



實力建業

APPLIED DEVELOPMENT

APPLIED DEVELOPMENT HOLDINGS LIMITED

實力建業集團有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 519



Interim Report

2022



* For identification purpose only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

Mr. Wu Zhanming (*Chairman and Acting Chief Executive Officer*)

Non-Executive Directors

Mr. Wu Tao

Mr. Yao Wei Rong

Independent Non-executive Directors

Mr. Yu Tat Chi, Michael

Mr. Chiu Kit Man, Calvin

AUDIT COMMITTEE

Mr. Yu Tat Chi, Michael (*Chairman*)

Mr. Chiu Kit Man, Calvin

Mr. Wu Tao

REMUNERATION COMMITTEE

Mr. Chiu Kit Man, Calvin (*Chairman*)

Mr. Yu Tat Chi, Michael

Mr. Wu Zhanming

NOMINATION COMMITTEE

Mr. Wu Zhanming (*Chairman*)

Mr. Chiu Kit Man, Calvin

Mr. Yu Tat Chi, Michael

COMPANY SECRETARY

Ms. Luk Shan

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2408A, 24th Floor

Tower 1, Lippo Centre

89 Queensway

Hong Kong

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong

Investor Services Limited

17M Floor

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

SHARE REGISTRAR IN BERMUDA

MUFG Fund Services (Bermuda) Limited

4th Floor North

Cedar House

41 Cedar Avenue

Hamilton HM 12

Bermuda

PRINCIPAL BANKERS

China Construction Bank (Asia)

Corporation Limited

Hang Seng Bank Limited

Nanyang Commercial Bank, Limited

AUDITOR

Mazars CPA Limited

Certified Public Accountants

SOLICITOR

Miao & Co.

(in Association with Han Kun Law Offices)

STOCK CODE

HKEX: 519

WEBSITE

<http://www.applieddev.com>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 31 December 2021*

		Six months ended 31 December	
	<i>Notes</i>	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	2	5,205	196,374
Cost of sales		(1,204)	(188,767)
Gross profit		4,001	7,607
Other revenue	2	1,126	1,290
Other income		505	897
Net gain on disposal of financial assets at fair value through profit or loss ("FVPL")		999	220
Net (decrease) increase in fair value of financial assets at FVPL		(13,282)	6,052
Net decrease in fair value of investment properties		(15,500)	(34,700)
Reversal of impairment loss on loans and interest receivables	11(b)	2,000	9,685
Provision of impairment loss on other receivables	11(b)	(563)	–
Selling expenses		(3,280)	(2,525)
Administrative expenses		(12,199)	(9,446)
Finance costs	4	(2,807)	(3,076)
Loss before taxation	5	(39,000)	(23,996)
Taxation	6	(707)	549
Loss for the period, attributable to equity holders of the Company		(39,707)	(23,447)
Other comprehensive (loss) income <i>Items that may be reclassified subsequently to profit or loss</i>			
– Exchange differences arising on translation of foreign operations, net		(692)	29,174
Total other comprehensive (loss) income for the period, net of tax		(692)	29,174
Total comprehensive (loss) income for the period, attributable to equity holders of the Company		(40,399)	5,727
Loss per share	7		
Basic		(1.59) HK cents	(0.94) HK cents
Diluted		(1.59) HK cents	(0.94) HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Non-current assets			
Investment properties	8	301,200	316,700
Property, plant and equipment		71,486	70,759
Right-of-use assets		–	285
Financial assets designated at fair value through other comprehensive income (“Designated FVOCI”)		197	197
		372,883	387,941
Current assets			
Properties under development	9	644,233	599,599
Properties held for sale	9	127,411	128,711
Financial assets at FVPL	10	365,126	425,889
Other receivables	11	9,813	20,825
Tax recoverable		1,530	–
Restricted bank deposits		18,189	19,234
Cash and cash equivalents		94,484	72,022
		1,260,786	1,266,280
Current liabilities			
Accounts and other payables	12	241,125	208,740
Interest-bearing borrowings		279,347	292,956
Tax payables		3,331	1,963
Lease liabilities		–	297
		523,803	503,956
Net current assets		736,983	762,324
Total assets less current liabilities		1,109,866	1,150,265
Non-current liabilities			
Deferred tax liabilities		101,517	101,517
		101,517	101,517
Net assets		1,008,349	1,048,748
Capital and reserves			
Share capital	13	25,051	25,051
Reserves		983,298	1,023,697
Total equity		1,008,349	1,048,748

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 31 December 2021*

	Reserves							Total reserves HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve (non-recycling) HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	
At 1 July 2021 (audited)	25,051	406,743	(375)	11,931	204,610	17,931	382,857	1,023,697
Loss for the period	-	-	-	-	-	-	(39,707)	(39,707)
Other comprehensive loss								
<i>Items that may be reclassified subsequently to profit or loss</i>								
Exchange differences arising on translation of foreign operations, net	-	-	-	-	-	(692)	-	(692)
Total other comprehensive loss for the period	-	-	-	-	-	(692)	-	(692)
Total comprehensive loss for the period	-	-	-	-	-	(692)	(39,707)	(40,399)
At 31 December 2021 (unaudited)	25,051	406,743	(375)	11,931	204,610	17,239	343,150	983,298
								1,008,349

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	Reserves								
	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve (non-recycling) HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	Total reserves HK\$'000	Total HK\$'000
At 1 July 2020 (audited)	25,051	406,743	(417)	11,931	204,610	(18,439)	443,084	1,047,512	1,072,563
Loss for the period	-	-	-	-	-	-	(23,447)	(23,447)	(23,447)
Other comprehensive income <i>Items that may be reclassified subsequently to profit or loss</i>									
Exchange differences arising on translation of foreign operations, net	-	-	-	-	-	29,174	-	29,174	29,174
Total other comprehensive income for the period	-	-	-	-	-	29,174	-	29,174	29,174
Total comprehensive income (loss) for the period	-	-	-	-	-	29,174	(23,447)	5,727	5,727
At 31 December 2020 (unaudited)	25,051	406,743	(417)	11,931	204,610	10,735	419,637	1,053,239	1,078,290

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 31 December 2021*

	Six months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(7,757)	(11,960)
INVESTING ACTIVITIES		
Interest received	1,670	74
Purchase of financial assets at FVPL	(14,135)	(76,424)
Purchase of property, plant and equipment	(2,080)	(2)
Net proceeds from disposal of financial assets at FVPL	62,169	23,384
Net cash from (used in) investing activities	47,624	(52,968)
FINANCING ACTIVITIES		
Interest paid	(2,807)	(3,062)
New other borrowings raised	4,210	–
Repayment of bank and other borrowings	(17,819)	–
Repayment of lease liabilities	(297)	(402)
Net cash used in financing activities	(16,713)	(3,464)
Net increase (decrease) in cash and cash equivalents	23,154	(68,392)
Cash and cash equivalents at the beginning of the period	72,022	270,671
Effect on exchange rate changes	(692)	1,644
Cash and cash equivalents at the end of the period	94,484	203,923
Analysis of balances of cash and cash equivalents:		
Cash at banks and on hand	90,190	164,948
Cash held by securities brokers	4,294	28,722
Short-term time deposits	–	10,253
	94,484	203,923

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2021

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements of Applied Development Holdings Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 31 December 2021 (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 2021 ("2021 Annual Financial Statements"). The accounting policies adopted in the Interim Financial Statements are consistent with those applied in the preparation of 2021 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 2021 as described below.

Amendments to HKAS 39,
HKFRSs 4, 7 and 16

Interest Rate Benchmark Reform – Phase 2

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

2. REVENUE

	Six months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
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	1,271	192,525
<hr/>		
<i>Revenue from other sources:</i>		
Gross rental income from investment properties	2,196	3,164
Interest income from financial assets at FVPL	1,178	685
Dividend income from financial assets at FVPL	560	–
	<hr/> 3,934	3,849
	<hr/> 5,205	196,374
<hr/>		
Other revenue		
Bank interest income	46	74
Loan interest income	1,080	1,215
Other	–	1
	<hr/> 1,126	1,290
	<hr/> 6,331	197,664
<hr/>		
Total revenue	6,331	197,664

3. SEGMENT INFORMATION

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

The resort and property development segment includes properties under development and properties held for sales during the period/year. The property investment segment includes mainly commercial properties that are held for capital appreciation or earning rental income. The investment holding segment includes holding of investment funds, equity securities, debt instruments and other assets. No operating segments have been aggregated.

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3. SEGMENT INFORMATION (continued)

Segment revenue and results for the six months ended 31 December 2021 are presented below:

	Resort and property development <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Investment holding <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue	1,271	2,196	1,738	5,205
Other revenue and income	56	310	39	405
	1,327	2,506	1,777	5,610
Results				
Segment results	(6,827)	(14,952)	(11,345)	(33,124)
Unallocated corporate income				3,226
Unallocated corporate expenses				(6,295)
Finance costs				(2,807)
Loss before taxation				(39,000)
Taxation				(707)
Loss for the period				(39,707)

Segment assets and liabilities as at 31 December 2021 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)
Assets	808,506	301,792	435,939	1,546,237	87,432	1,633,669
Liabilities	(348,892)	(276,110)	-	(625,002)	(318)	(625,320)

3. SEGMENT INFORMATION (continued)

Other segment information for the six months ended 31 December 2021 are presented below:

	Resort and property development HK\$'000 (Unaudited)	Property investment HK\$'000 (Unaudited)	Investment holding HK\$'000 (Unaudited)	Segment total HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Other segment information:						
Additions to property, plant and equipment	67	-	47	114	1,966	2,080
Net decrease in fair value of investment properties	-	(15,500)	-	(15,500)	-	(15,500)
Depreciation						
- property, plant and equipment	(16)	-	(45)	(61)	(998)	(1,059)
- right-of-use assets	-	-	-	-	(285)	(285)
Net decrease in fair value of financial assets at FVPL	-	-	(13,282)	(13,282)	-	(13,282)
Net gain on disposal of financial assets at FVPL	-	-	999	999	-	999
Reversal of impairment loss of loans and interest receivables	-	-	-	-	2,000	2,000
Impairment loss of other receivables	(563)	-	-	(563)	-	(563)

Segment revenue and results for the six months ended 31 December 2020 are presented below:

	Resort and property development HK\$'000 (Unaudited)	Property investment HK\$'000 (Unaudited)	Investment holding HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue	192,525	3,164	685	196,374
Other revenue and income	84	357	273	714
	192,609	3,521	958	197,088
Results				
Segment results	(1,559)	(32,013)	7,188	(26,384)
Unallocated corporate income				11,158
Unallocated corporate expenses				(5,694)
Finance costs				(3,076)
Loss before taxation				(23,996)
Taxation				549
Loss for the period				(23,447)

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3. SEGMENT INFORMATION (continued)

Segment assets and liabilities as at 30 June 2021 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)
Assets	763,203	325,477	463,971	1,552,651	101,570	1,654,221
Liabilities	(318,145)	(276,500)	(189)	(594,834)	(10,639)	(605,473)

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

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

There was no revenue generated from inter-segment transactions for both periods. Revenue from resort and property development segment reported above represents sales of properties in the PRC to external customers. Revenue from the property investment segment reported above represents rental income earned from external customers. Segment results represent profit or loss attributable to each segment without allocation of corporate income, central administration expenses, finance costs and income tax expenses/credit. Total assets and liabilities represent all assets and liabilities under each segment together with unallocated corporate assets and liabilities other than those that have been eliminated on consolidation.

3. SEGMENT INFORMATION (continued)**Geographical information**

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

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

	Revenue by geographical market Six months ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Hong Kong	3,735	3,790
The PRC	1,357	192,525
Others	113	59
	5,205	196,374

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

	Carrying amounts of non-current assets	
	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Hong Kong	372,567	387,641
The PRC	119	103
	372,686	387,744

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

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4. FINANCE COSTS

	Six months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses on bank and other borrowings	2,805	6,356
Interest expenses on lease liabilities	2	14
	2,807	6,370
Less: Interest capitalised into properties under development	-	(3,294)
	2,807	3,076

5. LOSS BEFORE TAXATION

	Six months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period is stated after charging:		
Staff costs, including directors' emoluments		
Salaries and other benefits	4,031	4,236
Retirement benefit scheme contribution	279	165
Total staff costs	4,310	4,401
Other items		
Cost of inventories	1,204	188,767
Depreciation		
– property, plant and equipment	1,059	83
– right-of-use assets	285	392
Direct operating expenses relating to investment properties that did not generate rental income	579	564
Short-term lease expenses	25	56

6. TAXATION

	Six months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	707	6,728
PRC Land Appreciation Tax	-	4,057
	707	10,785
Deferred tax		
Reversal of temporary differences	-	(11,334)
	707	(549)
Total income tax expense (credit)	707	(549)

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes for the six months ended 31 December 2021 and 2020.

The PRC Enterprise Income Tax ("EIT") in respect of operations in the PRC is calculated at a rate 25% (*six months ended 31 December 2020: 25%*) on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof.

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

7. LOSS PER SHARE

The calculation of the basic loss per share for the six months ended 31 December 2021 is based on the loss attributable to equity holders of the Company of approximately HK\$39,707,000 (*six months ended 31 December 2020: HK\$23,447,000*) and on the weighted average of 2,505,105,739 (*six months ended 31 December 2020: 2,505,105,739*) ordinary shares of the Company in issue during the period.

The diluted loss per share is the same as the basic loss per share for the six months ended 31 December 2021 and 2020. The Company did not have any dilutive potential ordinary shares during the six months ended 31 December 2021 and 2020.

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8. INVESTMENT PROPERTIES

	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Investment properties, at fair value	301,200	316,700

9. PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE

	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Properties under development ("PUD")	644,233	599,599
Properties held for sale ("PHS")	127,411	128,711
	771,644	728,310

The PUD and PHS are located in the PRC held under lease term of 40 years from 2014 to 2053. The development of the properties as at 31 December 2021 is expected to be completed within one year (30 June 2021: within one year).

10. FINANCIAL ASSETS AT FVPL

	<i>Notes</i>	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Unlisted investment funds	<i>(a)</i>	237,026	231,079
Listed equity securities			
– Hong Kong	<i>(b)</i>	115,686	149,359
– the PRC	<i>(b)</i>	6,672	12,884
– Overseas	<i>(b)</i>	928	3,400
Listed debt instruments			
– Hong Kong	<i>(c)</i>	2,741	26,339
– Overseas	<i>(c)</i>	2,073	2,828
		365,126	425,889

Notes:

(a) The unlisted investment funds mainly comprise of:

- (i) As at 31 December 2021, included in the unlisted investment funds were 100% Class A participating, redeemable, non-voting shares of Green Asia Restructure SP and 100% Class A participating, redeemable, non-voting shares of Green Asia Restructure SP II with carrying amount of approximately HK\$103,676,000 and HK\$50,866,000 (30 June 2021: HK\$104,986,000 and HK\$51,229,000) respectively. Green Asia Restructure SP and Green Asia Restructure SP II are segregated portfolios (the "Segregated Portfolios") held by a third party of the Group, Green Asia Restructure Fund SPC, an exempted company incorporated in the Cayman Islands with limited liability (the "Green Asia Fund"), which is managed by a third party of the Group, Long Asia Asset Management Limited, a company incorporated in the Cayman Islands with limited liability.

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

As at 31 December 2021, the fair value of the Group's investments in the Green Asia Fund was established by reference to the prices quoted by the fund administrators (30 June 2021: a professional external valuer) based on its net assets value.

10. FINANCIAL ASSETS AT FVPL (continued)

Notes: (continued)

(a) (continued)

- (ii) As at 31 December 2021, included in the unlisted investment funds were 5,000,000 participating and non-voting shares, representing 16.67% (30 June 2021: 16.67%) shareholding of Jinshan Portfolio (the "Jinshan Portfolios") under Huangpu River Capital SPC (the "Huangpu River Fund").

The Huangpu River Fund is an exempted company incorporated with limited liability and registered as segregated portfolio company in the Cayman Islands. The investment objective of the Huangpu River Fund is capital appreciation by investing in the series C preferred stock of Horizon Robotics, which is principally engaged in the business of the development and manufacturing of intelligent processors based on artificial intelligence algorithms, the development of relevant software and hardware, and the provision of cloud services.

As at 31 December 2021, the fair value of the Group's investments in the Huangpu River Fund amounted to approximately HK\$50,466,000 (30 June 2021: HK\$39,000,000), which was based on the trending analysis method evaluated by a professional external valuer, AVISTA Valuation Advisory Limited.

- (b) The fair value of listed equity securities are based on quoted market prices in active market.

As at 31 December 2021, financial assets at FVPL with carrying amount of approximately HK\$58,594,000 (30 June 2021: HK\$164,533,000) are pledged as collateral to the margin loan facilities granted to the Group with corporate guarantee provided by the Company. No margin loan facilities had been utilised and outstanding as at 31 December 2021 and 30 June 2021.

- (c) As at 31 December 2021, the Group had debt instruments listed in Hong Kong and overseas amounting to approximately HK\$2,741,000 (30 June 2021: HK\$26,339,000) and HK\$2,073,000 (30 June 2021: HK\$2,828,000), which bear fixed annual interest rate ranging from 7.25% to 12% (30 June 2021: 7.25% to 12%) and 7.25% (30 June 2021: 7.25%) respectively. The fair value of these debt instruments at the end of the reporting period was determined on the basis of quoted market price.

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

11. OTHER RECEIVABLES

	<i>Notes</i>	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Loans and interest receivables	<i>(a)</i>	44,775	53,462
Loss allowances	<i>(b)</i>	(44,462)	(46,462)
		313	7,000
Other receivables		6,061	6,185
Loss allowances	<i>(c)</i>	(5,991)	(5,413)
		70	772
Deposits, prepayments and other debtors		9,430	11,301
Dividend receivables		-	1,752
		9,430	13,053
		9,813	20,825

Notes:

- (a) As at 31 December 2021, a loan with principal amount of HK\$15,500,000 (30 June 2021: HK\$15,500,000) granted to a third party borrower was unsecured, bearing fixed interest rates at 4% (30 June 2021: 4%) per annum and overdue more than 12 months (30 June 2021: more than 12 months). The remaining loans with principal amount of HK\$28,744,000 (30 June 2021: HK\$37,744,000) granted to another third-party borrower, in which the spouse of a Company's then director, Mr. Yuen Chi Ping, has 20% equity interest and had been a director until she resigned on 14 December 2019, were unsecured, bearing fixed interest rates of 4% (30 June 2021: 4%) per annum. Pursuant to the repayment and extension arrangement dated 8 September 2021, the Group has agreed to further extend the repayment date in following manner: (i) HK\$3,000,000 on or before 31 January 2022; and (ii) the remaining balance on or before 30 September 2022.

As at the date of this report, HK\$2,000,000 has been settled during the period and HK\$1,000,000 has been subsequently settled.

APPLIED DEVELOPMENT HOLDINGS LIMITED

11. OTHER RECEIVABLES (continued)

Notes: (continued)

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

	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Loss allowances for loans and interest receivables:		
At the beginning of the period/year	46,462	63,824
Decrease in allowances	(2,000)	(17,362)
	<hr/>	<hr/>
At the end of the period/year	44,462	46,462

- (c) The movement in the loss allowances for other receivables during the period/year is summarised below.

	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Loss allowances for other receivables:		
At the beginning of the period/year	5,413	4,905
Increase in allowances	563	–
Exchange realignment	15	508
	<hr/>	<hr/>
At the end of the period/year	5,991	5,413

12. ACCOUNTS AND OTHER PAYABLES

	<i>Notes</i>	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Accounts payables			
To third parties	<i>(a)</i>	113,474	89,788
Other payables			
Accrued charges and other creditors		16,682	13,400
Deposits received		123	3,337
Contract liabilities	<i>(b)</i>	87,989	79,358
Provision for land transfer fees		22,857	22,857
		127,651	118,952
		241,125	208,740

Notes:

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

	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
0-180 days	33,700	13,410
181-365 days	32,738	28,791
Over 365 days	47,036	47,587
	113,474	89,788

- (b) 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 when the Group's revenue recognition criteria are met.

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13. SHARE CAPITAL

	31 December 2021 (Unaudited)		30 June 2021 (Audited)	
	Number of ordinary shares	HK\$'000	Number of ordinary shares	HK\$'000
Authorised:				
At 31 December 2021/30 June 2021, ordinary shares of HK\$0.01 each	6,000,000,000	60,000	6,000,000,000	60,000
Issued:				
At 31 December 2021/30 June 2021, ordinary shares of HK\$0.01 each	2,505,105,739	25,051	2,505,105,739	25,051

14. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Interim Financial Statements, during the period, the Group had the following transactions with related parties:

(a) Remuneration to key management personnel

Remuneration to key management personnel including amounts paid to the directors of the Company are as follows:

	Six months ended 31 December	
	2021	2020
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Salaries and other benefits	1,393	2,122
Retirement benefits scheme contributions	-	3
	1,393	2,125

- (b) During the six months ended 31 December 2021, consultancy fee of approximately HK\$385,000 (31 December 2020: HK\$385,000) was paid to a related company controlled by Mr. Wu Tao, a member of key management personnel of the Company.

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following table presents the carrying value of financial instruments measured at fair value at 31 December 2021 and 30 June 2021 across the three levels of the fair value hierarchy defined in HKFRS 13, "Fair Value Measurement", with the fair value measurement categorised in its entirety based on the lowest level of input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical financial instruments that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the financial instruments, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the financial instruments.

(i) Financial assets measured at fair value

	31 December 2021 (Unaudited)			
	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<i>Financial assets at FVPL:</i>				
Unlisted investment funds	237,026	-	154,542	82,484
Listed equity securities				
– Hong Kong	115,686	115,686	-	-
– the PRC	6,672	6,672	-	-
– Overseas	928	928	-	-
Listed debt instruments				
– Hong Kong	2,741	2,741	-	-
– Overseas	2,073	2,073	-	-
	365,126	128,100	154,542	82,484
<i>Designated FVOCI:</i>				
Equity securities listed in Hong Kong	197	197	-	-

APPLIED DEVELOPMENT HOLDINGS LIMITED

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

(i) *Financial assets measured at fair value* (continued)

	30 June 2021 (Audited)			
	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<i>Financial assets at FVPL:</i>				
Unlisted investment funds	231,079	–	156,215	74,864
Listed equity securities				
– Hong Kong	149,359	149,359	–	–
– the PRC	12,884	12,884	–	–
– Overseas	3,400	3,400	–	–
Listed debt instruments				
– Hong Kong	26,339	26,339	–	–
– Overseas	2,828	2,828	–	–
	425,889	194,810	156,215	74,864
<i>Designated FVOCI:</i>				
Equity securities listed in Hong Kong	197	197	–	–

During the six months ended 31 December 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The details of the movements of the fair value measurements categorised as Level 3 of the fair value hierarchy during the six months ended 31 December 2021 and the year ended 30 June 2021 are as follows:

Movements in Level 3 fair value measurements

	Financial assets at FVPL	
	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
At the beginning of the period/year	74,864	5,560
Additions	–	74,070
Increase in fair value	7,620	794
Disposal	–	(5,560)
At the end of the period/year	82,484	74,864

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)(i) *Financial assets measured at fair value (continued)***Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement**

The quantitative information of the significant unobservable input and description of valuation techniques used in Level 3 fair value measurement, including the description of the sensitivity to changes in unobservable inputs for recurring Level 3 fair value measurements, are as follows:

Description	Fair value at		Valuation techniques	Unobservable input	Sensitivity of fair value to changes in unobservable inputs
	31 December 2021 <i>HK\$'000</i> (Unaudited)	30 June 2021 <i>HK\$'000</i> (Audited)			
Financial assets at FVPL					
- Unlisted investment funds	82,484	74,864	Trending analysis	Market capitalisation/ Market indices	If the market capitalisation/ market indices increased/ decreased by 3% (30 June 2020: 3%), the fair value of the unlisted investment funds would increase/decrease by HK\$2,475,000 (30 June 2021: HK\$2,246,000).

16. INTERIM DIVIDEND

The directors do not recommend payment of an interim dividend for the six months ended 31 December 2021 (six months ended 31 December 2020: Nil).

MANAGEMENT DISCUSSION AND PROSPECTS

INTERIM DIVIDEND

The board (the “Board”) of directors (the “Directors”) of Applied Development Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) does not recommend the payment of an interim dividend for the six months ended 31 December 2021 (*2020: nil*).

RESULTS

The Company recorded a loss of HK\$39,707,000 for the six months ended 31 December 2021 as compared to the loss of HK\$23,447,000 for the six months ended 31 December 2020. The loss for the six months ended 31 December 2021 was mainly attributable to, among others, the net decrease in fair value of investment properties and financial assets at fair value through profit or loss (“FVPL”) of HK\$15,500,000 and HK\$13,282,000 respectively. Increase in loss was mainly due to, among others, net impact of (i) a change in fair value of financial assets at FVPL from a net fair value gain of HK\$6,052,000 for the six months ended 31 December 2020 to a net fair value loss of HK\$13,282,000 for the six months ended 31 December 2021; (ii) a decrease in reversal of impairment loss on loans and interest receivables from HK\$9,685,000 for the six months ended 31 December 2020 to HK\$2,000,000 for the six months ended 31 December 2021; and (iii) a decrease in the fair value loss of the Group’s investment properties from HK\$34,700,000 for the six months ended 31 December 2020 to HK\$15,500,000 for the six months ended 31 December 2021. The Board wishes to emphasize that the above-mentioned factors (i) and (iii) are non-cash in nature.

BUSINESS REVIEW

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

MANAGEMENT DISCUSSION AND PROSPECTS

Resort and Property Development

The Group has acquired Wuxi Shengye Haigang Joint Stock Company Limited* (無錫盛業海港股份有限公司) (“Wuxi Shengye”) in June 2017, the pre-sale of the properties under development commenced in October 2017, the construction of the first and second phase of the apartment portion were completed in the third quarter of 2019 and third quarter of 2020 respectively. The completion of the whole project (“Wuxi Property Project”) is expected to take place in the first quarter of 2022. Most of the apartment portion of first and second phase have been delivered to customers as at 30 June 2021. During the six months ended 31 December 2021, only several apartments were delivered to customers and recognised a revenue of HK\$1,271,000 with overall gross profit margin of 5% after reversing the revaluation consolidated adjustment. As at 31 December 2021, the contracted sales with the contracts signed but properties not yet delivered were HK\$127,894,000. Although the impact of COVID-19 in the PRC has been controlled in months after the outbreak in 2020, the new coronavirus variants are still bringing unpredictable challenges to the property market and global economy.

Property Investment

The Group commenced sub-division of the property of the whole 24th floor, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong (the “Sub-division Properties”) in October 2018 and the sub-division was completed in February 2019. After the completion of sub-division, four units of the Sub-division Properties were sold in 2019.

As at 31 December 2020, three units of the Sub-division Properties with fair value of HK\$71,300,000 were transferred from investment properties to owner’s occupation as properties, plant and equipment. The fair value of the Group’s investment properties as at 31 December 2021 was HK\$301,200,000 (30 June 2021: HK\$316,700,000). The economy and properties market of Hong Kong are being hit by the coronavirus variants. The fair value of the Group’s investment properties decreased by HK\$15,500,000 for the six months ended 31 December 2021 (2020: HK\$34,700,000). It is emphasised that the fair value loss was non-cash in nature.

The Group’s investment properties contributed rental income of HK\$2,196,000 in total for the six months ended 31 December 2021 (2020: HK\$3,164,000). The Sub-division Properties have contributed stable returns to the Group in both periods.

MANAGEMENT DISCUSSION AND PROSPECTS

Investment Holding

The Group's investment strategy for its investment holding business is mainly to diversify its investments in unlisted investment funds, listed equity securities and listed debt instruments. For the six months ended 31 December 2021, the Group recorded interest and dividend income from financial assets at FVPL of HK\$1,738,000 (2020: HK\$685,000), net gain on disposal of financial assets at FVPL of HK\$999,000 (2020: HK\$220,000) and a decrease in fair value of financial assets at FVPL of HK\$13,282,000 (2020: an increase of fair value of HK\$6,052,000). Details of the significant investments held by the Group for the six months ended 31 December 2021 are set out as follows:

1. Green Asia Restructure SP and Green Asia Restructure SP II

Since 2017, the Group invested in Green Asia Restructure SP and Green Asia Restructure SP II, both of which are segregated portfolios managed by Green Asia Restructure Fund SPC (the "Green Asia Fund"). The investment objective of the Green Asia Fund is capital appreciation by engaging in the business of originating, underwriting, acquiring and trading debt securities and loans in listed and unlisted corporate, which may be publicly traded or privately placed.

The investment cost of the Green Asia Fund held by the Group as at 31 December 2021 was HK\$167,538,000. As at 31 December 2021, the fair value of the Group's investments in Green Asia Restructure SP and Green Asia Restructure SP II was HK\$103,676,000 and HK\$50,866,000 respectively. The fair value of the Group's investments in the Green Asia Fund accounted for 9.5% of the Group's total assets as at 31 December 2021. During the six months ended 31 December 2021, the fair value of the Group's investment in the Green Asia Fund increased by HK\$3,939,000. The Group made a partial redemption of such investments of HK\$5,657,000 and realised a gain on disposal of HK\$45,000 during the six months ended 31 December 2021.

MANAGEMENT DISCUSSION AND PROSPECTS

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

As at 31 December 2021, the Group held 145,823,000 ordinary shares of Zall Smart, representing approximately 1.2% of the total issued share capital of Zall Smart. The shares of Zall Smart are listed on Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (stock code: 2098). Zall Smart and its subsidiaries are principally engaged in developing and operating of large-scale consumer product-focused wholesale shopping malls, and providing supply chain management and trading business, e-commerce services, financial services, warehousing and logistics services for the online and offline customers in the PRC. The acquisition cost of Zall Smart shares held by the Group as at 31 December 2021 was HK\$1.28 per share. As at 31 December 2021, the fair value of investment in Zall Smart was approximately HK\$67,079,000, which amounted for 4.1% of the Group’s total assets. During the six months ended 31 December 2021, the Group disposed of 2,460,000 shares of Zall Smart and recognised a loss of disposal of HK\$127,000 and the fair value of the Group’s investment in Zall Smart decreased by HK\$10,208,000. Besides that, the Group had not received and recognised any dividend or other investment income from its holding of Zall Smart’s shares.

The remaining investments held by the Group mainly included unlisted investment funds, listed equity securities and listed debt instruments, each of which represented less than 5% of the Group’s total assets as at 31 December 2021.

PROSPECTS

In 2021, the COVID-19 epidemic continued to spread globally. Although the epidemic has been under effective control in China through the efforts of the Central Government of China, the global spread of the coronavirus variants still has a certain impact on normal business activities. Besides, the Group has actively proceeded with the Wuxi Property Project while dealing with legacy issues. During the six months ended 31 December 2021, the Group’s head office was relocated to Lippo Centre in Hong Kong, allowing for better management of the leasing and sale of the Group’s assets therein. The second half of 2021 was challenging, with the global economic recovery under strain and the international environment becoming increasingly unclear. Against this backdrop, the Group will seek opportunities and pursue development with the priority of stability in the coming 2022. Meanwhile, the Group will strengthen the development of internal control and risk control mechanism system, with the aim of achieving its quality growth.

MANAGEMENT DISCUSSION AND PROSPECTS

FINANCIAL REVIEW

Revenue, cost of sales and gross profit margin

The revenue of the Group decreased by HK\$191,169,000, or 97%, from HK\$196,374,000 for the six months ended 31 December 2020 to HK\$5,205,000 for the six months ended 31 December 2021. Most of revenue generated for the six months ended 31 December 2020 was derived from resort and property development segment, the properties of Wuxi Shengye were delivered to customers and bringing in revenue. The revenue generated from resort and property development segment for the six months ended 31 December 2021 was HK\$1,271,000 (2020: HK\$192,525,000) and gross profit margin was 5% (2020: 2%). There was a decrease in revenue because the properties were delivered to customers in bulk for the six months ended 31 December 2020, while no bulk delivery was arranged for the six months ended 31 December 2021.

Net gain on disposal of financial assets at FVPL

The Group recognised a net gain on disposal of financial assets at FVPL of HK\$220,000 for the six months ended 31 December 2020 and HK\$999,000 for the six months ended 31 December 2021. No material disposal was noted for both periods.

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

There was a change in fair value of financial assets at FVPL of the Group from a net increase in fair value of financial assets at FVPL of HK\$6,052,000 for the six months ended 31 December 2020 to a net decrease in fair value of financial assets at FVPL of HK\$13,282,000 for the six months ended 31 December 2021. For the six months ended 31 December 2021, although the fair value of funds increased for HK\$11,559,000, the fair value of listed shares decreased by HK\$24,474,000, among others, the fair value of Zall Smart's shares held by the Group decreased by HK\$10,208,000 (2020: no change). The financial performance of the financial assets at FVPL held by the Group for the six months ended 31 December 2020 was relatively stable.

MANAGEMENT DISCUSSION AND PROSPECTS

Net decrease in fair value of investment properties

The net fair value loss of investment properties of the Group reduced from HK\$34,700,000 for the six months ended 31 December 2020 to HK\$15,500,000 for the six months ended 31 December 2021. The fair value of investment properties of the Group was determined with reference to the valuation conducted by an independent professional valuer, AVISTA Valuation Advisory Limited. The valuer has adopted the direct comparison method for the valuation by comparing recent market evidence of similar properties located in the neighborhood area. The fair value of investment properties was affected by the economy and properties market of Hong Kong. The outbreak of the coronavirus variants continuously hit the overall trading volume and price of grade-A offices in Hong Kong.

Reversal of impairment loss on loans and interest receivables

The Group recognised a reversal of impairment loss on loans and interest receivables of HK\$9,685,000 for the six months ended 31 December 2020 and HK\$2,000,000 for the six months ended 31 December 2021, which was due to the partial repayments received from a debtor in the corresponding periods. Besides the partial repayments, there were no significant changes in the principle assumptions and key inputs adopted by the Group for the assessment of impairment loss for the six months ended 31 December 2021 as compared with that of the year ended 30 June 2021. For details of the valuation method, principle assumptions and key inputs relating to the reversal/provision of impairment loss on loans and interest receivables, please refer to pages 6 to 8 of the annual report of the Company for the year ended 30 June 2021.

Selling expenses

Selling expenses of the Group increased by HK\$755,000, or 30%, from HK\$2,525,000 for the six months ended 31 December 2020 to HK\$3,280,000 for the six months ended 31 December 2021. The selling expenses for the six months ended 31 December 2021 mainly comprised of sales commission, sales service and consulting fees. The increase in selling expenses was mainly due to more consulting service incurred to improve overall sales strategy and planning for the six months ended 31 December 2021.

MANAGEMENT DISCUSSION AND PROSPECTS

Administrative expenses

Administrative expenses of the Group increased by HK\$2,753,000, or 29%, from HK\$9,446,000 for the six months ended 31 December 2020 to HK\$12,199,000 for the six months ended 31 December 2021. The administrative expenses for the six months ended 31 December 2021 mainly comprised of staff costs, legal and professional fees and depreciation. The increase in administrative expenses was mainly due to (i) additional depreciation accounted for the self-used land and buildings since 31 December 2020; and (ii) the fund management fees incurred with respect to the newly invested fund for the six months ended 31 December 2021 while no such fee incurred for the six months ended 31 December 2020.

Finance cost

Finance cost of the Group decreased by HK\$269,000, or 9%, from HK\$3,076,000 for the six months ended 31 December 2020 to HK\$2,807,000 for the six months ended 31 December 2021. The decrease in finance costs was because the effective interest rate reduced.

Loss for the period

Loss for the period of the Group increased by HK\$16,260,000, or 69%, from HK\$23,447,000 for the six months ended 31 December 2020 to HK\$39,707,000 for the six months ended 31 December 2021. The loss for the six months ended 31 December 2021 mainly due to (i) the net decrease in fair value of investment properties of HK\$15,500,000; and (ii) the net decrease in fair value of financial assets at FVPL of HK\$13,282,000. The increase in loss was mainly contributed to, among others, the net decrease in fair value of financial assets at FVPL from a net fair value gain of HK\$6,052,000 for the six months ended 31 December 2020 to a net fair value loss of HK\$13,282,000 for the six months ended 31 December 2021.

Liquidity, financial resources and capital structure

As at 31 December 2021, the Group had current assets of HK\$1,260,786,000 (30 June 2021: HK\$1,266,280,000) and current liabilities of HK\$523,803,000 (30 June 2021: HK\$503,956,000), representing a current ratio of about 2.4 times (30 June 2021: 2.5 times). The Group's total equity and the total bank and other borrowings as at 31 December 2021 amounted to HK\$1,008,349,000 (30 June 2021: HK\$1,048,748,000) and HK\$279,347,000 (30 June 2021: HK\$292,956,000) 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 2021, calculated as a ratio of the total bank and other borrowings to total equity, was approximately 28% (30 June 2021: 28%).

MANAGEMENT DISCUSSION AND PROSPECTS

PRINCIPAL RISK AND UNCERTAINTIES

The Group is principally engaged in resort and property development, property investment and investment holding. The financial position, operations, business and prospects of the Group and its individual business segment are affected by the following significant risks and uncertainty factors:

Business Risk

The prospects of the Group's property business depend on the performance of the property market in Hong Kong and the PRC. Also, the fair values of the Group's investment properties and financial results of property development segment directly link to the performance of the property market in Hong Kong and the PRC. Any real estate market downturn in Hong Kong and the PRC may materially and adversely affect the financial position, operations, business and prospects of the Group and may lead to fair value loss of the Group's investment properties and net loss from property development segment. The real estate markets in Hong Kong and the PRC are affected by many factors, including but not limited to, changes in the local's economic, political, social and legal environment and changes in local's fiscal and monetary policy, all of which are beyond the control of the Group. The management policy to mitigate this risk is to diversify the Group's business in terms of asset composition, revenue and profitability.

Market Risk

The Group's property investment business is operating in a rather competitive environment as rental rate of properties is transparent in property leasing markets in Hong Kong. The transparency of the leasing markets puts pressure on the revenue and profitability of the Group's property investment business. The management policy to mitigate this risk is to diversify its property investment portfolio (where possible) in terms of property type and location.

The real estate market in the PRC is highly competitive. Areas that are in competition include quality, design, brand, cost control and environment ancillary facilities. If the competitors of the Group keep on improving their products, the Group will improve its product quality and cost control to catch the market and maintain the sales turnover.

MANAGEMENT DISCUSSION AND PROSPECTS

Financial Risk

The Group is exposed to financial risks relating to foreign currency, equity price, credit and liquidity risk in its ordinary course of business. As stated below, the majority of the Group's assets and liabilities were denominated in Renminbi, Hong Kong dollars and US dollars, and hence the exposure to foreign exchange risk was insignificant to the Group. The Group is exposed to price risk arising from listed equity investments and listed debt instruments held under financial assets at FVPL. Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to the Group. The Group's credit risk is mainly attributable to loan receivables and cash equivalents. The management of the Group considers credit risk in relation to cash equivalents is insignificant as they were deposited in credit worthy banks and securities brokers. The Group has monitored the credit risk from loans receivables on an ongoing basis. Although a credit impairment on loans receivables was noted during the financial year ended 30 June 2020, subsequently, partial repayments of HK\$10,000,000, HK\$7,000,000, HK\$2,000,000 and HK\$1,000,000 have been received on November 2020, September 2021, December 2021 and January 2022 respectively. The Group would continue to take follow-up actions to recover the debts. The Group has sufficient level of cash and cash equivalents to finance the Group's operations and expected expansion, therefore, the liquidity risk is insignificant.

FOREIGN CURRENCY MANAGEMENT

The majority of the Group's assets and liabilities were denominated in Renminbi, Hong Kong dollars and US dollars, and hence the exposure to foreign exchange risk was insignificant to the Group for the six months ended 31 December 2021. The Group did not engage in foreign exchange speculation activities. It is the Group's policy to manage foreign exchange risk through matching foreign exchange income with expenses, and where exposure to foreign exchange is anticipated, appropriate hedging instrument will be used.

MANAGEMENT DISCUSSION AND PROSPECTS

TREASURY POLICIES

As at 31 December 2021, the Group's bank and other borrowings of approximately HK\$262,190,000 (*30 June 2021: HK\$272,190,000*) and HK\$17,157,000 (*30 June 2021: HK\$20,766,000*) were denominated in Hong Kong dollars and Renminbi respectively. The balances of bank and other borrowings of approximately HK\$262,190,000 (*30 June 2021: HK\$272,190,000*) and HK\$17,157,000 (*30 June 2021: HK\$20,766,000*) were at variable and fixed interest rates respectively. Cash and cash equivalents held by the Group were mainly denominated in Hong Kong dollars, Renminbi and US dollars. The Group currently does not have interest rate hedging policies as the management of the Group does not expect significant interest rate risk as at 31 December 2021. However, the management of the Group monitors the interest rate exposure from time to time and may consider hedging the significant interest rate exposure if needed.

OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group for the six months ended 31 December 2021 are set out in note 3 to the condensed consolidated financial statements of this report.

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 December 2021 (*30 June 2021: Nil*).

PLEDGE OF ASSETS

As at 31 December 2021, the Group had provided the following securities for banking facilities granted to the Group:

- (i) pledge of leasehold land and buildings under investment properties and properties, plant and equipment of the Group with carrying amount of HK\$301,200,000 and HK\$69,432,000 respectively (*30 June 2021: HK\$316,700,000 and HK\$70,366,000 respectively*);
- (ii) assignment agreements in respect of rental income of the Group's investment properties duly executed by the Group in favour of the bank; and
- (iii) assignment agreements in respect of insurance compensation of the Group's investment properties and leasehold land and buildings duly executed by the Group in favour of the bank.

MANAGEMENT DISCUSSION AND PROSPECTS

As at 31 December 2021, the fair value of the financial assets at FVPL of HK\$58,594,000 (30 June 2021: HK\$164,533,000) was pledged as collateral to margin loan facilities granted to the Group with a corporate guarantee provided by the Company. No margin loan facilities was utilised as at 31 December 2021 (30 June 2021: Nil).

LITIGATION

As at 31 December 2021, there was a legal proceeding against a subsidiary of the Group for an alleged debt of RMB30,000,000, which was subsequently withdrawn. For details of the legal proceeding, please refer to the announcements of the Company dated 2 December 2021 and 14 January 2022. Save as the above, the Group has no other material litigation against it which had to be disclosed.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2021, the Group employed a total of 36 (30 June 2021: 28) employees and executive Directors. The Group's total staff costs including Directors' emoluments amounted to HK\$4,310,000 for the six months ended 31 December 2021 (2020: HK\$4,401,000). The remuneration packages for Directors and employees are normally reviewed annually and are structured by reference to market terms and individual competence, performance and experience. The Group also provides medical insurance coverage and operates a provident fund scheme or relevant fund scheme for its employees in Hong Kong and the PRC.

SUBSEQUENT EVENTS

The Group has no material events subsequent to 31 December 2021 which were required to be disclosed at the date of this report.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered into the register to be kept by the Company pursuant to section 352 of the SFO were as follows:

LONG POSITION IN THE SHARES OF THE COMPANY

Name of Director	Capacity and Nature of interest	Number of issued shares held	Approximate percentage of the issued share capital of the Company
Mr. Wu Zhanming	Beneficial owner	279,935,000	11.17%

Save as disclosed above, as at 31 December 2021, none of the Directors nor chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered into the register to be kept by the Company pursuant to section 352 of the SFO.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Following the retirement of Mr. Lau Chi Keung as an Independent Non-executive Director with effect from 7 December 2021, the Company fails to meet the requirements of having at least three Independent Non-executive Directors on the Board as required under Rule 3.10(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). As disclosed in the Company's announcements dated 7 December 2021, 4 March 2022 and 9 March 2022, the Company has applied for and the Stock Exchange has granted a waiver to the Company to extend the time in respect of compliance with Rule 3.10(1) of the Listing Rules to 6 June 2022 and the Company will continue to use its best endeavours to complete the process for appointment of a new Independent Non-executive Director to comply with the requirement of the Listing Rules as soon as practicable. Further announcement(s) will be made by the Company as and when appropriate.

OTHER INFORMATION

Save as disclosed above, there is no other change in the Directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

The Directors and employees of the Group are entitled to participate in the share option scheme of the Company adopted by the Company on 15 November 2012. As at 31 December 2021, no share options had been granted since the adoption of the share option scheme.

Save as disclosed above, at no time during the six months ended 31 December 2021 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other associated corporations (within the meaning of Part XV of the SFO) and none of the Directors or their spouses or children under the age of 18 had any right to subscribe for securities of the Company or had exercised any such rights during the six months ended 31 December 2021.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

To the best knowledge of the Directors, as at 31 December 2021, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares, underlying shares or debentures of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

LONG POSITION IN THE SHARES OF THE COMPANY

Name of shareholder	Capacity and Nature of interest	Number of issued shares held	Approximate percentage of the issued share capital of the Company
Ms. Li Fuyi	Beneficial Owner	279,930,959	11.17%

Save as disclosed above, as at 31 December 2021, the Directors and chief executive of the Company were not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares, underlying shares or debentures of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

OTHER INFORMATION

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

During the six months ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Board is committed to maintaining high standard of corporate governance practices at all times. The Board believes that good corporate governance helps the Company to safeguard the interests of the shareholders of the Company (the "Shareholders") and to enhance the performance of the Group. The Company has adopted the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Listing Rules as its own code of corporate governance.

The Company complied with all the applicable code provisions (the "Code Provisions") of the CG Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 31 December 2021, save for Code Provisions A.4.2 and A.2.1 (as in force during the period). Details of the deviation with reasons are set out in the paragraphs below:

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

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

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

OTHER INFORMATION

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

Under Code Provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer (the “CEO”) should be separate and performed by different individuals. During the six months ended 31 December 2021, Mr. Wu Zhanming was the Chairman and Acting CEO of the Company. The Board believes that the holding of both positions of Chairman and CEO by the same individual will not impair the balance of power and authority between the Board and the management of the Group. The Board is taking steps to identify suitable candidates to act as the CEO.

AUDIT COMMITTEE

The unaudited condensed consolidated financial statements of the Company for the six months ended 31 December 2021 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 2021.