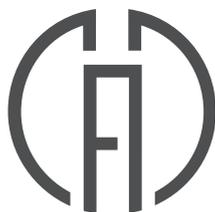


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APPLIED DEVELOPMENT HOLDINGS LIMITED

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 2020

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 2020 (“FY2020”), 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 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Revenue	<i>3</i>	248,384	17,011
Cost of sales	<i>7</i>	(223,313)	–
Gross profit		25,071	17,011
Other revenue	<i>3</i>	3,175	3,378
Other income	<i>4</i>	745	1,015
Net loss on disposal of financial assets at fair value through profit or loss (“FVPL”)		(40,097)	(10,572)
Net decrease in fair value of financial assets at FVPL		(50,288)	(18,838)
Net (decrease) increase in fair value of investment properties	<i>10</i>	(74,992)	44,535
Net gain on disposal of investment properties		–	8,316
Write-down of properties under development	<i>13</i>	(10,251)	(65,576)
Impairment loss on loans and interest receivables	<i>15(b)</i>	(58,989)	(4,835)
Impairment loss on other receivables	<i>15(b)</i>	(4,995)	–
Selling expenses		(10,322)	(14,499)
Administrative expenses		(26,596)	(20,194)
Finance costs	<i>6</i>	(9,365)	(17,956)

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss before taxation	7	(256,904)	(78,215)
Taxation	8	<u>1,755</u>	<u>464</u>
Loss for the year		<u>(255,149)</u>	<u>(77,751)</u>
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
– Exchange differences arising on translation of foreign operations		(15,476)	(6,928)
<i>Items that will not be reclassified to profit or loss</i>			
– Change in fair value of equity instruments measured at fair value through other comprehensive income (“Designated FVOCI”)		<u>(20)</u>	<u>(10)</u>
Other comprehensive loss for the year, net of tax		<u>(15,496)</u>	<u>(6,938)</u>
Total comprehensive loss for the year		<u>(270,645)</u>	<u>(84,689)</u>
Loss per share	9		
Basic		<u>(10.19) HK cents</u>	<u>(3.10) HK cents</u>
Diluted		<u>(10.19) HK cents</u>	<u>(3.10) HK cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Investment properties	<i>10</i>	415,200	454,000
Property, plant and equipment		533	688
Right-of-use assets	<i>11</i>	1,068	–
Designated FVOCI		155	175
		416,956	454,863
Current assets			
Properties under development	<i>13</i>	514,891	917,107
Properties held for sales	<i>14</i>	315,304	–
Financial assets at FVPL	<i>12</i>	332,291	718,271
Other receivables	<i>15</i>	23,252	112,997
Tax recoverable		8	–
Restricted bank deposits		15,899	22,298
Cash and cash equivalents		270,671	98,413
		1,472,316	1,869,086
Assets classified as held for sale	<i>10(c)</i>	–	35,732
		1,472,316	1,904,818
Current liabilities			
Accounts and other payables	<i>16</i>	447,422	512,703
Interest-bearing borrowings	<i>17</i>	272,190	390,795
Lease liabilities	<i>18</i>	791	–
		720,403	903,498
Net current assets		751,913	1,001,320
Total assets less current liabilities		1,168,869	1,456,183

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		96,009	112,975
Lease liabilities	<i>18</i>	<u>297</u>	<u>–</u>
		<u>96,306</u>	<u>112,975</u>
Net assets		<u>1,072,563</u>	<u>1,343,208</u>
Capital and reserves			
Share capital		25,051	25,051
Reserves		<u>1,047,512</u>	<u>1,318,157</u>
Total equity		<u>1,072,563</u>	<u>1,343,208</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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 2019 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

Annual Improvements Project – 2015-2017 Cycle

HKAS 23: Borrowing Costs Eligible for Capitalisation

The amendments clarify that (a) if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the funds an entity borrows generally and (b) funds borrowed specifically to obtain an asset other than a qualifying asset are included as part of general borrowings.

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

HK(IFRIC)-Int 23: Uncertainty over Income Tax Treatments

The interpretation supports the requirements in HKAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes.

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

Amendments to HKAS 19: Employee Benefits

The amendments require the use of updated assumptions to determine current service cost and net interest for the remainder of the reporting period after a change is made to a plan.

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

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 to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

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.

As lessee – leases previously classified as operating leases

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) Did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA.
- (b) Excluded initial direct costs from the measurement of the right-of-use assets at the DIA.

At the DIA, right-of-use assets were measured at 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.

The financial impact at the DIA and for the current year is as follows:

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 at the DIA on the consolidated statement of financial position:

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

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

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

As lessor

The Group is not required to make any adjustments on transition for leases in which it is a lessor, rather than the underlying asset.

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 HKASs 1 and 8	Definition of Material ^[1]
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform ^[1]
Amendments to HKFRS 3	Definition of a Business ^[2]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ^[3]
Amendments to HKAS 16	Proceeds before Intended Use ^[4]
Amendments to HKAS 37	Cost of Fulfilling a Contract ^[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework ^[4]
Annual Improvements to HKFRSs	2018–2020 Cycle ^[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ^[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ^[6]

^[1] Effective for annual periods beginning on or after 1 January 2020

^[2] Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020

^[3] Effective for annual periods beginning on or after 1 June 2020

^[4] Effective for annual periods beginning on or after 1 January 2022

^[5] Effective for annual periods beginning on or after 1 January 2023

^[6] 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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue		
<i>Revenue from contracts with customers within HKFRS 15:</i>		
Sale of properties in the People's Republic of China ("PRC")		
– at a point in time	<u>239,636</u>	<u>–</u>
<i>Revenue from other sources:</i>		
Gross rental income from investment properties	6,324	457
Interest income from financial assets at FVPL	802	2,475
Dividend income from financial assets at FVPL	<u>1,622</u>	<u>14,079</u>
	<u>8,748</u>	<u>17,011</u>
	<u>248,384</u>	<u>17,011</u>
Other revenue		
Bank interest income	492	324
Loan interest income	2,681	3,043
Other	<u>2</u>	<u>11</u>
	<u>3,175</u>	<u>3,378</u>
	<u>251,559</u>	<u>20,389</u>

4. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Exchange gain, net	–	693
Management fee income	558	–
Sundry income	187	322
	<u>745</u>	<u>1,015</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, first phase of the project has been completed and transferred to properties held for sales during the year. The property investment segment includes mainly commercial properties that are held for capital appreciation or to earn rental income. The investment holding segment includes holding of unlisted 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 2020 are presented below:

	Resort and property development	Property investment	Investment holding	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	239,636	6,324	2,424	248,384
Other revenue and income	<u>237</u>	<u>287</u>	<u>751</u>	<u>1,275</u>
	<u>239,873</u>	<u>6,611</u>	<u>3,175</u>	<u>249,659</u>
Results				
Segment results	<u>(18,728)</u>	<u>(70,525)</u>	<u>(87,837)</u>	(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				<u>(255,149)</u>

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>
Assets	865,483	428,465	520,073	1,814,021	75,251	1,889,272
Liabilities	(538,130)	(276,680)	(150)	(814,960)	(1,749)	(816,709)
Other segment information:						
Additions to property, plant and equipment/investment properties	11	460	14	485	-	485
Depreciation of property, plant and equipment	(55)	-	(118)	(173)	-	(173)
Depreciation of 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)
Impairment loss of loans and interest receivables	-	-	-	-	(58,989)	(58,989)
Impairment loss of other receivables	(4,995)	-	-	(4,995)	-	(4,995)

Segment revenue and results for the year ended 30 June 2019 are presented below:

	Resort and property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	–	457	16,554	17,011
Other revenue and income	<u>687</u>	<u>–</u>	<u>33</u>	<u>720</u>
	<u><u>687</u></u>	<u><u>457</u></u>	<u><u>16,587</u></u>	<u><u>17,731</u></u>
Results				
Segment results	<u><u>(84,647)</u></u>	<u><u>51,195</u></u>	<u><u>(13,040)</u></u>	(46,492)
Unallocated corporate income				3,673
Unallocated corporate expenses				(17,440)
Finance costs				<u>(17,956)</u>
Loss before taxation				(78,215)
Taxation				<u>464</u>
Loss for the year				<u><u>(77,751)</u></u>

Segment assets and liabilities as at 30 June 2019 and other segment information for the year ended 30 June 2019 are presented below:

	Resort and property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets	<u>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>
Liabilities	<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>
Other segment information:						
Additions to property, plant and equipment/investment properties	107	13,015	565	13,687	–	13,687
Depreciation of property, plant and equipment	(47)	–	(61)	(108)	–	(108)
Net loss on disposal of financial assets at FVPL	–	–	(10,572)	(10,572)	–	(10,572)
Net decrease in fair value of financial assets at FVPL	–	–	(18,838)	(18,838)	–	(18,838)
Net increase in fair value of investment properties	–	44,535	–	44,535	–	44,535
Net gain on disposal of investment properties	–	8,316	–	8,316	–	8,316
Write-down of properties under development	(65,576)	–	–	(65,576)	–	(65,576)
Impairment loss of loans receivables	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(4,835)</u>	<u>(4,835)</u>

There was no revenue generated from inter-segment transactions for both years. 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 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	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	8,611	16,567
The PRC	239,636	–
Others	137	444
	<u>248,384</u>	<u>17,011</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	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	416,678	454,513
The PRC	123	175
	<u>416,801</u>	<u>454,688</u>

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

Information about major customers

None of external customers contributed 10% or more of the revenue of the Group for the years ended 30 June 2020 and 2019 respectively.

6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest expenses on bank and other borrowings	12,132	26,584
<i>Less:</i> Interest capitalised into properties under development	(2,803)	(8,628)
Interest expenses on lease liabilities	<u>36</u>	<u>–</u>
	<u>9,365</u>	<u>17,956</u>

7. LOSS BEFORE TAXATION

This is stated after charging (crediting):

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Staff costs, including directors' emoluments		
Salaries and other benefits	9,503	7,584
Retirement benefit scheme contributions	<u>312</u>	<u>459</u>
Total staff costs	<u>9,815</u>	<u>8,043</u>
Other items		
Auditor's remuneration		
– Audit service	850	780
– Non-audit related service	218	105
Cost of inventories	223,313	–
Depreciation		
– Property, plant and equipment	173	108
– Right-of-use assets	780	–
Direct operating expenses relating to investment properties that did not generate rental income	507	1,381
Exchange loss (gain), net	138	(693)
Operating lease payments on premises	–	1,493
Short-term lease expenses	<u>188</u>	<u>–</u>

8. TAXATION

In March 2018, the two-tiered profits tax rates regime was signed into law of Hong Kong, under which, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations in the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Hong Kong Profits Tax has not been provided as the Group's estimated assessable profits for the years ended 30 June 2020 and 2019 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% (2019: 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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The net tax comprises:		
Current year		
EIT	6,405	–
LAT	4,072	–
	<u>10,477</u>	<u>–</u>
Deferred taxation		
Benefit of tax losses recognised	–	(464)
Reversal of temporary differences	(12,232)	–
	<u>(12,232)</u>	<u>(464)</u>
Tax credit during the year	<u>(1,755)</u>	<u>(464)</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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year for the purposes of calculating basic loss per share	<u>(255,149)</u>	<u>(77,751)</u>
	2020 <i>No. of shares</i>	2019 <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 2020 and 2019, 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 2020 and 2019.

10. INVESTMENT PROPERTIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Fair value		
At the beginning of the reporting period	454,000	530,000
Additions to investment properties	460	13,015
Disposal of investment properties	–	(97,818)
Transfer from (to) assets classified as held for sale	35,732	(35,732)
(Decrease) Increase in fair value	<u>(74,992)</u>	<u>44,535</u>
At the end of the reporting period	<u>415,200</u>	<u>454,000</u>

Notes:

- (a) At the end of the reporting period, the Company's investment properties with a carrying value of HK\$415,200,000 (2019: HK\$454,000,000) 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 39 years.
- (c) In May 2019, the Group entered into a sale and purchase agreement with a third-party (the "Purchaser"), to dispose of an investment property at a cash consideration of HK\$35,732,000. The disposal transaction was expected to be completed within one year. The investment property was classified as non-current asset held for sale as at 30 June 2019. On 7 February 2020, the Group entered into a cancellation agreement with the Purchaser that the Group agreed to terminate the sale and purchase agreement for the disposal of investment property originally entered into on 7 May 2019 without penalty and the deposit of HK\$3,573,000 received and kept by the lawyer on behalf of the Group was fully refunded to the Purchaser on signing of cancellation agreement. In June 2020, the property was transferred from assets classified as held for sale to investment properties upon the management has passed the resolution that the property is held to earn rental income and for capital appreciation.

Leasing arrangement – as lessor

Certain investment properties are leased to tenants for a term ranging from 1 to 2 years. The lease provides the lessee 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.

At 30 June 2020

	<i>HK\$'000</i>
Year 1	5,186
Year 2	<u>778</u>
	<u><u>5,964</u></u>

The future aggregate minimum rental receivables under non-cancellable operating leases of investment properties were as follows:

At 30 June 2019

	<i>HK\$'000</i>
Within one year	5,065
In the second to fifth years inclusive	<u>2,760</u>
	<u><u>7,825</u></u>

11. RIGHT-OF-USE ASSETS

The movements of right-of-use assets within HKFRS 16 during the year ended 30 June 2020 are set out below:

	Office premise HK\$'000
Reconciliation of carrying amount	
– year ended 30 June 2020	
At the beginning of the reporting period upon adoption of HKFRS 16	1,061
Additions	787
Depreciation	<u>(780)</u>
At the end of the reporting period	<u><u>1,068</u></u>
At 30 June 2020	
Cost	1,848
Accumulated depreciation	<u>(780)</u>
Net carrying amount	<u><u>1,068</u></u>

At the end of the reporting period, the Group leased office premise in Hong Kong for its daily operations for a term of 2 to 3 years with fixed lease payments. In November 2019, the Group entered into an agreement to renew the lease for one year of period from 12 November 2020 to 19 November 2021 and therefore right-of-use assets and lease liabilities (*note 18*) have been recognised during the year. The lease of office premises imposes a restriction that, unless approval is obtained from the lessor, the right-of-use asset can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets. In addition, the Group is also required to keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

The Group has recognised the following amounts for the year:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Lease payments:		
Short-term leases	188	–
Operating lease payments	<u>–</u>	<u>1,493</u>
Expenses recognised in profit or loss	<u>188</u>	<u>1,493</u>
Total cash outflow for leases	<u>1,008</u>	<u>1,493</u>

Commitments under operating leases

As at 30 June 2020, the Group was committed to HK\$112,000 for short-term leases.

As at 30 June 2019, the Group had commitment for future minimum lease payments under non-cancellable operating leases in respect of office premises as follows:

	<i>HK\$'000</i>
Within one year	796
In the second to fifth years inclusive	<u>356</u>
	<u>1,152</u>

12. FINANCIAL ASSETS AT FVPL

		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investment funds	<i>(a)</i>	178,260	199,997
Listed equity securities – Hong Kong	<i>(b)</i>	146,170	498,313
Listed debt instruments			
– Hong Kong	<i>(c)</i>	7,861	15,930
– Overseas		<u>–</u>	<u>4,031</u>
		<u>332,291</u>	<u>718,271</u>

Notes:

- (a) 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\$120,581,000 and HK\$57,679,000 respectively (2019: HK\$138,898,000 and HK\$61,099,000). Green Asia Restructure SP and Green Asia Restructure SP II are segregated portfolios (the “Segregated Portfolios”) managed by Green Asia Restructure Fund SPC (the “Fund”).

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

At the end of the reporting period, the fair value of the Group’s investments in the Fund amounted to approximately HK\$178,260,000 (2019: HK\$199,997,000), 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.

(b) The listed equity securities mainly comprise of:

- (i) On 28 June 2018, Dragon Bell Group Limited (“Dragon Bell”), a wholly-owned subsidiary of the Company, entered into a cornerstone investment agreement, pursuant to which Dragon Bell has subscribed for the shares of Redsun Properties Group Limited (“Redsun”) at offer price for an aggregate consideration of HK\$300,000,000. Redsun was listed on the Main Board of the Stock Exchange (stock code: 1996) on 12 July 2018. 131,578,000 ordinary shares at offer price of HK\$2.28 per share, representing approximately 4% of equity interest in Redsun, were allotted to the Group. Such investment has been recognised as financial assets at FVPL.

During the year, the Group disposed of 118,500,000 ordinary shares of Redsun at prices ranging from HK\$2.30 to HK\$2.55 per share with an aggregate consideration of HK\$276,461,000. Upon the completion of the disposals, the Group held 13,078,000 shares in Redsun, representing approximately 0.39% (2019: 3.96%) of the issued share capital of Redsun, and recognised a loss on disposal of HK\$39,934,000 during the year. At the end of the reporting period, the carrying amount of investment in Redsun amounted to HK\$33,218,000 (2019: HK\$351,313,000). The fair value of listed equity securities are based on quoted market prices in active market.

- (ii) At the end of the reporting period, the Group held 148,283,000 (2019: 140,000,000) ordinary shares of Zall Smart Commerce Group Limited (“Zall Smart”) (stock code: 2098), representing approximately 1.26% (2019: 1.19%) of the issued share capital of Zall Smart. At the end of the reporting period, the carrying amount of investment in Zall Smart amounted to HK\$105,281,000 (2019: HK\$147,000,000). The fair value of listed equity securities are based on quoted market prices in active market.
- (iii) On 10 March 2020, the Group entered into an investment agreement with United Zone Investment Limited (“United Zone”) for the acquisition of approximately 13,510,000 ordinary shares of CTR Holdings Limited (stock code: 1416) (“CTR”) with consideration of HK\$5,000,000 for an investment period of 6 months.

Upon the expiry date of the investment period, United Zone will pay HK\$5,600,000 to the Group to repurchase these ordinary shares of CTR and if the market price of these CTR’s shares exceed HK\$5,600,000, United Zone will further pay 10% of excess amounts to the Group as the investment returns.

The fair value of the equity securities amounting to approximately HK\$5,560,000 (2019: n/a) was evaluated by the management with reference to a valuation conducted by an independent professional valuer, APAC Appraisal and Consulting Limited, by using the binomial option pricing model at the end of the reporting period.

- (c) At the end of the reporting period, the Group held debt instruments listed in Hong Kong amounting to approximately HK\$7,861,000 (2019: HK\$15,930,000), which bore fixed interest rate at 4.75% (2019: 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.

13. PROPERTIES UNDER DEVELOPMENT

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Properties under development (“PUD”)	587,112	982,112
Write-down of PUD to net realisable value	<u>(72,221)</u>	<u>(65,005)</u>
	<u>514,891</u>	<u>917,107</u>

The movement of write-down of PUD to net realisable value during the year is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At the beginning of the reporting period	65,005	–
Increase in the write-down	10,251	65,576
Exchange realignment	<u>(3,035)</u>	<u>(571)</u>
At the end of the reporting period	<u>72,221</u>	<u>65,005</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 (2019: HK\$549,107,000) of the PUD is expected to be completed after more than one year.

The Group estimated the net realisable value with no significant change in key assumption and 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 development costs, estimated selling expenses and the Group’s return. During the year, the Group has recognised write down of PUD of approximately HK\$10,251,000 (2019: HK\$65,576,000) to net realisable value as a result of the cost of which exceeded their net realisable value based on the valuation report of the PUD at the end of the reporting period.

14. PROPERTIES HELD FOR SALE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Properties held for sale (“PHS”)	<u><u>315,304</u></u>	<u><u>–</u></u>

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

The Group estimated 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 estimated selling expenses and the Group’s return.

15. OTHER RECEIVABLES

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loans and interest receivables	<i>(a)</i>	63,824	70,485
Loss allowances	<i>(b)</i>	<u>(63,824)</u>	<u>(4,835)</u>
		<u>–</u>	<u>65,650</u>
Other receivables		6,138	661
Loss allowances	<i>(b)</i>	<u>(4,905)</u>	<u>–</u>
		<u>1,233</u>	<u>661</u>
Deposits and prepayments	<i>(c)</i>	20,397	26,142
Dividend receivables		1,622	14,079
Prepaid PRC land appreciation tax		–	5,807
Due from security brokers		<u>–</u>	<u>658</u>
		<u>22,019</u>	<u>46,686</u>
		<u><u>23,252</u></u>	<u><u>112,997</u></u>

Notes:

- (a) As at the end of the reporting period, the loan with principal amount of HK\$15,500,000 (2019: HK\$22,000,000) granted to a third party borrower is unsecured, bearing fixed interest rates at 4% (2019: 4%) per annum. The remaining loans with principal amount of HK\$48,008,000 (2019: HK\$48,350,000) granted to another third party borrower, in which the spouse of a Company's then 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% (2019: 4%) per annum. These loans are overdue at the end of the reporting period.

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

	2020 HK\$'000	2019 HK\$'000
Loss allowance for the loans and interest receivables		
At the beginning of the reporting period	4,835	–
Increase in allowances	<u>58,989</u>	<u>4,835</u>
At the end of the reporting period	<u><u>63,824</u></u>	<u><u>4,835</u></u>

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

	2020 HK\$'000	2019 HK\$'000
Loss allowance for the other receivables		
At the beginning of the reporting period	–	–
Increase in allowances	4,995	–
Exchange realignment	<u>(90)</u>	–
At the end of the reporting period	<u><u>4,905</u></u>	<u><u>–</u></u>

- (c) Included in deposits and prepayments are (i) a consideration receivable of HK\$10,830,000 (2019: HK\$10,830,000) for disposal of investment properties in 2019, which has been subsequently settled in July 2020, and (ii) prepaid other PRC taxes of HK\$6,774,000 (2019: HK\$9,851,000).

16. ACCOUNTS AND OTHER PAYABLES

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Accounts payables			
To third parties	<i>(a)</i>	<u>131,173</u>	<u>100,670</u>
Other payables			
Accrued charges and other creditors		9,745	6,816
Deposits received	<i>(b)</i>	14,595	21,178
Contract liabilities	<i>(c)</i>	259,222	349,897
Provision for land transfer fees		20,710	21,660
Interest payables – other borrowings	<i>(d)</i>	<u>11,977</u>	<u>12,482</u>
		<u>316,249</u>	<u>412,033</u>
		<u>447,422</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:

	2020 HK\$'000	2019 <i>HK\$'000</i>
0 – 180 days	16,942	66,584
181 – 365 days	105,304	179
Over 365 days	<u>8,927</u>	<u>33,907</u>
	<u>131,173</u>	<u>100,670</u>

- (b) Deposits received represent intention deposits received from potential customers for purchase of PUD and PHS of approximately HK\$14,595,000 (2019: HK\$21,178,000).

(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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At the beginning of the reporting period	349,897	81,974
Receipt in advance	147,134	269,336
Recognised as revenue	(223,845)	–
Exchange realignment	(13,964)	(1,413)
	<u>259,222</u>	<u>349,897</u>
At the end of the reporting period	<u>259,222</u>	<u>349,897</u>

At the end of the reporting period, none (2019: none) of the contract liabilities that are expected to be settled after more than 12 months. HK\$310,575,000 (2019: HK\$441,180,000) are expected to be recognised as revenue within 12 months.

- (d) At the end of the reporting period, the Group's interest payables in respect of other borrowings are unsecured and bearing fixed interest rates ranging from 10% to 24% (2019: 10% to 24%) per annum and repayable within three months or on demand.

17. INTEREST-BEARING BORROWINGS

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current portion			
Bank borrowings, secured	<i>(a)</i>	272,190	272,190
Other borrowings, secured	<i>(b)</i>	–	100,000
Other borrowings, unsecured		–	18,605
		<u>272,190</u>	<u>390,795</u>

Notes:

- (a) At the end of the reporting period, the Group's bank borrowings carry interest rates at 2% below Hong Kong Dollar Prime Rate (2019: 2% below Hong Kong Dollar Prime Rate) and are repayable in lump sum in November 2021 (2019: in November 2019). The effective interest rate during the year was 2.96% (2019: 3.01%) 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 of the Group with a carrying amount of approximately HK\$415,200,000 (2019: pledge of investment properties and assets classified as held for sale with a carrying amount of approximately 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. During the year ended 30 June 2020, rental income of approximately HK\$6,324,000 (2019: approximately HK\$457,000) was generated from the investment properties;
 - (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) no corporate guarantee provided (2019: corporate guarantee provided by the Company).
- (b) At the end of the reporting period, the carrying amount of FVPL of approximately HK\$35,329,000 (2019: HK\$351,313,000) was pledged as collateral to the margin loan facilities granted to the Group with corporate guarantee provided by the Company. No (2019: HK\$100,000,000) margin loan facilities has been utilised at the end of the reporting period.

18. LEASE LIABILITIES

	Lease liabilities HK\$'000
At the beginning of the reporting period upon adoption of HKFRS 16	1,061
Additions	787
Interest expenses on lease liabilities	36
Lease payments	(796)
At the end of the reporting period	<u>1,088</u>
Current portion	791
Non-current portion	297
	<u>1,088</u>

19. DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 30 June 2020 (2019: HK\$Nil).

20. EVENTS AFTER REPORTING PERIOD

In addition to the events disclosed elsewhere in this results announcement, the Group had the following events after reporting period:

- (a) The COVID-19 outbreak has brought about additional uncertainties in the Group's operating environment in Hong Kong and the PRC. As far as the Group's businesses are concerned, the outbreak has so far caused certain operational inefficiency of the Group and delays in the project development. The Group has put in place contingency measures to lower the impact from this outbreak. However, the situation remains fluid at this stage. At the date of this announcement, the Group is not in a position to estimate the financial impact of these circumstances.
- (b) In July 2020, a creditor as claimant, commenced an arbitration proceeding against a subsidiary of the Company, Wuxi Shengye Haigang Joint Stock Company Limited* (無錫盛業海港股份有限公司) ("Wuxi Shengye"), for the payment of a sum of RMB9,000,000 being fees for construction services rendered at Wuxi Arbitration Commission* (無錫仲裁委員會). The claimant applied for property preservation measures* (財產保全) and as a result, approximately RMB1,752,000 of deposits in the bank account and approximately RMB7,248,000 of PHS of Wuxi Shengye have been attached, seized and frozen in pending the resolve of arbitration proceeding.
- (c) On 20 July 2020, the Market and Quality Supervision Commission of Wuxi * (無錫市場監督管理局) (the "MQSC") in the PRC approved the Group to increase the registered capital of Wuxi Shengye from RMB180,000,000 to RMB380,000,000. On 28 July 2020, the MQSC approved the Group to further increase the registered capital of Wuxi Shengye from RMB380,000,000 to RMB410,000,000. The Group completed the capital injection in July 2020 and September 2020 respectively.

* For identification purpose only

FINAL DIVIDEND

The Board has resolved not to recommend a final dividend for FY2020 (2019: Nil).

RESULTS

During FY2020, the Company recorded a loss of approximately HK\$255,149,000, which was mainly due to (i) a decrease in fair value of investment properties of HK\$74,992,000; (ii) the impairment loss on loans and interest receivables of HK\$58,989,000; (iii) a net decrease in fair value of financial assets at FVPL of HK\$50,288,000; and (iv) a net loss on disposal of financial assets at FVPL of HK\$40,097,000.

BUSINESS REVIEW

The Group's principal business is resort and property development, property investment and investment holding during FY2020.

Resort and Property Development

After the acquisition of 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 construction of the whole project is expected to take place in the fourth quarter of 2021. During FY2020, Wuxi Shengye delivered properties to customers and recognised a revenue of approximately HK\$239,636,000. As at 30 June 2020, the sale amounts with the contracts signed but properties not yet delivered were approximately HK\$310,575,000.

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 an aggregate consideration of HK\$108,300,000, and the Group recognised a gain on disposal of approximately HK\$8,316,000 for the financial year ended 30 June 2019 ("FY2019").

The fair value of the Group's investment properties as at 30 June 2020 was HK\$415,200,000 (2019: HK\$489,732,000 (including the assets classified as held for sale)). The economy and properties market of Hong Kong were being hit by the social incidents and outbreak of the COVID-19 in FY2020, which lead to the decrease of the fair value of the Group's investment properties by HK\$74,992,000 for FY2020 (2019: Increased by HK\$44,535,000).

The Group's investment properties contributed rental income of HK\$6,324,000 in total for FY2020 (2019: HK\$457,000). The increase of rental income for FY2020 was mainly because the Sub-division Properties were under sub-division construction work during the period from October 2018 to February 2019, resulting in less rental income was generated for FY2019. The Board believes that the sub-division of the Sub-division Properties was a good move of the Group and the properties market in Hong Kong would perform well in the long-term.

Investment Holding

The Group's investment strategy for the investment holding business is mainly to diversify its investments in unlisted investment funds, listed equity securities and listed debt instruments. For FY2020, the Group recorded interest and dividend income from financial assets at FVPL of HK\$2,424,000 (2019: HK\$16,554,000), net loss on disposal of financial assets at FVPL of HK\$40,097,000 (2019: HK\$10,572,000) and a decrease in fair value of financial assets at FVPL of HK\$50,288,000 (2019: HK\$18,838,000). Details of the significant investments held by the Group for FY2020 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 "Fund"). The investment objective of the Fund is capital appreciation by engaging in the business of originating, underwriting, acquiring and trading debt securities and loans in listed and unlisted corporate, which may be publicly traded or privately placed.

The investment cost of such investments as at 30 June 2020 was HK\$180,973,000. As at 30 June 2020, the fair value of the Group's investment in Green Asia Restructure SP and Green Asia Restructure SP II was HK\$120,581,000 and HK\$57,679,000 respectively. The aggregate fair value of such investments accounted for 9.4% of the Group's total assets. During FY2020, the fair value of such investments decreased by HK\$14,651,000. The Group made a partial redemption of such investments of HK\$7,086,000 during FY2020. There was no realised gain or loss with respect to such investment in FY2020 as the partial redemption of such investments was completed at its fair value.

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

As at 30 June 2020, the Group held 148,283,000 ordinary shares of Zall Smart (stock code: 2098), 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. Zall Smart and its subsidiaries are principally engaged in property development, tourism, investment, provision of healthcare products and services business and new energy business. The acquisition cost of Zall Smart’s shares held by the Group as at 30 June 2020 was HK\$1.28 per share. As at 30 June 2020, the fair value of investment in Zall Smart was approximately HK\$105,281,000, which amounted for 5.6% of the Group’s total assets. During FY2020, the fair value of the Group’s investment in Zall Smart decreased by HK\$34,476,000. During FY2020, the Group had not received any dividend or investment income from its holding of Zall Smart’s shares and recorded a loss on disposal of Zall Smart’s shares of approximately HK\$2,374,000.

3. Redsun Properties Group Limited (“Redsun Properties”)

On 28 June 2018, the Group entered into a cornerstone investment agreement to subscribe for 131,578,000 ordinary shares of Redsun Properties (stock code: 1996) at offer price of HK\$2.28 per share with an aggregate consideration of HK\$300,000,000. Redsun Properties and its subsidiaries are principally engaged in property development, commercial property investment and operation and hotel operation. The shares of Redsun Properties have been listed on the Main Board of the Stock Exchange since 12 July 2018.

During FY2020, the Group disposed of 118,500,000 ordinary shares of Redsun Properties at prices ranging from HK\$2.3 to HK\$2.55 per share with an aggregate consideration of HK\$276,461,000. After completion of the disposals, the Group holds 13,078,000 shares in Redsun Properties, representing approximately 0.39% of the total issued share capital of Redsun Properties and recognised a loss on disposals of HK\$39,934,000 during FY2020, which was caused by the recognition of a fair value gain of HK\$42,592,000 of the respective shares in FY2019. The proceeds from the disposals was HK\$2,658,000 above the initial acquisition cost. As at 30 June 2020, the fair value of Group's investment in Redsun Properties was approximately HK\$33,218,000, which amounted for 1.8% of the Group's total assets. During FY2020, the Group recorded a dividend income from its holding of Redsun Properties's shares of approximately HK\$1,622,000 and the fair value of the Group's investments in Redsun Properties decreased by HK\$1,700,000.

FINANCIAL REVIEW

Revenue, Cost Of Sales and Profit Margin

The revenue of the Group increased by HK\$231,373,000, or 1,360%, from HK\$17,011,000 for FY2019 to HK\$248,384,000 for FY2020. Revenue increased significantly mainly because the properties of Wuxi Shengye were delivered to customers and recognised revenue in FY2020. The revenue recognised from properties sales was HK\$239,636,000, cost of sales after considering the fair value adjustment at acquisition was HK\$223,313,000 and gross profit margin was 6.8%. 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 17.6%.

Net Loss on Disposal of Financial Assets at FVPL

Net loss on disposal of financial assets at FVPL of the Group increased by HK\$29,525,000, or 279%, from HK\$10,572,000 for FY2019 to HK\$40,097,000 for FY2020. As mentioned in Business Review, the net loss on disposal of financial assets at FVPL for FY2020 mainly included a loss on disposal of the shares of Redsun Properties of HK\$39,934,000.

Net Decrease in Fair Value of Financial Assets at FVPL

Net decrease in financial assets at FVPL of the Group increased by HK\$31,450,000, or 167%, from HK\$18,838,000 for FY2019 to HK\$50,288,000 for FY2020. The net decrease in financial assets at FVPL for FY2020 was mainly derived from the decrease in the fair value of Zall Smart's shares held by the Group of HK\$34,476,000 for FY2020.

Net (Decrease) Increase in Fair Value of Investment Properties

The Group recognised a net increase in fair value of investment properties of HK\$44,535,000 in FY2019 and a net decrease in fair value of investment properties of HK\$74,992,000 in FY2020. 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 and social incidents in Hong Kong 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\$65,576,000 in FY2019 and HK\$10,251,000 in FY2020 respectively. The write-down mainly related to the car parking spaces, the cost of which exceeded their net realisable value, which were based on the valuation reports of the properties under development as at 30 June 2019 and 30 June 2020 prepared by AVISTA. The valuation has adopted the residual method, which is based on the completed gross development value after deducting development costs and the Group's return. There is no significant changes in the principal assumptions, inputs and the valuation methods adopted for the valuation of properties under development in FY2020 as compared with valuation in FY2019. For details of the write-down of properties under development and the valuation of properties under development in FY2019, please refer to the supplemental announcement of the Company dated 27 August 2020.

Impairment Loss on Loans and Interest Receivables

Impairment loss on loans and interest receivables of the Group increased by HK\$54,154,000, or 1,120%, from HK\$4,835,000 for FY2019 to HK\$58,989,000 for FY2020. The impairment loss mainly related to three loan receivables (the “Loans”) due from two parties which were companies with money lender licenses. The gross balance of the Loans and interest receivables as at 30 June 2020 was HK\$63,824,000. These Loans were overdue at the end of the reporting period.

The impairment loss has been made by the Directors after taking into the consideration of 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:

Classification	Definition
Stage 1	Stage 1 (Performing) assets are financial assets whose credit risk has not increased significantly since initial recognition. Companies are required to recognise 12-month ECL for these assets and recognise interest income based on the gross carrying amount.
Stage 2	Stage 2 (Underperforming) assets are financial assets whose credit risk has increased significantly since initial recognition. Companies are required to recognise lifetime ECL but interest income will continue to be recognised based on the gross carrying amount.
Stage 3	Stage 3 (Non-performing) assets are financial assets that are credit-impaired. Companies will continue to recognise lifetime ECL but they will now recognise interest income based on the amortized cost of the financial asset (i.e., the gross carrying amount adjusted for the loss allowance).

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

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

ECL – Probability-Weighted Loss Default Model

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 for extended periods of time with no certainty of future payments, the PD for the Loans is considered to be 100%.
2. As no specific financial information of the borrowers was available to the Company, it is assumed that borrowers are financially incapable for repayment of the outstanding balance, and the LGD is assumed to be 100% for sake of prudence.

Having taken into consideration that the Loans have been defaulted and remained outstanding for a prolonged period as at 30 June 2020, and no specific supporting can be obtained from the borrowers for proof of their repayment capacity, almost 100% bad debt provision has been provided. The Company has taken legal actions against the borrowers for Loans collection as at the date of this announcement.

There is no significant changes in the method adopted for the assessment of impairment loss in FY2020 as compared with the assessment made in FY2019. The reason of changes in the value of inputs and assumptions was mainly due to these Loans were defaulted for extended periods of time with no certainty of repayments as at 30 June 2020.

Selling Expenses

Selling expenses of the Group decreased by HK\$4,177,000, or 29%, from HK\$14,499,000 for FY2019 to HK\$10,322,000 for FY2020. The selling expenses of FY2020 mainly comprised of advertising expenses and sales commission. The decrease in selling expenses was mainly due to less commission expenses incurred with less pre-sales activities for FY2020.

Administrative Expenses

Administrative expenses of the Group increased by HK\$6,402,000, or 32%, from HK\$20,194,000 for FY2019 to HK\$26,596,000 for FY2020. The administrative expenses of FY2020 mainly comprised of staff costs, legal and professional fees and compensation expenses. The increase in administrative expenses was mainly due to one-off compensation expenses recognised for FY2020.

Finance Costs

Finance cost of the Group decreased by HK\$8,591,000, or 48%, from HK\$17,956,000 for FY2019 to HK\$9,365,000 for FY2020. The decrease in finance costs was mainly because 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 increased by HK\$177,398,000, or 228%, from HK\$77,751,000 for FY2019 to HK\$255,149,000 for FY2020. The loss of the year for FY2020 mainly including (i) decrease in fair value of investment properties of HK\$74,992,000; (ii) impairment loss on loans and interest receivables of HK\$58,989,000; (iii) net decrease in fair value of financial assets at FVPL of HK\$50,288,000; and (iv) net loss on disposal of financial assets at FVPL of HK\$40,097,000. The Board would like to emphasize that items (i), (ii) and (iii) above were non-cash in nature. The changes were mainly contributed to, among others, the decrease in the fair values of investment properties from fair value gain of HK\$44,535,000 in FY2019 to a fair value loss of HK\$74,992,000 in FY2020.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2020, the Group had current assets of HK\$1,472,316,000 (2019: HK\$1,904,818,000) and current liabilities of HK\$720,403,000 (2019: HK\$903,498,000), representing a current ratio of 2.0 times (2019: 2.1 times). The Group's total equity and the total bank and other borrowings as at 30 June 2020 amounted to HK\$1,072,563,000 (2019: HK\$1,343,208,000) and HK\$272,190,000 (2019: HK\$390,795,000) respectively. As the bank borrowing of HK\$272,190,000 which will be repayable in November 2021 contained a clause in its terms that gave the bank an overriding right to demand for repayment without notice at its sole discretion, the bank borrowing was classified as current liability. (2019: All of the bank and other borrowings of the Group are repayable within one year.) The gearing ratio of the Group as at 30 June 2020, calculated as a ratio of the total bank and other borrowings to total equity, was approximately 25.4% (2019: 29.1%).

PROSPECTS

In the past financial year, the Company encountered a complex and challenging environment. The management of the Company strove for stability in policy planning and implementation, and executed reforms and explored the paths for future development while maintaining stability.

In next financial year, challenges will co-exist with opportunities in the operation and business expansion of the Company. In 2020, the outbreak of COVID-19 caused a heavy strike to the global economy and international business travel activities were severely restricted. Facing such a challenging environment, the Company will steadily advance its existing businesses and projects, so as to seek development opportunities while maintaining stability. On the other hand, after months of comprehensive and strict epidemic prevention measures in China, the epidemic has been effectively brought under control, and the economy has begun to recover vigorously with consumption and investment activities getting more dynamic, which has brought opportunities and prospects for the Company's business innovation and expansion. In the new financial year, the Company expects to make certain progress in the following areas:

1. Property business: To promote the development and sales of properties of Wuxi Shengye gradually. Thanks to the superiority in location and characteristics of the project, the sales of the apartment part of the project are currently progressing smoothly. The next step will be to steadily promote the development, leasing and sales of the commercial part on market reality basis. We will strengthen the management of lease and sales of the Company's properties in Hong Kong to consolidate the Company's property business foundation.

2. Investment business: In the new financial year, the Company will promote the construction of the investment sector cautiously. The Company will seek investment opportunities in the property sector continuously and actively explore cooperation with other property developers. In terms of financial investment, the Company will keep concentrating on the main line of “China’s growth momentum”, and explore high-quality opportunities surrounding the two themes of new technology and new consumption in an exploratory and cautious manner, so as to improve the Company’s profitability.

In the new financial year, the Company will regard the reform and improvement of internal governance system as one of its priorities. The Company will conduct a comprehensive review of management risks, strengthen the risk management and control system, improve the management and assessment of human resources, and establish a professional and stable executive team for the above two major businesses of property and investment.

In the new financial year, the Company will continue to adhere to a prudent financial management style, strive to control and reduce debt levels, and maintain sufficient liquidity.

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 FY2020.

CORPORATE GOVERNANCE

The Company complied with all the applicable code provisions (the “Code Provisions”) of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules throughout FY2020, save for Code Provisions A.4.2 and A.2.1.

Details of the deviation of Code Provisions A.4.2 and A.2.1 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 of the Company (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 (the “AGM”) 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.

Under Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals.

The Chief Executive Officer (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 the period from 1 July 2019 to 9 June 2020, Mr. Wu Zhanming (“Mr. Wu”) was the Chairman of the Company and Mr. Yuen Chi Ping (“Mr. Yuen”) was the CEO of the Company. With effect from 10 June 2020, Mr. Yuen has been suspended all administrative and executive duties of as an executive Director and the CEO, and Mr. Wu has been re-designated as the Acting CEO to fill the vacancy arising from the suspension of duties of Mr. Yuen. With effect from 19 August 2020, Mr. Yuen resigned as the CEO. The Board is now 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 FY2020 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 of the Listing Rules as its own code of conduct regarding securities transaction by Directors. Having made specific enquiries of all the Directors, all the Directors have confirmed that they had complied with the required standard set out in the Model Code during FY2020.

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 FY2020 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 FY2020.

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 2020

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.