175	175
		<b>437,592</b>	454,863
<b>Current assets</b>			
Properties under development and properties held for sale	9	837,691	917,107
Financial assets at FVPL	10	521,338	718,271
Other receivables	12	85,988	112,997
Restricted bank deposits		20,458	22,298
Bank balances and cash		135,961	98,413
		<b>1,601,436</b>	1,869,086
Assets classified as held for sale		<b>35,732</b>	35,732
		<b>1,637,168</b>	1,904,818
<b>Current liabilities</b>			
Accounts and other payables	13	452,979	512,703
Lease liabilities	11	677	–
Interest-bearing borrowings		280,468	390,795
Tax payables		4,466	–
		<b>738,590</b>	903,498
<b>Net current assets</b>		<b>898,578</b>	1,001,320
<b>Total assets less current liabilities</b>		<b>1,336,170</b>	1,456,183
<b>Non-current liabilities</b>			
Deferred tax liabilities		97,592	112,975
<b>Net assets</b>		<b>1,238,578</b>	1,343,208
<b>Capital and reserves</b>			
Share capital	14	25,051	25,051
Reserves		1,213,527	1,318,157
<b>Total equity</b>		<b>1,238,578</b>	1,343,208

## NOTES

### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING AND POLICIES

The condensed consolidated interim financial statements of the Group for the six months ended 31 December 2019 (the “Interim Financial Statements”) are unaudited, but have been reviewed by the Audit Committee of the Company. These unaudited Interim Financial Statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Hong Kong Accounting Standard No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

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

The Interim Financial Statements should be read in conjunction with the Group’s consolidated financial statements for the year ended 30 June 2019 (“2019 Annual Financial Statements”). The accounting policies adopted in the Interim Financial Statements are consistent with those applied in the preparation of 2019 Annual Financial Statements, except for the adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRSs”), which are relevant to the Group’s operation and are effective for the Group’s financial year beginning on 1 July 2019 as described below.

Annual Improvements to HKFRSs	2015–2017 Cycle
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Employee Benefits
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases

Apart from the impact on adoption of HKFRS 16 as set out below, the adoption of those new and revised HKFRSs has no material impact on the Group’s results and financial position for the current or prior periods and does not result in any significant change in accounting policies of the Group.

#### **HKFRS 16: Leases**

HKFRS 16 replaces HKAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time at 1 July 2019 (i.e. the date of initial application, the “DIA”) using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of accumulated profits or other component of equity, where appropriate, at the DIA.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4, but not to those that were not previously identified as containing a lease. Therefore, the definition of lease under HKFRS 16 is applied only to contracts entered into or changed on or after the DIA.

#### **As lessee**

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group’s accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group’s accounting policies applicable from the DIA.

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Group applied the following practical expedients on a lease-by-lease basis.

- (a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- (b) Did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA.
- (c) Excluded initial direct costs from the measurement of the right-of-use assets at the DIA.
- (d) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, right-of-use assets were, on a lease-by-lease basis, measured at either,

- (a) their carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or
- (b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The weighted average incremental borrowing rate applied to the lease liabilities at the DIA is 3.13%.

The following table summarises the impact of transition to HKFRS 16 as at 1 July 2019:

	Classification and carrying amount under HKAS 17 <i>HK\$'000</i>	Initial measurement on adoption of HKFRS 16 <i>HK\$'000</i>	<b>Classification and carrying amount under HKFRS 16 <i>HK\$'000</i></b>
<b>Assets</b>			
Right-of-use assets	–	1,061	1,061
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Liabilities</b>			
Lease liabilities	–	1,061	1,061
	<u>          </u>	<u>          </u>	<u>          </u>

Base on the foregoing, as at 1 July 2019:

- Right-of-use assets and lease liabilities of HK\$1,061,000 were recognised on initial measurement respectively.
- There was no adjustment to the opening balance of components of equity as the cumulative effect of initial adoption was insignificant.

Reconciliation of operating lease commitments disclosed applying HKAS 17 at 30 June 2019 and lease liabilities recognised at the DIA is as follows.

	<b>HK\$'000</b>
Operating lease commitments at 30 June 2019	<u>1,152</u>
Discounted using the lessee's incremental borrowing rate at the DIA	<u>1,061</u>
Lease liabilities at 1 July 2019	<u>1,061</u>

#### As lessor

The Company is not required to make any adjustments on transition for leases in which it is a lessor and those leases are accounted for by applying HKFRS 16 from the DIA.

## 2. REVENUE

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>		
Gross rental income from investment properties	<b>2,908</b>	–
Sale of properties	<b>220,160</b>	–
Interest income from financial assets at FVPL	<u>545</u>	<u>1,412</u>
	<u><b>223,613</b></u>	<u>1,412</u>
<b>Other revenue</b>		
Bank interest income	<b>134</b>	172
Loan interest income	<b>1,746</b>	1,886
Other	<u>137</u>	–
	<u><b>2,017</b></u>	<u>2,058</u>
<b>Total revenue</b>	<u><b>225,630</b></u>	<u>3,470</u>

### 3. SEGMENT INFORMATION

Management identifies operating segments based on internal reports that are regularly reviewed by the chief operating decision maker, who are the Directors, for the purposes of allocating resources to segments and assessing their performance. The Directors consider resort and property development, property investment and investment holding are the Group's major operating segments.

The Group's resort and property development segment includes properties under development for commercial purposes acquired during the year ended 30 June 2017. The property investment segment includes commercial properties that are held for capital appreciation or to earn rental income. The investment holding segment includes investing and holding unlisted investment fund, equity securities and debt instruments and other assets. No operating segments have been aggregated.

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

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

Segment assets and liabilities as at 31 December 2019 and other segment information for the six months ended 31 December 2019 are presented below:

	Resort and property development <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Investment holding <i>HK\$'000</i> (Unaudited)	Segment total <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
<b>As at 31 December 2019</b>						
Assets	<u>914,013</u>	<u>483,630</u>	<u>521,807</u>	<u>1,919,450</u>	<u>155,310</u>	<u>2,074,760</u>
Liabilities	<u>(557,896)</u>	<u>(276,730)</u>	<u>(873)</u>	<u>(835,499)</u>	<u>(683)</u>	<u>(836,182)</u>
<b>Six months ended 31 December 2019</b>						
Other segment information:						
Additions to property, plant and equipment	9	-	14	23	-	23
Additions to investment properties	-	459	-	459	-	459
Decrease in fair value of investment Properties	-	(18,339)	-	(18,339)	-	(18,339)
Depreciation of property, plant and equipment	27	-	59	86	-	86
Depreciation of right-of-use assets	-	-	-	-	389	389
Net decrease in fair value of financial assets at FVPL	-	-	(58,158)	(58,158)	-	(58,158)
Net loss on disposal of financial assets at FVPL	-	-	(14,279)	(14,279)	-	(14,279)
Impairment loss of loans receivables	-	-	-	-	(1,550)	(1,550)

Segment revenue and results for the six months ended 31 December 2018 are presented below:

	Resort and property development <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Investment holding <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
<b>Revenue</b>	–	–	1,412	1,412
Other revenue and income	<u>41</u>	<u>–</u>	<u>–</u>	<u>41</u>
	<u><u>41</u></u>	<u><u>–</u></u>	<u><u>1,412</u></u>	<u><u>1,453</u></u>
<b>Results</b>				
Segment results	<u><u>(7,083)</u></u>	<u><u>(755)</u></u>	<u><u>59,855</u></u>	52,017
Unallocated corporate income				2,017
Unallocated corporate expenses				(6,534)
Finance costs				<u>(9,051)</u>
Profit before taxation				38,449
Taxation				<u>–</u>
Profit for the period				<u><u>38,449</u></u>

Segment assets and liabilities as at 30 June 2019 and other segment information for the six months ended 31 December 2018 are presented below:

	Resort and property development <i>HK\$'000</i> (Audited)	Property investment <i>HK\$'000</i> (Audited)	Investment holding <i>HK\$'000</i> (Audited)	Segment total <i>HK\$'000</i> (Audited)	Unallocated <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
<b>As at 30 June 2019</b>						
<b>Assets</b>	<u>990,991</u>	<u>522,852</u>	<u>725,239</u>	<u>2,239,082</u>	<u>120,599</u>	<u>2,359,681</u>
<b>Liabilities</b>	<u>(638,027)</u>	<u>(276,670)</u>	<u>(101,503)</u>	<u>(1,016,200)</u>	<u>(273)</u>	<u>(1,016,473)</u>
	Resort and property development <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Investment holding <i>HK\$'000</i> (Unaudited)	Segment total <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
<b>Six months ended 31 December 2018</b>						
Other segment information:						
Additions to property, plant and equipment	95	–	10	105	–	105
Depreciation of property, plant and equipment	21	–	2	23	–	23
Net increase in fair value of financial assets at FVPL	–	–	66,594	66,594	–	66,594
Net loss on disposal of financial assets at FVPL	<u>–</u>	<u>–</u>	<u>(8,111)</u>	<u>(8,111)</u>	<u>–</u>	<u>(8,111)</u>

There was no revenue generated from inter-segment transactions for both periods. 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 costs, finance costs and income tax expense. 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 People's Republic of China other than Hong Kong (the "PRC").

The following table provides an analysis of the Group's revenue from external customers by geographical market, which sale of properties and gross rental from investment properties is based on the properties located in the PRC and Hong Kong respectively and interest income from financial assets at FVPL is based on the markets of the respective instruments (2018: interest income from financial assets at FVPL is based on the markets of the respective instruments):

	<b>Revenue by geographical market</b>	
	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Hong Kong	3,338	1,412
The PRC	220,160	–
Others	115	–
	<u>223,613</u>	<u>1,412</u>

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

	<b>Carrying amounts of non-current assets</b>	
	<b>31/12/2019</b>	<b>30/6/2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Hong Kong	437,261	454,513
The PRC	156	175
	<u>437,417</u>	<u>454,688</u>

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

#### 4. FINANCE COSTS

	Six months ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest expenses on bank and other borrowings	7,864	17,184
Interest on lease liabilities	14	–
	<u>7,878</u>	<u>17,184</u>
Less: Interest capitalised into properties under development	(2,394)	(8,133)
	<u><u>5,484</u></u>	<u><u>9,051</u></u>

#### 5. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(Loss) Profit for the period after charging:		
<b>Staff costs, including directors' emoluments</b>		
Salaries and other benefits	5,020	4,082
Retirement benefit scheme contribution	276	169
	<u>5,296</u>	<u>4,251</u>
<b>Other items</b>		
Cost of properties sold	214,119	–
Depreciation of property, plant and equipment	86	23
Depreciation of right-of-use assets	389	–
Direct operating expenses relating to investment properties that generated rental income	–	117
Direct operating expenses relating to investment properties that did not generate rental income	321	519
Operating lease payments on premises and other leased assets under short term leases	66	1,183
	<u><u>214,981</u></u>	<u><u>1,842</u></u>

## 6. TAXATION

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Current tax</b>		
PRC Corporate Income Tax	4,466	–
PRC Land Appreciation Tax	5,303	–
	<u>9,769</u>	–
<b>Deferred tax</b>		
Reversal of temporary differences	(15,383)	–
	<u>(5,614)</u>	–
Total credit	<u><u>(5,614)</u></u>	<u><u>–</u></u>

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes for the six months ended 31 December 2019 (2018: Hong Kong Profits Tax has not been provided as the Group's estimated assessable profits are wholly absorbed by unrelieved tax losses brought forward from previous years.)

PRC Corporate Income Tax ("CIT") has been provided for the six months ended 31 December 2019 (2018: Nil) based on the estimated assessable profits in accordance with the relevant tax laws applicable to the entities in the PRC. The statutory CIT tax rate in the PRC is 25%.

PRC Land Appreciation Tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditure. The Group has estimated, made and included in the income tax a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. Prior to the actual cash settlement of the LAT liabilities, the LAT provision is subject to the final review/approval by the tax authorities.

## 7. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for the six months ended 31 December 2019 is based on the loss attributable to equity holders of the Company of approximately HK\$104,630,000 (2018: profit of HK\$38,449,000) and on the weighted average of 2,505,105,739 (2018: 2,505,105,739) ordinary shares of the Company in issue during the period.

The diluted (loss) earnings per share is the same as the basic (loss) earnings per share for the six months ended 31 December 2019 and 2018. The Company did not have any dilutive potential ordinary shares during the six months ended 31 December 2019 and 2018.

## 8. INVESTMENT PROPERTIES

	<b>31/12/2019</b>	30/6/2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Investment properties, at fair value	<u><b>436,120</b></u>	<u>454,000</u>

## 9. PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE

	<b>31/12/2019</b>	30/6/2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Properties under development	<b>451,486</b>	917,107
Properties held for sale	<u><b>386,205</b></u>	<u>–</u>
	<u><b>837,691</b></u>	<u>917,107</u>

The properties under development and properties held for sale are located in the PRC held under lease term of 40 years from 2014 to 2053. The development of the properties as at 31 December 2019 is expected to be completed within one year (30 June 2019: approximately HK\$368,000,000 is expected to be completed within one year and remaining balances after more than one year).

## 10. FINANCIAL ASSETS AT FVPL

	<i>Notes</i>	<b>31/12/2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	30/6/2019 <b>HK\$'000</b> <b>(Audited)</b>
Unlisted investment funds	<i>(a)</i>	<b>173,212</b>	199,997
Debt instruments listed in Hong Kong	<i>(b)</i>	<b>15,954</b>	15,930
Debt instruments listed overseas	<i>(c)</i>	<b>4,053</b>	4,031
Equity securities listed in Hong Kong	<i>(d)</i>	<b>328,119</b>	498,313
		<b>521,338</b>	718,271

### *Notes:*

- (a) 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 (collectively referred to as the "Funds") with carrying amount of approximately HK\$117,197,000 and HK\$56,015,000 (30 June 2019: HK\$138,898,000 and HK\$61,099,000) respectively. The Funds are segregated portfolios managed by Green Asia Restructure Fund SPC.

The Funds are exempted companies incorporated with limited liability and registered as segregated portfolio companies in the Cayman Islands. The investment objective of the Funds is capital appreciation by engaging in the business of originating, underwriting, acquiring and trading, debt securities and loans in listed and unlisted corporate, which may be publicly traded or privately placed.

The fair value of these unlisted investment funds amounting to approximately HK\$173,212,000 (30 June 2019: approximately HK\$199,997,000) was established by reference to the prices quoted by the administrator (30 June 2019: a professional external valuer) based on the net assets value of the Funds as at 31 December 2019 and 30 June 2019.

- (b) As at 31 December 2019, the debt instruments listed in Hong Kong bore fixed interest rate ranging from 4.75% to 6.25% per annum. The fair value of these debt instruments at the end of the reporting period was determined on the basis of quoted market price.
- (c) As at 31 December 2019, the debt instruments listed overseas bore fixed interest rate of 5.875% per annum. The fair value of these debt instruments at the end of the reporting period was determined on the basis of quoted market price.
- (d) The fair value of listed equity securities are based on quoted market prices in active market.

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

## 11. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	Right-of-use assets <i>HK\$'000</i> (Unaudited)	Lease liabilities <i>HK\$'000</i> (Unaudited)
<b>As at 1 July 2019</b>		
Adoption of HKFRS 16	1,061	1,061
Depreciation	(389)	–
Imputed interest expenses	–	14
Lease payments	–	(398)
	<u>672</u>	<u>677</u>
<b>At 31 December 2019</b>		
	<u>672</u>	<u>677</u>
Current	–	677
Non-current	<u>672</u>	–
	<u>672</u>	<u>677</u>

## 12. OTHER RECEIVABLES

	<i>Notes</i>	31/12/2019 <i>HK\$'000</i> (Unaudited)	30/6/2019 <i>HK\$'000</i> (Audited)
Loans and interest receivables	<i>(a)</i>	64,078	70,485
Loss allowance	<i>(b)</i>	(6,385)	(4,835)
		<u>57,693</u>	<u>65,650</u>
Deposits, prepayments and other debtors		25,076	26,803
Dividend receivables		–	14,079
Prepaid PRC Land appreciation tax		3,219	5,807
Due from a security broker		–	658
		<u>28,295</u>	<u>47,347</u>
		<u>85,988</u>	<u>112,997</u>

Notes:

- (a) As at 31 December 2019, the loan with principal amount of HK\$15,500,000 (30 June 2019: HK\$22,000,000) granted to a third party borrower is unsecured, bearing fixed interest rates at 4% (30 June 2019: 4%) per annum. The remaining loans with principal amount of HK\$48,350,000 (30 June 2019: HK\$48,350,000) granted to another third party borrower, in which the spouse of a Company's director has 20% equity interest in it (30 June 2019: has 20% equity interest in it and being one of directors of it), are also unsecured, bearing fixed interest rates of 4% to 6% (30 June 2019: 4%) per annum. These loans are receivable within twelve months.
- (b) The movement in the loss allowance for the balances during the year is summarised below.

	<b>31/12/2019</b>	30/6/2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
At the beginning of the reporting period	4,835	–
Increase in allowance	<u>1,550</u>	<u>4,835</u>
At the end of the reporting period	<u><b>6,385</b></u>	<u>4,835</u>

### 13. ACCOUNTS AND OTHER PAYABLES

		<b>31/12/2019</b>	30/6/2019
		<b>HK\$'000</b>	HK\$'000
	<i>Notes</i>	<b>(Unaudited)</b>	(Audited)
<b>Accounts payables</b>			
To third parties	<i>(a)</i>	<u>154,322</u>	<u>100,670</u>
<b>Other payables</b>			
Accrued charges and other creditors		8,244	19,298
Deposits received	<i>(b)</i>	17,264	21,178
Contract liabilities	<i>(c)</i>	251,489	349,897
Provision for land transfer fees		<u>21,660</u>	<u>21,660</u>
		<u>298,657</u>	<u>412,033</u>
		<u><b>452,979</b></u>	<u>512,703</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>31/12/2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	30/6/2019 <b>HK\$'000</b> <b>(Audited)</b>
Within 365 days	<b>119,768</b>	66,763
Over 365 days	<b>34,554</b>	33,907
	<b><u>154,322</u></b>	<b><u>100,670</u></b>

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

#### 14. SHARE CAPITAL

	<b>31/12/2019</b> <b>(Unaudited)</b>		<b>30/6/2019</b> <b>(Audited)</b>	
	Number of ordinary shares	Amount <b>HK\$'000</b>	Number of ordinary shares	Amount <b>HK\$'000</b>
<b>Authorised:</b>				
At 31 December 2019/30 June 2019, ordinary shares of HK\$0.01 each	<b><u>6,000,000,000</u></b>	<b><u>60,000</u></b>	<b><u>6,000,000,000</u></b>	<b><u>60,000</u></b>
<b>Issued:</b>				
At 31 December 2019/30 June 2019	<b><u>2,505,105,739</u></b>	<b><u>25,051</u></b>	<b><u>2,505,105,739</u></b>	<b><u>25,051</u></b>

## 15. INTERIM DIVIDEND

The Directors do not recommend payment of an interim dividend for the six months ended 31 December 2019 (2018: Nil).

## 16. EVENTS AFTER REPORTING PERIOD

- (a) On 8 January 2020, the Group disposed of 13,000,000 ordinary shares of Redsun Properties Group Limited (Stock code:1996), at the price of HK\$2.3 per share. A net loss of disposal of financial asset at fair value through profit or loss amounting to HK\$4,810,000 is expected to be recognised in the financial year ending 30 June 2020. Details of the transaction are set out in the Company's announcement dated 8 January 2020.
- (b) On 8 January 2020, the Group entered into a subscription agreement with Dafy Holdings Limited ("Dafy") (stock code: 1826). Pursuant to the subscription agreement, Dafy has conditionally agreed to issue and the Company has conditionally agreed to subscribe for the convertible bonds in principal amount of US\$8,000,000. The parties are still in negotiation with a purpose, *among others*, to extend the completion date under the subscription agreement. Details of the subscription are set out in the Company's announcement dated 8 January 2020.
- (c) On 7 May 2019, the Group entered into a sale and purchase agreement to dispose of an investment property at a cash consideration of HK\$35,732,000. The transaction was cancelled by the parties on 7 February 2020 without penalty.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2019 (2018: nil).

## **RESULTS**

The Company recorded a loss of HK\$104,630,000 for the six months ended 31 December 2019 as compared to the profit of HK\$38,449,000 recorded for the six months ended 31 December 2018. The loss was mainly due to the net decrease in fair value of financial assets at fair value through profit or loss of HK\$58,158,000, net decrease in fair value of investment properties of HK\$18,339,000 and net loss of disposal of financial assets at fair value through profit or loss of HK\$14,279,000.

## **BUSINESS REVIEW**

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

### **Resort and Property Development**

After the acquisition of Wuxi Shengye 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 commenced in October 2017 and the construction of the first phase of the apartment portion has completed in the third quarter of 2019. The completion of the construction of the second phase of the apartment portion and the whole project is expected to take place in the second quarter of 2020 and the fourth quarter of 2021 respectively. During the six months ended 31 December 2019, Wuxi Shengye delivered properties to customers and recognised a revenue of HK\$220,160,000. As at 31 December 2019, the contracted sales with the contracts signed but properties not yet delivered were HK\$287,284,000.

### **Property Investment**

The Group commenced sub-division of the investment property of the whole 24th floor, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong (the “Sub-division Properties”) in October 2018 and the sub-division was completed in February 2019. After the completion of sub-division, four units of the Sub-division Properties were sold for a consideration of HK\$108,300,000, and the Group recognised a gain on disposal of approximately HK\$8,316,000 for the year ended 30 June 2019.

The fair value of the Group's investment properties (including the assets classified as held for sale) as at 31 December 2019 was HK\$471,852,000 (30 June 2019: HK\$489,732,000). The decrease in fair value of investment properties for the six months ended 31 December 2019 was HK\$18,339,000 (2018: nil).

The Group's investment properties contributed rental income of HK\$2,908,000 in total for the six months ended 31 December 2019. Since the Sub-division Properties were under sub-division construction work during the period from October 2018 to February 2019, no rental income generated for the six months ended 31 December 2018. The Board believes that the Sub-division Properties are expected to contribute satisfactory returns to the Group continually.

### **Investment Holding**

The investment holding business of the Group mainly includes unlisted investment funds, listed equity securities and listed debt instruments. For the six months ended 31 December 2019, the Group recorded interest income from financial assets at fair value through profit or loss of HK\$545,000 (2018: HK\$1,412,000), net loss on disposal of financial assets at fair value through profit or loss of HK\$14,279,000 (2018: HK\$8,111,000) and a decrease in fair value of financial assets at fair value through profit or loss of HK\$58,158,000 (2018: an increase of fair value of HK\$66,594,000). Details of the financial assets at fair value through profit or loss held by the Group for the six months ended 31 December 2019 are set out as follows:

1. As at 31 December 2019, the Group invested in Green Asia Restructure SP and Green Asia Restructure SP II (collectively, the "Funds") with fair value of HK\$117,197,000 and HK\$56,015,000 respectively. The Funds are segregated portfolios managed by Green Asia Restructure Fund SPC. During the six months ended 31 December 2019, the fair value of the Group's investment in the Funds decreased HK\$19,698,000.
2. On 28 June 2018, the Group entered into a cornerstone investment agreement to subscribe for the shares of Redsun Properties Group Limited ("Redsun") at offer price of HK\$2.28 per share for an aggregate consideration of HK\$300,000,000. The shares of Redsun (stock code: 1996) have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 12 July 2018. 131,578,000 ordinary shares, representing approximately 4% of equity interest in Redsun, were allotted to the Group. Such investment was recorded as financial assets at fair value through profit or loss.

On 26 July 2019, the Group disposed of 18,500,000 ordinary shares of Redsun at a price of HK\$2.55 per share with aggregate consideration of HK\$47,175,000, which was completed in July 2019. On 15 August 2019, the Group disposed of 37,000,000 ordinary shares of Redsun at a price of HK\$2.30 per share with aggregate consideration of HK\$85,100,000, which was completed on 10 October 2019. After completion of the two disposals, the Group hold 76,078,000 shares in Redsun, representing approximately 2.29% of the total issued share capital of Redsun and recognised a loss on disposals of HK\$16,251,000 during the six months ended 31 December 2019. Based on the initial acquisition cost of HK\$2.28 per share, the Group would recognise a gain of HK\$5,735,000 in total in respect of the two disposals during the six months ended 31 December 2019. As at 31 December 2019, the fair value of Group's investment in Redsun was approximately HK\$196,282,000.

3. As at 31 December 2019, the Group held 173,470,000 ordinary shares of Zall Smart Commerce Group Limited ("Zall"), representing approximately 1.5% of the total issued share capital of Zall. The shares of Zall (stock code: 2098) are listed on Main Board of the Stock Exchange. As at 31 December 2019, the fair value of investment in Zall was approximately HK\$131,837,000. During the six months ended 31 December 2019, the fair value of the Group's investment in Zall decreased HK\$31,658,000.
4. As at 31 December 2019, the Group held debt instruments listed in Hong Kong and overseas with fair value of HK\$20,007,000. The fixed interest rate of the debt instruments ranged from 4.75% to 6.25% per annum.

## **PROSPECTS**

For the six months ended 31 December 2019, the completed inspection and successive delivery of Phase I apartment of the Wuxi Property Project of the Group indicated that the well-overall performance of such project was in line with our projections. With the reinforcement of sales in the six months ended 31 December 2019, we believe that the Wuxi Project will bring better revenue performance to the Group. For the six months ended 31 December 2019, the Group enhanced the development of financial investment business, and made certain achievements in the exploration and investment of projects. The outbreak of novel coronavirus in early 2020 is expected to bring a variety of challenges to the global economic development and affect the construction and sales of PRC real estate projects. The Company will strengthen its marketing effort to mitigate the influence. Looking forward to the financial year ending 30 June 2020, the Company will strengthen the management in all aspects and actively manage existing investment projects in order to realize value preservation and appreciation. Also, we will continue to reinforce our existing businesses such as property and financial investment with the aim of delivering the growth of the results of the Group.

## **FINANCIAL REVIEW**

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

As at 31 December 2019, the Group had current assets of HK\$1,637,168,000 (30 June 2019: HK\$1,904,818,000) and current liabilities of HK\$738,590,000 (30 June 2019: HK\$903,498,000), representing a current ratio of about 2.2 times (30 June 2019: 2.1 times). The Group's total equity and the total bank and other borrowings as at 31 December 2019 amounted to HK\$1,238,578,000 (30 June 2019: HK\$1,343,208,000) and HK\$280,468,000 (30 June 2019: HK\$390,795,000) respectively. All of the bank and other borrowings of the Group are repayable within one year. The gearing ratio of the Group as at 31 December 2019, calculated as a ratio of the total bank and other borrowings to total equity, was approximately 23% (30 June 2019: 29%).

### **OPERATING SEGMENT INFORMATION**

Details of the operating segment information of the Group for the six months ended 31 December 2019 are set out in note 3 to the condensed consolidated financial statements of this announcement.

### **CAPITAL COMMITMENTS**

The Group had no material capital commitments as at 31 December 2019 (30 June 2019: nil).

### **PLEDGE OF ASSETS**

As at 31 December 2019, the Group had provided the following security for banking facilities granted to the Group:

- (i) pledge of investment properties of the Group including assets classified as held for sale with a carrying amount of HK\$471,852,000 (30 June 2019: HK\$489,732,000);
- (ii) assignment agreements in respect of rental income of the Group's investment properties duly executed by the Group in favour of the bank;
- (iii) assignment agreements in respect of insurance compensation of the Group's investment properties duly executed by the Group in favour of the bank; and
- (iv) corporate guarantee provided by the Company.

As at 31 December 2019, the carrying value of the financial assets at fair value through profit or loss of HK\$196,282,000 was pledged as collateral to margin loan facilities granted to the Group with a corporate guarantee provided by the Company.

## **LITIGATION**

As at 31 December 2019, the Group has no material litigation which had to be disclosed.

## **HUMAN RESOURCES AND REMUNERATION POLICY**

As at 31 December 2019, the Group employed a total of 33 (30 June 2019: 38) employees and executive Directors. The Group's total staff costs including Directors' emoluments amounted to HK\$5,296,000 for the six months ended 31 December 2019 (2018: HK\$4,251,000). The remuneration packages for Directors and employees are normally reviewed annually and are structured by reference to market terms and individual competence, performance and experience. The Group also provides medical insurance coverage and operates a provident fund scheme or relevant fund scheme for its employees in Hong Kong and the PRC.

## **SUBSEQUENT EVENTS**

Details of important events affecting the Group which have been occurred since 31 December 2019 are set out in note 16 to the condensed consolidated financial statements attached to this announcement.

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

During the six months ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

The Board is committed to maintaining high standard of corporate governance practices at all times. The Board believes that good corporate governance helps to safeguard the interests of the shareholders of the Company (the "Shareholders") and to enhance the performance of the Group. The Company has adopted the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Listing Rules as its own code 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 of the Listing Rules throughout the six months ended 31 December 2019, save for Code Provision A.4.2. Details of the deviation with reasons are set out in the paragraphs below:

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

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

The reason for retaining this Bye-law is for the purpose of compliance with paragraph 4(2) of Appendix 3 of the Listing Rules. The requirement for Directors appointed to fill casual vacancies or as additional members of the Board to retire only at the next 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 annual general meetings of the Company, one third of the directors for the time being (or where the number is not a multiple of three, the number nearest to, but not greater than one third), including the independent non-executive directors, shall retire from office by rotation provided that the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. Notwithstanding the provision of Bye-law 87(1), in practice, the Chairman of the Board, Mr. Wu Zhanming will voluntarily submit himself for re-election by the Shareholders at the 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.

## **AUDIT COMMITTEE**

The unaudited condensed consolidated financial statements of the Company for the six months ended 31 December 2019 have been reviewed by the Audit Committee and have been duly approved by the Board under the recommendation of the Audit Committee.

## **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries with the Directors, all the Directors have confirmed that they had complied with the required standards set out in the Model Code during the six months ended 31 December 2019.

## **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 & Executive Director*

Hong Kong, 27 February 2020

*As at the date of this announcement, the executive directors of the Company are Mr. Wu Zhanming (Chairman) and Mr. Yuen Chi Ping (Chief Executive Officer); the non-executive directors are Mr. Wu Tao and Mr. Yao Wei Rong and the independent non-executive directors are Mr. Lau Chi Keung, Mr. Yu Tat Chi, Michael and Mr. Chiu Kit Man, Calvin.*

\* *For identification purpose only*

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