Applied Development Holdings Limited

實力建業集團有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 519

Annual Report

2019

* For identification purpose only

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Wu Zhanming (*Chairman)*
Mr. Yuen Chi Ping *(Chief Executive Officer)*

NON-EXECUTIVE DIRECTORS

Mr. Wu Tao
Mr. Yao Wei Rong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Chi Keung
Mr. Yu Tat Chi, Michael
Mr. Chiu Kit Man, Calvin

AUDIT COMMITTEE

Mr. Yu Tat Chi, Michael *(Chairman)*
Mr. Lau Chi Keung
Mr. Chiu Kit Man, Calvin

REMUNERATION COMMITTEE

Mr. Lau Chi Keung *(Chairman)*
Mr. Chiu Kit Man, Calvin
Mr. Yu Tat Chi, Michael

NOMINATION COMMITTEE

Mr. Wu Zhanming *(Chairman)*
Mr. Lau Chi Keung
Mr. Chiu Kit Man, Calvin

COMPANY SECRETARY

Ms. Luk Shan

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 803, 8th Floor
Harcourt House
39 Gloucester Road
Wanchai
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
Bank of Communications Co., Ltd. Hong Kong Branch

AUDITOR

Mazars CPA Limited
Certified Public Accountants

SOLICITORS

Reed Smith Richards Butler
Miao & Co.

STOCK CODE

The Stock Exchange of Hong Kong Limited: 519

WEBSITE

http://www.applieddev.com

On behalf of the Board, I hereby present to the Shareholders results of the Group for FY2019.

RESULTS

The Company recorded a loss of approximately HK$77,751,000 for FY2019 as compared to the profit of approximately HK$10,638,000 for the year ended 30 June 2018. The loss in the results of the Group was mainly due to the write-down of properties under development of approximately HK$65,576,000.

PROSPECTS

In next financial year, the market keeps on changing and more uncertainties may arise. The Company is expected to face more complicated domestic and international environments and more competition pressure. I will take a leading role in guiding all staff walk towards our future with histories and visions. In order to enhance the governance of the Company from all aspects, the Company is expected to actively manage the existing investments for realising value preservation and appreciation, and continue to reinforce our existing businesses such as property and financial investment with the aim to achieve a turnaround from the loss. In order to enhance its business competitive capacities, the Company is expected to actively make improvements in the following aspects:

I. We are expected to optimize the structures of governance of the Company, and promote requirements on internal control and compliance for operating the Company in a more stable and standard manner, which is the foundation for increasing investors' confidence in the Company's future development.

II. We are expected to explore new opportunities for increasing the values of our existing assets. The Wuxi Shengye Project* (無錫盛業項目) of the Group, after more than two years of development and construction, is now presenting good sales performance in the market. Its apartments and commercial portions are expected to reward the Company with better investment returns and business reputation in the next financial year, owing to the efforts from our sales, business promotion and operating teams.

III. We are expected to rationally plan the future development strategies of the Company, and make all these be implemented gradually in the new financial year. By focusing on the two major business sectors (property and investment), the Company is expected to explore good projects and investment opportunities so as to improve its profitability.

The new financial year is expected to be a year of stable development for the Company. I will take a leading role in guiding all staff walk towards the future with pragmatic and innovative spirits, hard work and cohesive power from all stakeholders. This could allow every employee of the Group to become a creator and contributor of profits, bringing the Company and all investors with better values.

By order of the Board

Wu Zhanming
Chairman
Hong Kong, 30 September 2019

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's principal business is resort and property development, property investment and investment holding during FY2019.

RESORT AND PROPERTY DEVELOPMENT

After the acquisition of Wuxi Shengye Harbour Co. Ltd.*（無錫盛業海港股份有限公司）in June 2017, the pre-sale of the properties under development commenced in October 2017 and the completion of the construction of the first and second phase of the residential portion is expected to take place in the third quarter of 2019 and second quarter of 2020 respectively, and the completion of the construction of the whole project is expected to take place in the fourth quarter of 2021. Up to 30 June 2019, the total contract sum of the pre-sales of properties under development was approximately HK$441,180,000. The first batch of the properties will be delivered by 2019. The Board believes that the sales of the properties under development will contribute revenue to the Group.

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, the Board believes that the Sub-division Properties are expected to contribute satisfactory returns to the Group.

On 4 March 2019, a wholly-owned subsidiary of the Company, Superform Investments entered into the provisional sale and purchase agreement with a third party and an agent to dispose of four units of the Sub-division Properties for a consideration of HK$108,300,000. The disposal has completed and the Group recognised a net gain on disposal of HK$8,316,000.

The fair value of the Group's investment properties (including the assets classified as held for sale) as at 30 June 2019 was HK$489,732,000 *(2018: HK$530,000,000)*. The increase in fair value of investment properties for FY2019 was HK$44,535,000 *(2018: HK$27,000,000)*.

The Group's investment properties contributed rental income of HK$457,000 in total for FY2019 *(2018: HK$2,772,000)*. The decrease of total rental income for FY2019 mainly resulted from disposal of the investment property located in China Merchants Tower during the year ended 30 June 2018 and that the Sub-division Properties were under sub-division construction work during the period from October 2018 to February 2019.

INVESTMENT HOLDING

For FY2019, the Group recorded interest and divided income of HK$16,554,000 *(2018: HK$971,000)* on investment in financial assets.

1. On 28 June 2018, the Group entered into a cornerstone investment agreement to subscribe for the shares of Redsun Properties Group Limited ("Redsun") at offer price of HK$2.28 per share for an aggregate consideration of HK$300,000,000. The shares of Redsun (stock code: 1996) have been listed on the Main Board of the Stock Exchange since 12 July 2018. 131,578,000 ordinary shares, representing approximately 4% of equity interest in Redsun, were allotted to the Group. Such investment has been recognised as financial assets at fair value through profit or loss ("FVPL"). At 30 June 2019, the carrying amount of investment in Redsun was approximately HK$351,313,000.

On 26 July 2019, the Group disposed of 18,500,000 ordinary shares of Redsun to a third party at a price of HK$2.55 per share with aggregate consideration of HK$47,175,000, which was completed in July 2019. A net loss of disposal of financial assets at FVPL amounted to HK$2,220,000 is expected to be recognised in the financial year ending 30 June 2020. On 15 August 2019, the Group entered into a sale and purchase agreement with a third party, to dispose of 37,000,000 ordinary shares of Redsun at prices ranged from HK$2.30 to HK$2.75 per share. The disposal was completed on 10 October 2019. After completion, the Group holds 76,078,000 shares in Redsun, representing approximately 2.29% of the total issued share capital of Redsun.

2. During FY2019, the Group settled a shareholder loan of HK$200,000,000 with Wealth Guide Global Limited by receiving 140,000,000 ordinary shares of Zall Smart Commerce Group Limited ("Zall") with fair value of HK$214,200,000 as at the completion date. The shares of Zall (stock code: 2098) are listed on Main Board of the Stock Exchange. At 30 June 2019, the carrying amount of investment in Zall was approximately HK$147,000,000.

3. As at 30 June 2019, the Group invested in Green Asia Restructure SP and Green Asia Restructure SP II with carrying amount of approximately HK$138,898,000 and HK$61,099,000 respectively.

4. On 14 June 2018, Applied Investment (Asia) Limited ("Applied Investment"), a wholly owned subsidiary of the Company, entered into a subscription agreement, pursuant to which Applied Investment has conditionally agreed to make an investment of up to HK$600,000,000 (with minimum commitment of HK$200,000,000) to Ruihua International M&A Fund LP (the "Ruihua Fund"), a Cayman Islands exempted limited partnership acting by Cayman Ruihua Investment Management Limited ("Cayman Ruihua"). Cayman Ruihua is a wholly owned subsidiary of HK Ruihua, the then substantial shareholder of the Company. The investment strategy of the Ruihua Fund was to focus on investments equities of private and public companies in certain industries inside or outside of the PRC including, but not limited to, telecommunications media and technology, macro health, high-end equipment manufacturing, energy-saving environmental protection and new materials. The Group and Cayman Ruihua had terminated the subscription of Ruihua Fund with no penalty.

FINANCIAL REVIEW

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2019, the Group had current assets of HK$1,904,818,000 *(2018: HK$1,455,612,000)* and current liabilities of HK$903,498,000 *(2018: HK$642,605,000)*, representing a current ratio of 2.1 times *(2018: 2.3 times)*. The Group's total equity and the total bank and other borrowings as at 30 June 2019 amounted to HK$1,343,208,000 *(2018: HK$1,427,897,000)* and HK$390,795,000 *(2018: HK$414,491,000)* respectively. All of the bank and other borrowings of the Group are repayable within one year. The gearing ratio of the Group as at 30 June 2019, calculated as a ratio of the total bank and other borrowings to total equity, was approximately 29.1% *(2018: 29.0%)*.

FOREIGN CURRENCY MANAGEMENT

The majority of the Group's assets and liabilities were denominated in RMB, HK$ and US dollars, and hence the exposure to foreign exchange risk was insignificant to the Group during the year. The Group does 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.

TREASURY POLICIES

As at 30 June 2019, bank and other borrowings of approximately HK$372,190,000 (2018: HK$348,000,000) and HK$18,605,000 (2018: HK$66,491,000) were denominated in HK$ and RMB respectively. The balances of bank and other borrowings of approximately HK$118,605,000 (2018: HK$66,491,000) were at fixed interest rates, the remaining balances were at variable interest rates. Cash and cash equivalents held by the Group were mainly denominated in HK$, RMB 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 at the end of FY2019. However, the management of the Group monitors the interest rate exposure from time to time and may consider hedging significant interest rate exposure if needed.

OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group for FY2019 are set out in note 7 to the consolidated financial statements of this annual report.

CAPITAL AND OTHER COMMITMENTS

At 30 June 2019, the Group had no material capital commitments and had commitments for expenditure in respect of the properties under development contracted but not provided for amounting to HK$223,969,000 (2018: HK$200,332,000).

PLEDGE OF ASSETS

At 30 June 2019, the Group had provided the following securities for banking facilities granted to the Company:

(i) pledge of investment properties of the Group (including assets classified as held for sale) with a carrying amount of HK$489,732,000 (2018: HK$530,000,000);

(ii) assignment agreements in respect of rental income of the Group's investment properties duly executed by the Group in favour of the bank;

(iii) assignment agreements in respect of insurance compensation of the Group's investment properties duly executed by the Group in favour of the bank; and

(iv) corporate guarantee provided by the Company.

During FY2019, the Group entered into secured margin loans. The carrying value of the financial assets at FVPL of approximately HK$351,313,000 was pledged as collateral to the margin loans and a corporate guarantee provided by the Company as at 30 June 2019.

LITIGATION

The Group has no other material litigation during FY2019.

HUMAN RESOURCES AND REMUNERATION POLICY

At 30 June 2019, the Group had a total of 38 (2018: 28) full-time employees and executive directors. For FY2019, the total staff costs including directors' emoluments amounted to HK$8,043,000 (2018: HK$7,329,000). The remuneration packages for directors and employees are normally reviewed annually and are structured with reference to market terms and individual competence, performance and experience. The Group also provides medical insurance coverage and operates a provident fund scheme or relevant fund scheme for its employees in Hong Kong and the PRC.

PRINCIPAL RISK AND UNCERTAINTIES

The Group is principally engaged in resort and property development, property investment and investment holding. The financial position, operations, businesses and prospects of the Group and its individual business segment are affected by the following significant risk 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, businesses 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 rates of properties are transparent in property leasing market in Hong Kong. The transparency of the leasing market 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. The 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 quality and cost control to catch the market and maintain the sales turnover.

FINANCIAL RISK

The Group is exposed to financial risks relating to foreign currency, interest rate, price, credit and liquidity risk in its ordinary course of business. For further details of such risks and relevant risk management policies (where required), please refer to note 3 to the consolidated financial statements.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the businesses and operations of the Group. During the financial year under review, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH EMPLOYEES AND CUSTOMERS

The Group understands the importance of maintaining a good relationship with its employees and customers to meet its immediate, medium and long term business goals. During the financial year under review, there was no significant dispute between the Group and its employees and customers.

SUBSEQUENT EVENTS

As at 30 June 2019, details of the subsequent events of the Group are set out in note 34 to the consolidated financial statements attached to this annual report.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend and vote at the AGM to be held on 10 December 2019 (Tuesday), the register of members of the Company will be closed from 5 December 2019 (Thursday) to 10 December 2019 (Tuesday), both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on 4 December 2019 (Wednesday).

EXECUTIVE DIRECTORS

Mr. Wu Zhanming, aged 55, Chairman, Executive Director and a director of certain subsidiaries of the Company. Mr. Wu Zhanming currently serves as the chairman of the board of directors of Dachao Asset Management (Shanghai) Co., Ltd.*（大朝資產管理（上海）有限公司）and Hong Kong Green Dynasty International Co Limited（香港大朝國際有限公司）. Mr. Wu Zhanming is the founder of multiple companies, including Jiangsu Investment Network Development Co., Ltd.*（江蘇投資網發展有限公司）, Dachao Asset Management (Shanghai) Co., Ltd.*（大朝資產管理（上海）有限公司）and Hong Kong Green Dynasty International Co Limited（香港大朝國際有限公司）. He has extensive experience in investment and has participated in multiple investment projects involving a diverse set of industries, such as innovative technologies, health care, real estate and consumer services.

Mr. Yuen Chi Ping ("**Mr. Yuen**"), aged 40, Executive Director, Chief Executive Officer and a director of certain subsidiaries of the Company. Mr. Yuen is a qualified lawyer in both Hong Kong and England and Wales. Mr. Yuen has over 12 years of experience practicing as a lawyer in PRC and Hong Kong, and has extensive experience in corporate law, China-related public and private mergers and acquisitions, and capital market transactions. Mr. Yuen obtained a bachelor's degree in laws in 2001 and completed the PCLL programme in 2002 in the University of Hong Kong, then undertook his traineeship and worked as a lawyer in various leading international law firms. Mr. Yuen joined the Group in September 2016. He also worked as a special counsel in the Shanghai office of Baker & McKenzie from 2011 to 2014, responsible for the firm's securities practice in Shanghai. Mr. Yuen is a non-executive director of Hin Sang Group (International) Holding Co. Ltd., a company listed on the Stock Exchange (stock code: 6893) and China High Speed Transmission Equipment Group Co., Ltd., a company listed on the Stock Exchange (stock code: 658). Mr. Yuen is as an executive director, the vice-chairman of the board and the co-chief executive officer of LongiTech Smart Energy Holding Limited, a company listed on the Stock Exchange (stock code: 1281). Mr. Yuen was an independent non-executive director of Sun Cheong Creative Development Holdings Limited, a company listed on the Stock Exchange (stock code: 1781) from August 2018 to August 2019. Mr. Yuen is a director of Pok Oi Hospital. Mr. Yuen was the chief operating officer of Fullshare Holdings Limited, a company listed on the Stock Exchange (stock code: 607) from October 2014 to March 2018.

NON-EXECUTIVE DIRECTORS

Mr. Wu Tao, aged 50, Non-executive Director of the Company. Mr. Wu Tao currently serves as a partner in Dachao Asset Management (Shanghai) Co., Ltd.*（大朝資產管理（上海）有限公司）. Mr. Wu Tao was awarded an executive master's degree in business administration from the School of Management of Fudan University in January 2009. He further obtained a degree of doctor of business administration from the United Business Institutes in Belgium in June 2011. Mr. Wu Tao has over 20 years of experience in the financial sector. From January 1999 to December 2004, he worked at Langran Holding Limited Branch*（朗潤控股有限公司江蘇分公司）. From January 2005 to April 2009, he served as the vice chief executive officer of Jiangsu Sheng's International Investment Group Limited*（江蘇盛氏國際投資集團有限公司）. From May 2009 to February 2015, Mr. Wu Tao worked at Shengqu Information Technology (Shanghai) Co. Limited*（盛趣信息技術（上海）有限公司）, an affiliate of Shanghai ShengDa Networking Development Co., Ltd*（上海盛大網絡發展有限公司）and his last position was fund manager.

Mr. Yao Wei Rong ("**Mr. Yao**"), aged 48, Non-executive Director and a director of a subsidiary of the Company. Mr. Yao was appointed as the chairman of the Board and an Executive Director in December 2017 and re-designated as a Non-executive Director on 21 August 2019. Mr. Yao joined the Group in December 2017. Mr. Yao currently is the vice president of Jiangsu Ruihua（江蘇瑞華）. Mr. Yao graduated with financial professions at Nanjing Audit University*（南京審計學院）and has obtained professions in accounting from Nanjing University of Finance and Economics*（南京財經大學）in 2003. Mr. Yao was awarded a master's degree in business administration from Dalian Maritime University*（大連海事大學）in 2010. Mr. Yao has over 20 years of experience in the banking and finance industry. From August 1992 to July 2003, Mr. Yao worked at China Construction Bank, Nanjing Branch, Chengnan Sub-branch*（中國建設銀行南京支行城南分行）and his last position was the head of credit department. From July 2003 to May 2011, Mr. Yao worked at the Branch of Nanjing Hung Mao Centre of Bank of Nanjing*（南京銀行南京洪武中心支行）and his last position was vice president. From May 2011 to February 2012, Mr. Yao served a senior management role at CITIC Securities Co., Ltd., Jiangsu Branch, Nanjing Sub-branch（中信証券股份有限公司江蘇分公司南京支部）. From February 2012 to March 2016, Mr. Yao worked at Nanjing Sanbao Technology Xiao'e Credit Co., Ltd.*（南京三寶科技小額貸款有限公司）as general manager.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Chi Keung ("**Mr. Lau**"), aged 70, Independent Non-executive Director of the Company. Mr. Lau has over 38 years of management experience in the real estate industry in the PRC and in Hong Kong. Mr. Lau obtained a higher diploma majoring in surveying/building technology issued by Hong Kong Technical College (currently known as Hong Kong Polytechnic University) in 1970. Mr. Lau was admitted fellow member of the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors respectively in 1987. Mr. Lau was appointed as a director of Henderson Investment Limited in 1995 and was appointed as a director of Henderson China Development Limited in 2005. Mr. Lau served in many social positions, including a member of the Construction Industry Training Authority, a member of the Administrative Appeals Board from 2003 to 2009 and an external examiner respectively of the Hong Kong University – B.Sc. (Hons) Degree in Surveying from 1998 to 2001 and of the Hong Kong Polytechnic University – B.Sc. (Hons) programme in Building Surveying from 2005 to 2007. Mr. Lau currently holds several social positions, including a member of the Disciplinary Panel of Hong Kong Institute of Surveyors, a member of the Appeal Tribunal Panel of Planning and Lands Branch, Development Bureau of Government Secretariat. Mr. Lau was awarded with "Justice of the Peace" issued by the Hong Kong government in 2001 and "Medal of Honour" issued by the Hong Kong government in 2005. Mr. Lau has been an independent non-executive director of Fullshare Holdings Limited (stock code: 607) since December 2013, a company listed on the Stock Exchange.

Mr. Yu Tat Chi, Michael ("**Mr. Yu**"), aged 54, Independent Non-executive Director of the Company. Mr. Yu holds a bachelor of commerce degree from the University of New South Wales, Australia. He is a fellow member of the CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Yu is also a founding member of The Hong Kong Independent Non-Executive Director Association. Mr. Yu has many years of experience in accounting, corporate finance and asset management. He had held senior management positions in listed companies in Hong Kong. Mr. Yu is currently an independent non-executive director of Golden Resources Development International Limited (a company listed on the Stock Exchange, stock code: 677), EVOC Intelligent Technology Company Limited (a company listed on the Stock Exchange, stock code: 2308), China Netcom Technology Holdings Limited (a company listed on the Stock Exchange, stock code: 8071) and Lerado Financial Group Company Limited (a company listed on the Stock Exchange, stock code: 1225), respectively.

Mr. Chiu Kit Man, Calvin ("**Mr. Chiu**"), aged 42, Independent Non-executive Director of the Company. Mr. Chiu holds a Bachelor of Business Administration degree from the Indiana University at Bloomington in the USA. He was selected as one of the Ten Outstanding Young Persons in 2011 and is now the chairman of The Outstanding Young Persons' Association. On social service front, he is the founder and chairman of The Against Elderly Abuse of Hong Kong, a government-recognised charitable organisation. Mr. Chiu was a senior sales manager with Synergy Group Holdings International Limited (stock code: 1539), a company listed on the Stock Exchange. He is currently a director of Sum Po International Company Limited, which is principally engaged in energy saving products and consultancy services. In 2016, he was appointed by the Hong Kong government as a member of The Advisory Committee on Built Heritage Conservation. Mr. Chiu is now a committee member of the Chinese People's Political Consultative Conference of Doumen District, Zhuhai City, vice chairman of Doumen Clan's Association, managing director of Sai Kung District Industries and Commerce Association Ltd., an executive committee member of VQ Foundation Limited and a member of the Youth Committee of New Territories General Chamber of Commerce.

DIRECTORS' REPORT

The Directors have the pleasure to present the annual report and the audited consolidated financial statements of the Company for FY2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The Group is principally engaged in (i) resort and property development; (ii) property investment and (iii) investment holding. Details of the principal activities of the principal subsidiaries are set out in note 31 to the consolidated financial statements.

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of likely future developments in the Group's business, can be found in the "Chairman's Statement" and "Management Discussion and Analysis" sections set out on pages 3 to 8 of this annual report. Further discussion on the Company's environmental policies and performance, and the discussion on the relationship between the Company and its employees, customers and suppliers are set out under the "Environmental, Social and Governance Report" in this annual report. These discussions form a part of this directors' report.

RESULTS

The results of the Group for FY2019 are set out in the consolidated statement of comprehensive income on page 48 of this annual report.

FINAL DIVIDEND

The Board has resolved not to recommend a final dividend for FY2019 *(2018: Nil)*.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 117 of this annual report. This summary does not form a part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during FY2019 are set out in note 14 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during FY2019 are set out in note 13 to the consolidated financial statements. Details of the investment properties of the Group as at 30 June 2019 are set out on page 118 of this annual report.

SHARE CAPITAL

Details of movements in the Company's share capital during FY2019 are set out in note 23 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the Companies Act 1981 of Bermuda which would oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

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

During FY2019, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company and of the Group during FY2019 are set out in note 31(b) to the consolidated financial statements and in the consolidated statement of changes in equity on pages 50 to 51 of this annual report, respectively.

DISTRIBUTABLE RESERVES

As at 30 June 2019, the Company had reserves (including capital reserve and accumulated losses) totalling approximately HK$125,753,000 *(2018: HK$131,569,000)* available for distribution to the Shareholders.

MAJOR SUPPLIERS AND CUSTOMERS

During FY2019, purchases from the Group's five largest suppliers and the largest supplier were 80% and 59% arising from the resort and property development segment respectively. During FY2019, the aggregate revenue attributable to the five largest customers and the largest customer of the Group were 100% and 38% of the revenue arising from the property investment segment of the Group, respectively. The major customers are independent third parties of the Company during FY2019.

To the knowledge of the Directors, none of the Directors, their close associates nor any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any beneficial interest in the Group's five largest customers during FY2019.

DIRECTORS

The Directors during FY2019 and up to the date of this annual report were:

EXECUTIVE DIRECTORS:

Mr. Wu Zhanming *(Chairman) (appointed on 21 August 2019)*
Mr. Yuen Chi Ping *(Chief Executive Officer)*
Ms. Ng Kit Ling *(resigned on 22 October 2018)*

NON-EXECUTIVE DIRECTORS:

Mr. Wu Tao *(appointed on 21 August 2019)*
Mr. Yao Wei Rong *(re-designated from Executive Director to Non-executive Director on 21 August 2019)*
Mr. Guo Shun Gen *(resigned on 21 August 2019)*

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Lau Chi Keung
Mr. Yu Tat Chi, Michael
Mr. Chiu Kit Man, Calvin

In accordance with Bye-laws 86(2) and 87(1) of the Bye-Laws, Mr. Wu Zhanming, Mr. Wu Tao, Mr Yuen Chi Ping, Mr. Lau Chi Keung and Mr. Chiu Kit Man, Calvin will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

All other Directors will continue in office. All the 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.

PERMITTED INDEMNITY PROVISIONS

During FY2019 and up to the date of this annual report, the Company has maintained directors' and officers' liability insurance coverage for the Directors and officers of the Company to provide protection against claims arising from lawful discharge of duties by the Directors and officers.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration for FY2019 are set out in note 11(a) to the consolidated financial statements.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

The following are changes to information of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. On 29 August 2019, Mr. Yuen Chi Ping resigned as an independent non-executive director of Sun Cheong Creative Development Holdings Limited (stock code: 1781), the shares of which are listed on the Stock Exchange.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" in this Directors' Report, no contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of FY2019 or at any time during FY2019.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 30 June 2019, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any associated corporation (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.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 25 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share option scheme as mentioned above, at no time during FY2019 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 body corporate, and none of the Directors or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during FY2019.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

To the best knowledge of the Directors, as at 30 June 2019, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares, underlying Shares and debentures of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

LONG POSITIONS IN THE SHARES OF THE COMPANY

	Number of ordinary Shares		
Name of Shareholder	**Capacity and Nature of interest**	**Number of issued Shares held**	**Approximate percentage of the issued share capital of the Company**
HK Ruihua	Beneficial owner	559,865,959	22.35%
Jiangsu Ruihua *(Note)*	Interest of controlled corporation	559,865,959	22.35%
Mr. Zhang Jianbin *(Note)*	Interest of controlled corporation	559,865,959	22.35%

Note: HK Ruihua is wholly owned by Jiangsu Ruihua, which is in turn owned by Mr. Zhang Jianbin as to 98.82%. Accordingly, each of Jiangsu Ruihua and Mr. Zhang Jianbin is deemed to be interested in 559,865,959 Shares held by HK Ruihua, representing approximately 22.35% of the total issued share capital of the Company.

Save as disclosed above, as at 30 June 2019, the Directors and the 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.

CONNECTED TRANSACTIONS

On 14 June 2019, Superform Investment (an indirect wholly-owned subsidiary of the Company), as landlord, entered into a tenancy agreement (the "Tenancy Agreement") with Ruihua International as tenant, in respect of the premises located at Offices 2401B & 2402A on 24th Floor of Tower One, Lippo Centre, No. 89 Queensway, Hong Kong for a term of 18 months commencing from 1 July 2019 and ending 31 December 2020 with an option to renew for a further term of 18 months. Ruihua International is a wholly-owned subsidiary of HK Ruihua, which was in turn a substantial Shareholder of the Company at the material time. Given that Ruihua International was an associate of HK Ruihua and constituted a connected person of the Company, the transaction contemplated under the Tenancy Agreement constituted a continuing connected transaction for the Company under the Listing Rules. As one or more of the applicable percentage ratios set forth under Rule 14.07 of the Listing Rules in respect of the annual cap for the Tenancy Agreement exceed 5% but are less than 25%, and the annual cap for the Tenancy Agreement is less than HK$10,000,000, the transaction under the Tenancy Agreement constituted a continuing connected transaction of the Company that was subject to the reporting, announcement and annual review requirements but was exempt from circular (including independent financial advice) and independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules. As HK Ruihua ceased to be a substantial Shareholder in August 2019, Ruihua International ceased to be a connected person of the Company accordingly and thus the transaction contemplated under the Tenancy Agreement would not constitute a continuing connected transaction of the Company with effect from August 2019. Please refer to the Company's announcement dated 14 June 2019 for details.

Save as disclosed above, during FY2019, the Company had no other connected transactions or continuing connected transactions which fell to be disclosed in accordance with the provisions for the disclosure of connected transactions under Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

The related party transactions are set out in note 30 to the consolidated financial statements and fall under the scope of connected transactions under Chapter 14A of the Listing Rules but are exempted from reporting, annual review, announcement or independent shareholders' approval requirements.

REMUNERATION POLICY

The Group remunerates its employees based on their competence, performance, experience and prevailing market terms. Other employee benefits include provident fund scheme, medical insurance, subsidised training programme as well as discretionary bonuses.

The determination of Directors' remuneration has taken into consideration their respective responsibilities and contributions to the Company and with reference to market terms.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During FY2019 and up to the date of this annual report, none of the Directors, or any of their respective associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed in note 25 to the consolidated financial statements, no equity-linked agreements were entered into by the Group, or existed during FY2019.

MANAGEMENT CONTRACTS

During FY2019, the Company had not entered into any contract in respect of the management or administration of the whole or any substantial part of the business of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital is held by the public as at the date of this annual report.

DONATIONS

Charitable donations made by the Group during FY2019 amounted to HK$30,000 *(2018: HK$30,000)*.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for FY2019 have been reviewed by the Audit Committee before they are duly approved by the Board under the recommendation of the Audit Committee.

AUDITOR

The consolidated financial statements of the Company for FY2019 have been audited by Mazars CPA Limited. A resolution will be proposed at the forthcoming AGM to re-appoint Mazars CPA Limited as auditor of the Company.

On behalf of the Board

Wu Zhanming
Chairman

Hong Kong, 30 September 2019

CORPORATE GOVERNANCE REPORT

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 and to enhance the performance of the Group.

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 FY2019, save for Code Provisions A.4.2. Details of the deviation with reasons are set out in the paragraphs below:

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

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

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

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

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 transaction by 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 FY2019.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company. The Board reviews and approves the objectives, strategies, direction and policies of the Group, the annual budget, annual and interim results, the management structure of the Company as well as other significant policy and financial matters. The Board has delegated the responsibility of day-to-day operations of the Group to the management of the Company.

DIRECTORS

The Directors during FY2019 and up to the date of this annual report were:

EXECUTIVE DIRECTORS:

Mr. Wu Zhanming *(Chairman) (appointed on 21 August 2019)*
Mr. Yuen Chi Ping *(Chief Executive Officer)*
Ms. Ng Kit Ling *(resigned on 22 October 2018)*

NON-EXECUTIVE DIRECTORS:

Mr. Wu Tao *(appointed on 21 August 2019)*
Mr. Yao Wei Rong *(re-designated from Executive Director to Non-executive Director on 21 August 2019)*
Mr. Guo Shun Gen *(resigned on 21 August 2019)*

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Lau Chi Keung
Mr. Yu Tat Chi, Michael
Mr. Chiu Kit Man, Calvin

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors are independent in accordance with the independence guidelines set out in the Listing Rules. Biographical details of the Directors are set out under the section headed "Biographies of Directors and Senior Management" on pages 9 to 11 of this annual report.

Save as disclosed in this annual report, there is no other financial, business, family or other material/relevant relationships between the Chairman and the Managing Director and among members of the Board.

The Company will provide a comprehensive, formal and tailored induction to each newly appointed Director on his/her first appointment in order to enable him/her to have appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the Directors. Continuing briefing and professional development for Directors are arranged where necessary.

During FY2019, all Directors developed themselves through (1) conducting focused discussion on issues relating to the business and operations of the Company at meetings; and (2) research, reading and study of relevant regulations and standards in order to strengthen the skills and knowledge relevant for their respective roles.

BOARD MEETINGS

The Company adopts the practices of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of no less than fourteen days (or shorter notice period as agreed by the Directors) are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board meetings and Board Committee meetings, reasonable notice is generally given by the Company. The agenda and accompanying Board papers are dispatched to the Directors or committee members at least three days before the Board meetings or Board Committee meetings to ensure that the Directors have sufficient time to review the papers and be adequately prepared for the Board meetings or Board Committee meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings shall be kept by the company secretary with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail on the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by all Directors.

During FY2019, 10 Board meetings and 2 general meetings were held and the attendance of each Director is set out as follows:

	Number of attendance	
	Board meetings	General meetings
Executive Directors		
Mr. Yao Wei Rong *(re-designated as a Non-executive Director on 21 August 2019)*	10/10	2/2
Mr. Yuen Chi Ping	10/10	2/2
Ms. Ng Kit Ling *(resigned on 22 October 2018)*	2/2	1/1
Non-executive Director		
Mr. Guo Shun Gen *(resigned on 21 August 2019)*	10/10	0/2
Independent Non-executive Directors		
Mr. Lau Chi Keung	10/10	2/2
Mr. Yu Tat Chi, Michael	10/10	2/2
Mr. Chiu Kit Man, Calvin	10/10	2/2

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Managing Director/Chief Executive Officer 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

All Independent Non-executive Directors are appointed for a fixed term of three years and are subject to retirement by rotation in accordance with the Bye-laws.

REMUNERATION COMMITTEE

The Remuneration Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Remuneration Committee comprises three members, including three Independent Non-executive Directors, namely Mr. Lau Chi Keung and Mr. Chiu Kit Man, Calvin, and Mr. Yu Tat Chi, Michael who was appointed immediately after the resignation of Mr. Yao Wei Rong as a member of the Remuneration Committee on 21 August 2019. Mr. Lau Chi Keung is the Chairman of the Remuneration Committee.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration; determining the remuneration packages of individual Executive Directors and senior management and making recommendations to the Board on the remuneration of Non-executive Directors. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Remuneration Committee met 2 times during FY2019 to review the remuneration of the Directors. The attendance of each member is set out as follows:

Members	Number of attendance
Mr. Lau Chi Keung	2/2
Mr. Chiu Kit Man, Calvin	2/2
Mr. Yu Tat Chi, Michael *(appointed as a member of the Remuneration Committee on 21 August 2019)*	N/A
Mr. Yao Wei Rong *(resigned as a member of the Remuneration Committee on 21 August 2019)*	2/2

NOMINATION COMMITTEE

The Nomination Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Nomination Committee comprises three members, including two Independent Non-executive Directors, namely Mr. Lau Chi Keung and Mr. Chiu Kit Man, Calvin, and one Executive Director, namely Mr. Wu Zhanming, who was appointed immediately after the resignation of Mr. Yao Wei Rong as a member of the Nomination Committee on 21 August 2019. Mr. Wu Zhanming is the Chairman of the Nomination Committee.

The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of Directors, evaluation of Board composition, assessment of the independence of Independent Non-executive Directors and the management of Board succession. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Nomination Committee met once during FY2019 to review the structure, size and composition of the Board; assess the independence of the Independent Non-executive Directors; and review and make recommendations to the Board on the re-election of Directors. The attendance of each member is set out as follows:

Members	**Number of attendance**
Mr. Wu Zhanming *(appointed as a member of the Nomination Committee on 21 August 2019)*	N/A
Mr. Lau Chi Keung	1/1
Mr. Chiu Kit Man, Calvin	1/1
Mr. Yao Wei Rong *(resigned as a member of the Nomination Committee on 21 August 2019)*	1/1

BOARD DIVERSITY POLICY

The Company is committed to equality of opportunity in all aspects of its business and does not discriminate on the grounds of race, gender, disability, nationality, religious or philosophical belief, age, sexual orientation, family status or any other factor.

The Company continuously seeks to enhance the effectiveness of its Board and to maintain the highest standards of corporate governance and enhance the benefits of diversity in the boardroom. The Company sees diversity as a wide concept and believes that a diversity of perspectives can be achieved through consideration of a number of factors, including but not limited to skills, regional and industrial experiences, background, race, gender and other qualities. In infusing its perspective on diversity, the Company will also take into account facts based on its own business model and specific needs from time to time.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

a) at least 1/3 of the members of the Board shall be Independent non-executive Directors; and

b) at least one of the members of the Board shall have obtained accounting or relevant financial management professional qualifications.

The Company endeavors to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and in order for the Board to be effective.

Board appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. The Board believes that such merit-based appointments will best enable the Company to make sure that its Board is able to act in the best interests of the Company and its Shareholders going forward.

The Nomination Committee is primarily responsible for identifying suitably qualified candidates to become members of the Board and in carrying out this responsibility, will give adequate consideration to the Company's diversity policy.

The Company will review the policy on a regular basis to ensure its continued effectiveness.

DIRECTOR NOMINATION POLICY

The Company has adopted a director nomination policy (the "Director Nomination Policy"), pursuant to which in evaluating and selecting any candidate for directorship, the following criteria should be considered:

- Character and integrity.

- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the board diversity policy of the Company that are relevant to the Company's business and corporate strategy.

- Any measurable objectives adopted for achieving diversity on the Board.

- Requirement for the Board to have Independent Non-executive Directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.

- Any potential contributions the candidate can bring to the Company and/or the Board in terms of qualifications, skills, experience, independence, gender and race diversity.

- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.

- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for the nomination of the Directors and succession planning.

As regards selection and appointment of new Director:

- The Nomination Committee and/or the Board should, upon receipt of a proposal on the appointment of a new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

- The Nomination Committee should then recommend the Board to appoint the most appropriate candidate for directorship, as applicable.

- For any person that is nominated by a Shareholder for election as a Director at a general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendations to Shareholders with respect to the proposed election of Directors at a general meeting.

As regards re-election of Director at general meeting:

- The Nomination Committee and/or the Board should review the overall contribution and service to the Company of each Director and his/her level of participation and performance on the Board.

- The Nomination Committee and/or the Board should also review and determine whether the Director continues to meet the criteria as set out above.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at a general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or the explanatory statement that accompanies the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

A summary of the work performed by the Nomination Committee during a financial year, including the disclosure of this policy for the nomination of Directors, nomination procedures and the process and criteria adopted to select and recommend for directorship, will be disclosed in the corporate governance report under the annual report of the Company. The Nomination Committee will also monitor and review this policy regularly with reference to the structure, size and composition of the Board to ensure this policy meets the current regulatory requirements and the business needs of the Company.

AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about its responsibilities on the Company's consolidated financial statements for FY2019 is set out in the "Independent Auditor's Report" on pages 43 to 47 of this annual report.

For FY2019, remuneration payable to the Company's auditor, Mazars CPA Limited, for the provision of audit services was HK$780,000. During FY2019, HK$105,000 was paid as remuneration to Mazars CPA Limited for the provision of non-audit related services including professional services for announcements of interim and final results.

AUDIT COMMITTEE

The Audit Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Yu Tat Chi, Michael, Mr. Lau Chi Keung and Mr. Chiu Kit Man, Calvin. Mr. Yu Tat Chi, Michael is the Chairman of the Audit Committee.

The Audit Committee is mainly responsible for assisting the Board in applying financial reporting and internal control principles and in maintaining an appropriate relationship with the Company's auditor. The Audit Committee is also delegated the corporate governance function of the Board to monitor, procure and manage corporate governance compliance within the Group. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Audit Committee met 3 times during FY2019 and the attendance of each member is set out as follows:

Members	**Number of attendance**
Mr. Yu Tat Chi, Michael	3/3
Mr. Lau Chi Keung	3/3
Mr. Chiu Kit Man, Calvin	3/3

The following is a summary of work performed by the Audit Committee during FY2019:

1. reviewed and discussed the audited financial statements of the Group for the year ended 30 June 2018 and recommended to the Board for approval;

2. reviewed and discussed the unaudited financial statements of the Group for the six months ended 31 December 2018 and recommended to the Board for approval;

3. reviewed and discussed with the management and auditor of the Company the accounting policies and practices which may affect the Group and the scope of the audit;

4. reviewed the effectiveness of risk management and the internal control systems of the Group; and

5. reviewed and approved the remuneration and the terms of engagement of the Company's auditor; and reviewed and made recommendations to the Board on the re-appointment of the Company's auditor.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for FY2019.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company has provided all members of the Board with monthly updates on the Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

1. to develop and review the Group's policies and practices on corporate governance and make recommendations;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual applicable to the employees and directors of the Group; and

5. to review the Group's compliance with the CG Code and disclosure requirements in the corporate governance report.

RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT STRUCTURE

Board of Directors

The Board acknowledges that it is the responsibility of the Board to maintain adequate risk management and internal control systems and to review the effectiveness of such systems on an ongoing basis. Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board oversees the risk management and internal control systems, determines the nature and extent of the risks the Group is willing to accept in achieving the Group's strategic objectives. The Board assesses, evaluates and on-going monitors the Group's risk management and internal control systems to ensure it is appropriate and effective.

Audit Committee

Audit Committee assists the Board in overseeing the Group's risk management and internal control systems by providing support and advice, including on-going monitoring of the execution of risk management processes, reviewing and approving the internal control review plan and results.

Management

The management is responsible for identifying and monitoring the risks from the daily operations of the Group. The management reports to the Board and Audit Committee on the risks identified including strategic, operational, financial, reporting and compliance risks and its changes. The management is also responsible for developing appropriate internal control measures to mitigate the risk, identify and resolve material internal control defects.

Independent internal control consultant

Internal audit function is in place within the Group as required under code provision C.2.5 of the CG code. During FY2019, to strengthen the risk management and internal control of the Group, the Company has engaged an independent internal control consultant (the"IC consultant") to perform independent appraisal of the adequacy and effectiveness of certain subsidiaries' risk management and internal control systems for FY2019. The IC consultant reports directly to the Audit Committee on all internal audit matters. The Audit Committee is, therefore, able to monitor the internal control deficiencies and remediation of the internal control deficiencies effectively. The Auditor is also able to communicate to the Audit Committee directly the internal control issues they noticed during their audit.

RISK MANAGEMENT PROCESS

The Group's risk management process is embedded into its day-to-day operation. Through regular discussion with each operating function, the Group strengthens the understanding of risk management to all employees such that they could report various risks they identified to the management in a timely manner. Management communicates with each operating function to identify, assess, respond and monitor significant risks and their changes.

Significant risk factors are collected from bottom to top, including strategic, operational, financial, reporting and compliance risks. After identifying all relevant risks, management assesses the potential impact and possibilities of the risks and prioritizes the risks, develops appropriate internal control measures to mitigate the risks identified and monitors the changes of risks in an on-going manner.

MAIN FEATURES OF OUR RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Maintain an effective internal control system at the operational level

- Establish clear internal control policies and procedures, clearly define the responsibilities, authorities and accountabilities of each key positions;

- Establish a code of conduct, explain the Group's requirements on integrity and ethical value to all staffs;

- Establish a whistle-blowing mechanism, encourage employees to report incidents of misconduct or fraud;

- Establish an appropriate level of information technology assess rights, avoid leakage of price sensitive information;

- Establish insider information disclosure policy, including reporting channel and responsible person of disclosure, unified response to external enquiries and obtain advice from professionals or the Stock Exchange, if necessary.

During FY2019, the Board has reviewed the effectiveness of internal control policies and procedures, including those related to financial reporting and Listing Rules compliance. The Board has considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions during the evaluation of the effectiveness of risk management and internal control systems.

On-going risk monitoring at risk management level

The management communicates with each operating function, collects significant risk factors that affect the Group from bottom to top. The management assesses the potential impact and possibilities of the risks and develops appropriate internal control measures to mitigate the risks identified, and reports to the Board and Audit Committee so as to effectively monitor and mitigate the major risks of the Group.

Independent review

The Group has appointed the IC consultant to conduct an internal control review[1] during FY2019, and the review covered the period from 1 July 2018 to 30 June 2019. An internal control review report has been provided to the Audit Committee.

The management has established remediation and improvement plan for internal control weaknesses identified. Nothing has come to the Audit Committee's or Board's attention to believe that risk management and internal monitor control systems of the Group are inadequate or ineffective.

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1 The internal control review performed by the IC consultant does not constitute an assurance engagement made 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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The rights of Shareholders and the procedures for demanding a poll on resolutions at Shareholders' meeting are contained in the Bye-laws. The Bye-laws have been made available on the website of the Stock Exchange and the Company's website. The Company has taken steps to ensure compliance with the requirements about voting by poll and arrangements have been made for the voting of each of the resolutions being put to the meetings to be dealt with by means of poll pursuant to the Listing Rules.

Pursuant to Bye-law 58 of the Bye-laws, Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. The purposes of convening the meeting must be stated in the relevant requisition, signed by all the Shareholders concerned in one or more documents in like form and deposited at the Company's head office and principal place of business in Hong Kong.

Pursuant to Section 79 of the Companies Act of Bermuda, Shareholders representing not less than one-twentieth of the total voting rights or not less than 100 Shareholders, may at their expense, unless the Company otherwise resolves, propose any resolution at a general meeting of the Company. A written request signed by the requisitionists containing a description of the proposed resolution to be put forward at the meeting, together with a sum reasonably sufficient to meet the expenses in giving effect thereto, must be deposited at the registered office of the Company not less than six weeks before the meeting.

The AGMs provide opportunity for Shareholders to communicate directly with the Directors. At the AGMs, the chairman of the Board and the chairmen of the Audit Committee, Remuneration Committee and Nomination Committee are responsible for answering questions raised by the Shareholders. The auditor of the Company will also attend the AGMs to answer questions raised by the Shareholders on the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

In order to provide detailed and up-to-date information to our Shareholders, the Company has a range of communication channels to ensure its Shareholders are kept well-informed. These comprise communication by way of general meetings, annual reports, public notices, announcements and circulars. Investors are welcome to make enquiries to the Company at its office in Hong Kong or visit the Company's website (www.applieddev.com) directly for updated corporate and financial information on the Group.

Dividend Policy

The Company has formulated and adopted a dividend policy which aims to set out guidelines in declaring and recommending dividends to the Shareholders.

The Board has the discretion to declare and distribute dividends to the Shareholders subject to the requirements of the Bye-laws, any applicable laws, rules and regulations and the consideration factors set out below.

The Board shall consider the following factors of the Group before declaring or recommending dividends:

a) the Company's actual and expected financial performance;

b) the Group's liquidity position;

c) retained earnings and distributable reserves of the Company and each of the members of the Group;

d) the level of the Group's debts to equity ratio, return on equity and the relevant financial ratios;

e) any restrictions on payment of dividends that may be imposed by the Group's lenders;

f) the Group's expected working capital requirements and future expansion plans;

g) general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

h) any other factors that the Board deem appropriate.

The Company does not have any pre-determined dividend payout ratio. For the avoidance of doubt, this dividend policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

The Board will review this policy as appropriate from time to time.

Change in Constitutional Documents

During FY2019, there was no significant change in constitutional documents of the Company.

ABOUT THIS REPORT

PURPOSE OF THIS REPORT

The Group is delighted to present its third Environmental, Social and Governance ("ESG") Report (the "Report"). The Report reveals the Group's sustainable development commitment, strategies and performance in various environmental and social aspects.

REPORT PERIOD AND SCOPE

This Report reveals the Group's sustainability efforts covering the period from 1 July 2018 to 30 June 2019 (the "Reporting Period") with the focus on head office's operation and property investment business in Hong Kong. For details of our corporate governance, please refer to the Corporate Governance Report.

REPORTING FRAMEWORK

The Report is prepared in accordance with the disclosure requirements of Appendix 27 Environmental, Social Governance Reporting Guide ("ESG Guide") under the Listing Rules. This Report has been reviewed and approved by the Board of Directors on 30 September 2019.

ACCESS TO THIS REPORT

This Report is available in both English and Chinese and has been uploaded to the websites of HKEX and the Company (https://www.applieddev.com/). If there is any inconsistency between the two versions, the English version shall prevail.

YOUR FEEDBACK

Your comments are critical to the Group's continuous sustainable development and improvement. Please send us your feedback concerning this Report and the Group's sustainability performance to info@applieddev.com.

OUR SUSTAINABILITY APPROACH

Echoing with the Group's missions of bringing sustainable growth and profit to our shareholders while being accountable to stakeholders including customers, shareholders, partners and employees, the Group commits to pursuing sustainability by integrating our ESG principles into our daily operations. To accomplish the Group's vision of creating value, we continue to evaluate our operation and identify opportunities to contribute more to our environment and society.

STAKEHOLDERS ENGAGEMENT

Our stakeholders' unceasing support and trust contributed to the Group's sustainable growth. To understand our stakeholder's opinion and communicate effectively, we have employed a wide range of communication channels regularly as listed below:

Stakeholders	**Communication Channels**	
Customers	– Daily operations – Company's website – Emails – Customer services	– Meetings & phone conference – Customer satisfaction survey
Employees	– Regular meetings	– Team activities
Suppliers and Business Partners	– Emails – Meetings – Phone conferences	– Site visits – Product/Service feedbacks
Shareholders and Investors	– Annual and interim reports – Announcements and press conferences	
Government and Regulatory Bodies	– Letters – Documents/returns submitted	– Inquiries
General public and community	– Company's website – Emails	– Community activities

MATERIALITY ASSESSMENT

To integrate stakeholder's feedbacks into the Group's sustainability approach and development direction, we have conducted a materiality assessment to prioritize the material issues that are of concern to the Group and our key stakeholders in order that we can make corresponding adjustments in resources allocation and sharpen the reporting focus on the key concerned issues. The assessment was conducted with the following steps:

Step1: Identifying ESG issues

The identification of material topics was carried out with the aid of our independent sustainability consultant. We have conducted ongoing reviews on regular stakeholder engagement results, local reporting standards, latest sustainability trends in the industry, our operations and our development plan to identify relevant material issues. This year, 37 sustainability-related issues, which were of interest to the Group and our key stakeholders, were identified.

Step 2: Rating ESG Issues

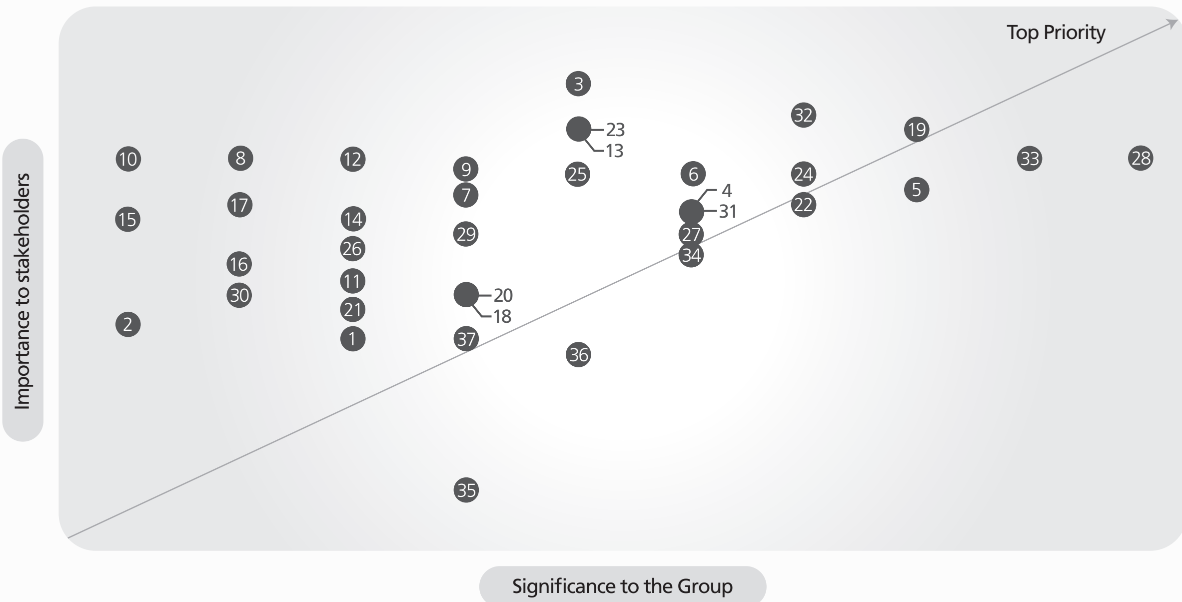
An online stakeholder engagement questionnaire was set up to collect our stakeholder's valuable feedbacks and comments. Respondents are invited to assess the identified material issues based on their perception of the issue's materiality and relevance to the Group's operation. Participants were also welcome to share their expectations and thoughts on the Group's strategy and performance.

Step 3: Analyzing and Evaluating the Results

The questionnaire responses were hence analyzed to reflect the relative importance of the different material issues identified. A materiality matrix is hence plotted to illustrate the analysis result. The issues located on the top right corner are of significant importance to both the Group's operation and our stakeholders.

Through the analysis, 4 material issues which are important to our stakeholders and have material impact on the Group, are identified. These issues will hence be the focus of the Group's sustainable development planning as well as the Report.

Materiality Matrix



1 Diversity and Equal Opportunities (age, sex, disability, etc.)
2 Employee Turnover Rate
3 Occupational Health and Safety
4 Training and Development
5 Prevention of Child and Forced Labour
6 Labour Relations and Communication
7 Employee Benefits
8 Wastewater Management
9 Greenhouse Gas Emissions Management
10 Exhaust Fume Emission Management
11 Non-Hazardous Waste Treatment
12 Hazardous Waste Treatment
13 Energy and Water Conservation
14 Use of Resources
15 Impact on Surrounding Environment
16 Green Procurement
17 Operation Efficiency and Monitoring
18 Supplier Audit and Management
19 Anti-Fraud and Corruption
20 Emergency Response Plan
21 Supplier's Environmental and Social Performance Assessment
22 Anti-Money Laundering Policy
23 Product Safety
24 Customer's Health and Safety
25 Complaint Handling
26 Intellectual Property
27 Privacy Protection
28 Steady Capital Flow
29 Operation Partner Selection
30 Research and Development
31 Customer's Complaint Handling
32 Customer's Satisfaction
33 Compliance to Laws and Regulations
34 Contribution to Society and Positioning
35 Participation in Voluntary Work
36 Charitable Donation
37 Organization of Charitable Activities

CREATING VALUE FOR OUR CUSTOMERS

Delivering high-quality services to our customers is the key to create sustainable value and customer satisfaction. The Group strives to improve continuously to deliver top-of-class services.

PRODUCT RESPONSIBILITY

Maintaining high customer satisfaction is of utmost importance to the Group's long-term success. The Group strives to achieve excellent customer experience by providing our clients a safe and occupational health risk-free office in compliance with Landlord and Tenant (Consolidation) Ordinance (Cap 7, the Laws of Hong Kong). Contract will only be signed after on-site inspection is conducted by the client with the witness of lawyers. Should there be any issues spotted, immediate remedial action will be taken and specialized contractor will be appointed to fix the issue concerned.

Communication also plays an important role in maintaining the relationship with our customers. To ensure concerns of our customers are handled properly, a complaint handling channel is established with a detailed step-by-step guide to provide clear instruction and responsibility, allowing our staff to handle complaints in a consistent and professional manner. We also communicate proactively with our customers through different channels, allowing us to proactively respond to our clients' expectation.

To ensure content for external communication such as advertising is without misleading information, the Group would ensure the material is prepared in an accurate manner aligned with the Group's commitment to operating with integrity in every aspect of our operation. As the Group is not involved in product manufacturing and sales, there is no relevant policy as well as laws and regulations with regard to labeling.

Protecting our clients' confidential data is another material issue in maintaining our clients' confidence in our service. We safeguard our clients' sensitive information following Personal Data (Privacy) Ordinance (Cap. 486, the Laws of Hong Kong). All sensitive customer data would be handled with extra care and stored in designated places while only limited authorized personnel can access. Prior approval is required for other staff to access confidential information.

During the Reporting Period, we are not aware of any reported cases of violating laws and regulations related to our service and product quality, advertising or leakage of customer information.

SUPPLY CHAIN MANAGEMENT

Selecting suppliers that share our values and commitment is critical to our sustainable business approach. A standard selection process is established to ensure different aspects of the suppliers, including their product and service quality, price, environmental and social practices including environmental protection initiatives, integrity, employment practice and, labor standard, are assessed and reviewed. Only suppliers that meet our expectation and requirement will be shortlisted and selected. Regular review over selected supplier's performance will also be conducted to ensure consistent quality and commitment to shared values. Should there be any unsatisfying issue identified, a rectification and follow-up assessment will be demanded to ensure improvement is made and the issue of concern is addressed.

ANTI-CORRUPTION

As part of the Group's commitment to comply with the letter and spirit of the law the Group operates in, including the Prevention of Bribery Ordinance (Cap. 201, the Laws of Hong Kong), we uphold the principles of honesty and integrity in our operation. Emphasizing the responsibilities to the Group, customers, investors and other stakeholders, we established a Code of Ethics outlining our determination and requirement. Our employees are required to perform their duties with the highest degree of integrity in accordance with the Code of Ethics. In addition to requiring our staff to be impartial and free from conflict of interests, our employees are also required to decline any advantages offered directly or indirectly to ensure fair dealing practice and protect the Group and our stakeholders' interest. We have also set up a whistle-blowing channel for our stakeholders to report any misconduct identified.

During the Reporting Period, we are not aware of any reported cases concerning corruption, bribery, extortion, fraud and money laundering related to our employees and directors.

CARING OUR EMPLOYEES

Our employees serve as the foundation for our quality service and sustainable business. Their passion and devotion help create sustainable value for our Group and our stakeholders. Hence, we are committed to providing a rewarding workplace to attract, retain and develop precious talents. The Group also strives to offer attractive career prospects, learning opportunities and cohesive environment to our employees.

RESPONSIBLE EMPLOYMENT

Labor rights and equal opportunities

Providing a workplace where our employees are respected and rights are protected is of paramount importance to the Group's continuous success. We uphold the principles of equal employment opportunity, appreciates and respects diversity. In respect of our policies concerning recruitment, dismissal, working hours, rest periods and compensation package, the Group commits to abiding by relevant employment laws and regulations, including but not limited to Employment Ordinance (Cap. 57), Employees' Compensation Ordinance (Cap. 262), Minimum Wage Ordinance (Cap. 608) and Mandatory Provident Fund Schemes Ordinance (Cap. 485), the Laws of Hong Kong. We also adopt a zero-tolerance approach to any form of workplace discrimination and harassment to ensure our employees can devote themselves regardless of their ethnicity, gender, creed, religion, age, disability and sexual orientation. Employees are encouraged to report any cases of suspected discrimination. An investigation will be conducted and disciplinary action may apply should offense is confirmed.

Employees' benefits and development

To attract and retain our talented staff, the Group provides comprehensive remuneration package and attractive benefits, for example, mandatory provident fund, annual leave, travel and meal allowance. The remuneration package will be reviewed regularly to ensure it is competitive and rewarding compared to the market. Moreover, the Group values our staff's work-life balance while discouraging overtime work. Apart from the five-day work arrangement, we also provide early leave on festive days to our employees.

The Group values our staff's continuous professional development. Through conducting appraisal regularly, our staff will receive feedback and recommendations based on their assessed performance to foster their professional development. The appraisal result will be a factor of consideration for adjustment of remuneration package and position of our employees. In addition, the Group also provides internal and external training, ranging from orientation training, on-job training, regular briefing and technical training, to equip our staff with competitive skills and knowledge to perform their duty with flying colors. Our staff is also encouraged to take part in external training programs to pursue continuous development.

Communication plays an important role in maximizing our employee's satisfaction while allowing the management to understand our staff's need in a swift and timely manner. Our management adopts "open door policy" which allows our staff to raise concerns and express themselves freely. Effective communication allows our management to understand our staff and situation more easily and comprehensively, which mitigate potential risk and problem by consolidating joint effort from our staff and management.

Apart from the official communication channel, our staff is also encouraged to organize different events, such as tea time and lunch gather regularly to strengthen the team bond and connection.

Preventing child and forced labor

In compliance with the Employment Ordinance (Cap. 57, the Laws of Hong Kong), the Group takes a bold step in preventing child and forced labor. During the employment process, applicants' personal information and identification will first be screened to check eligibility in accordance with relevant regulations. Only eligible applicants will proceed for next phase of selection.

During the Reporting Period, we are not aware of any case of non-compliance with the laws and regulations concerning child or forced labor.

OCCUPATIONAL HEALTH AND SAFETY

Providing a safe and comfortable work environment is one of the primary responsibilities of the Group. We are devoted to protecting our staff from any form of occupational health risk. To ensure the office is comfortable and health risk-free to work in, we keep the hygiene at the highest level while maintaining sufficient ventilation and adequate lighting. Training concerning fire safety was also provided to our staff. We also took part in the fire drill to ensure our staff is familiar with the procedure in case of an emergency.

During the Reporting Period, there was no recorded case of work-related injuries or causalities. Adhering to "Occupational Safety and Health Ordinance", the Group is not aware of any non-compliance related to occupational health and safety during the Reporting Period.

COMMITMENT TO SUSTAINABLE OPERATION

Protecting our environment is critical to achieving sustainable growth and one of the Group's top priority. We commit to minimizing the environmental impact of our operation by regularly reviewing and analyzing our business, from planning to operation, to identify opportunities of reducing emission and promoting sustainable use of resources. To cultivate an environmentally friendly operation, the Group has formulated different policies and action plans to integrate sustainability in our operation.

EMISSIONS AND USE OF RESOURCES

Due to the business nature[1,2,3] and with no ownership of mobile vehicles, our office-based operation does not generate direct emission. The major indirect sources of carbon emission include the use of electricity and business travelling. Our office operation also generates general refuse including paper and food.

To minimize our operation's environmental impact, the Group has initiated different schemes to allow our staff to contribute to the Group's environmental objectives. The 3Rs, referring to Reduce, Recycle and Reuse, are the guiding principles while the Group formulating our environmental protection approach and efficient use of resources initiatives.

Low carbon footprint operation

The Group proactively monitors and manages our operation carbon emission to fulfil our commitment to attaining sustainable growth. Different energy conservation actions have been adopted to minimize our energy consumption, including posting reminders near the switches to note our staff to turn off light and air-conditioning before leaving. Meanwhile, communicating with foreign parties with the use of electronic media for conferences minimizes the air travelling to further lower our operation's carbon emission.

	Unit	2018	**2019**
Energy Consumption in Total	kWh	16,436.00	**13,208.00**
Purchased Electricity	kWh	16,436.00	**13,208.00**
Energy Consumption in Intensity	kWh/m^2	69.82	**72.47**

1 During the Reporting Period, the Group did not own any mobile vehicle. Because of the business nature, we are not aware of any significant source of air emission.

2 Our headquarter operates in leased office premises of which water supply was solely controlled by the building management which did not provide water consumption data for an individual occupant. Hence, we are unable to disclose relevant data.

3 The Group's operation does not involve any packaging materials.

Encourage public transportation

Apart from green practice in the office, our staff is encouraged to use more public transportation instead of driving to the office to integrate sustainability in daily life and further reduce our carbon footprint.

	Unit	2018	**2019**
GHG Emission in Total	Tonnes of CO_2e	12.98	**10.43**
GHG Emission (Scope 1)[4]	Tonnes of CO_2e	0	**0**
GHG Emission (Scope 2)[5]	Tonnes of CO_2e	12.98	**10.43**
GHG Emission Intensity (Scope 1 and Scope 2)	Tonnes of CO_2e/m^2	0.06	**0.06**

Paper-less office initiative

Paper waste is the major category of waste generated by our office-based operation. Embracing the 3Rs Guiding Principles, the Group launched the "paperless office" initiative, encouraging our staff to reduce paper usage through means including the use of electronic documentation and changing the printing default setting to duplex printing. Apart from printing paper, we also provide washable mugs and glasses in the pantry to minimize the use of paper cup.

	Unit	2018	**2019**
Total Non-Hazardous Waste Produced[6]	Tonnes	1.1	**0.85**
Non-Hazardous Waste Disposed	Tonnes	1.1	**0.85**
Total Non-Hazardous Waste Produced in Intensity	kg/m^2	4.68	**4.69**

The Group has complied with the relevant laws and regulations related to the emission, including but not limited to Waste Disposal Ordinance (Cap. 354, the Laws of Hong Kong). ***We are not aware of any penalties and litigation involving the Group during the Reporting Period.***

CONTRIBUTING TO OUR SOCIETY

COMMUNITY INVESTMENT

As a responsible citizen, the Group strives to build positive relationships with and contribute to our society by integrating corporate social responsibility considerations into our business. In addition, the Group would also seek every opportunity to proactively participate in activities that are aligned with the Group's value and interest as part of the Group's commitment to our community.

4 In accordance with The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard (Revised Edition), published by World Business Council for Sustainable Development and World Resources Institute, Scope 1 emissions included emissions from owned vehicles of the Group.

5 In accordance with The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard (Revised Edition), published by World Business Council for Sustainable Development and World Resources Institute, Scope 2 emissions included those resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the Group.

6 The amount of non-hazardous waste produced is calculated by estimating the waste produced per day.

HKEX ESG REPORTING GUIDE INDEX

Subject Areas, Aspects, General Disclosure and KPIs		Chapter/Disclosure	Page
A. Environmental			
Aspect A1: Emissions			
General Disclosure Information on:			
(a)	the policies; and	**Commitment to Sustainable Operation**	**37-38**
(b)	compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		
KPI A1.1	The types of emissions and respective emissions data.	**N/A**	**–**
KPI A1.2	Greenhouse gas emissions in total and where appropriate, intensity.	**Emissions and Use of Resources**	**37-38**
KPI A1.3	Total hazardous waste produced and where appropriate, intensity.	**N/A**	**–**
KPI A1.4	Total non-hazardous waste produced and where appropriate, intensity.	**Emissions and Use of Resources**	**37-38**
KPI A1.5	Description of measures to mitigate emissions and results achieved.	**Emissions and Use of Resources**	**37-38**
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	**Emissions and Use of Resources**	**37-38**

Aspect A2: Use of Resources			
General Disclosure			
Policies on the efficient use of resources, including energy, water and other raw materials. *Note:* Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.		**Commitment to Sustainable Operation**	**37**
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	**Emissions and Use of Resources**	**37**
KPI A2.2	Water consumption in total and intensity.	**N/A**	**–**
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	**Emissions and Use of Resources**	**37**
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	**N/A**	**–**
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced.	**N/A**	**–**
Aspect A3: The Environment and Natural Resources			
General Disclosure			
Policies on minimising the issuer's significant impact on the environment and natural resources.		**Commitment to Sustainable Operation**	**37-38**
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	**N/A**	**–**

B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure Information on:		
(a) the policies; and	**Caring Our Employees**	**35-36**
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		
Aspect B2: Health and Safety		
General Disclosure Information on:		
(a) the policies; and	**Caring Our Employees**	**35-36**
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		
Aspect B3: Development and Training		
General Disclosure		
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	**Employees' benefits and development**	**35-36**
Aspect B4: Labour Standards		
General Disclosure Information on:		
(a) the policies; and	**Preventing child and forced labor**	**36**
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure		
Policies on managing environmental and social risks of the supply chain.	**Supply Chain Management**	**34**

Aspect B6: Product Responsibility General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	**Product Responsibility**	**34**
Aspect B7: Anti-corruption General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	**Anti-corruption**	**35**
Community **Aspect B8: Community Investment** General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	**Contributing to Our Society**	**38**

MAZARS

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To the members of
Applied Development Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Applied Development Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 48 to 116, which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2019, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *"Auditor's Responsibilities for the Audit of the Consolidated Financial Statements"* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 30 June 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties *Refer to significant accounting policies in note 2 and the disclosure of investment properties in note 13 to the consolidated financial statements.*	
The Group's investment properties measured at fair value amounted to HK$454,000,000 as at 30 June 2019. The fair value was determined by the Group with reference to the valuations performed by an independent professional valuer engaged by the Group. We considered this matter to be a key audit matter because the amount is significant and the valuation of investment properties involved significant judgements and estimates including the determination of valuation techniques and different inputs in the models.	Our audit procedures, among others, included: – evaluating the competence, capabilities and objectivity of the independent professional valuer; – discussing with the independent professional valuer to understand the valuation process and methodologies, the performance of the property market, significant assumptions adopted, critical judgements used in the valuation of investment properties; – assessing the reasonableness of the key assumptions adopted in the valuation; and – checking, if applicable, the accuracy and relevance of the key inputs adopted in the valuation of investment properties.

KEY AUDIT MATTERS *(continued)*

Key audit matter

Write-down of properties under development ("PUD")

Refer to significant accounting policies in note 2 and the disclosure of properties under development in note 17 to the consolidated financial statements.

As at 30 June 2019, the Group's PUD amounted to approximately HK$917,107,000 (after write-down of HK$65,576,000), representing 39% of the Group's total assets. The Group's PUD are stated at the lower of cost and net realisable value ("NRV").

We identified the assessment of whether the PUD were stated at the lower of cost and NRV as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the involvement of estimations in the assessment.

The determination of the NRV involves estimates based on prevailing market conditions and also taking into account the estimated future costs to completion.

How our audit addressed the key audit matter

Our audit procedures, among others, included:

– assessing the appropriateness of the determination of NRV of the PUD, on a sample basis, by comparing the NRV to market prices achieved in the same projects or comparable properties, based on the current market development trend and regulations in the real estate industry and our knowledge of the Group's business with reference to the valuation report prepared by the independent professional valuer;

– obtaining and inspecting the valuation report prepared by the independent professional valuer engaged by the management and on which the management's assessment of the NRV of PUD and prepaid lease payments was based;

– evaluating the competence, capabilities and objectivity of the independent professional valuer;

– discussing with the independent professional valuer their valuation methodology and the key estimates and assumptions adopted in their valuation; and

– assessing the management's process in estimating the future costs to completion for the PUD, on a sample basis, by comparing them to the actual development cost and comparing the adjustments made by the management in the future costs to completion to current market data.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2019 annual report of the Company other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law and regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 30 September 2019

The engagement director on the audit resulting in this independent auditor’s report is:

Chan Wai Man
Practising Certificate number: P02487

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**17,011**	3,743
Other revenue	5	**3,378**	4,310
Other income	6	**1,015**	57
Net (loss) gain on disposal of financial assets at FVPL		**(10,572)**	3,660
Net (decrease) increase in fair value of financial assets at FVPL		**(18,838)**	9,596
Net increase in fair value of investment properties	13	**44,535**	27,000
Net gain on disposal of investment properties	13	**8,316**	4,556
Write-down of properties under development		**(65,576)**	–
Impairment loss on loans receivables	18	**(4,835)**	–
Selling expenses		**(14,499)**	(4,389)
Administrative expenses		**(20,194)**	(23,648)
Finance costs	8	**(17,956)**	(16,089)
(Loss) Profit before taxation	9	**(78,215)**	8,796
Taxation	10	**464**	1,842
(Loss) Profit for the year		**(77,751)**	10,638
Other comprehensive (loss) income			
Items that may be reclassified subsequently to profit or loss			
– Change in fair value of available-for-sale financial assets		**–**	37
– Exchange differences arising on translation of foreign operations		**(6,928)**	3,944
		(6,928)	3,981
Items that will not be reclassified to profit or loss			
– Change in fair value of Designated FVOCI		**(10)**	–
Other comprehensive (loss) income for the year, net of tax		**(6,938)**	3,981
Total comprehensive (loss) income for the year		**(84,689)**	14,619
(Loss) Earnings per share	12		
Basic		**(3.10) HK cents**	0.44 HK cents
Diluted		**(3.10) HK cents**	0.44 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Investment properties	13	**454,000**	530,000
Property, plant and equipment	14	**688**	126
Available-for-sale financial assets	15	**–**	200,185
Designated FVOCI	15	**175**	–
		454,863	730,311
Current assets			
Properties under development	17	**917,107**	820,929
Financial assets at FVPL	16	**718,271**	245,154
Other receivables	18	**112,997**	145,736
Restricted bank deposits	19	**22,298**	–
Bank balances and cash	19	**98,413**	243,793
		1,869,086	1,455,612
Assets classified as held for sale	20	**35,732**	–
		1,904,818	1,455,612
Current liabilities			
Accounts and other payables	21	**512,703**	228,114
Interest-bearing borrowings	22	**390,795**	414,491
		903,498	642,605
Net current assets		**1,001,320**	813,007
Total assets less current liabilities		**1,456,183**	1,543,318
Non-current liabilities			
Deferred tax liabilities	26	**112,975**	115,421
Net assets		**1,343,208**	1,427,897
Capital and reserves			
Share capital	23	**25,051**	25,051
Reserves		**1,318,157**	1,402,846
Total equity		**1,343,208**	1,427,897

The consolidated financial statements on pages 48 to 116 were approved and authorised for issue by the Board of Directors on 30 September 2019 and signed on its behalf by:

Wu Zhanming
Executive Director

Yuen Chi Ping
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

		Reserves							
	Share capital HK$'000	Share premium HK$'000 (Note 24(a))	Investment revaluation reserve HK$'000 (Note 24(b))	Capital redemption reserve HK$'000 (Note 24(c))	Capital reserve HK$'000 (Note 24(d))	Translation reserve HK$'000 (Note 24(e))	Accumulated profits HK$'000	Total reserves HK$'000	Total HK$'000
At 1 July 2017	20,876	244,786	(424)	11,931	204,610	21	765,346	1,226,270	1,247,146
Profit for the year	–	–	–	–	–	–	10,638	10,638	10,638
Other comprehensive income									
Items that may be reclassified subsequently to profit or loss									
Change in fair value of available-for-sale financial assets	–	–	37	–	–	–	–	37	37
Exchange differences arising on translation of foreign operations	–	–	–	–	–	3,944	–	3,944	3,944
Total other comprehensive income	–	–	37	–	–	3,944	–	3,981	3,981
Total comprehensive income for the year	–	–	37	–	–	3,944	10,638	14,619	14,619
Transactions with equity holders									
Contributions and distributions									
Issue of shares upon placing of shares	4,175	161,957	–	–	–	–	–	161,957	166,132
At 30 June 2018	25,051	406,743	(387)	11,931	204,610	3,965	775,984	1,402,846	1,427,897

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

		Reserves								
	Share capital HK$'000	Share premium HK$'000 (Note 24(a))	Investment revaluation reserve (recycling) HK$'000 (Note 24(b))	Investment revaluation reserve (non-recycling) HK$'000 (Note 24(b))	Capital redemption reserve HK$'000 (Note 24(c))	Capital reserve HK$'000 (Note 24(d))	Translation reserve HK$'000 (Note 24(e))	Accumulated profits HK$'000	Total reserves HK$'000	Total HK$'000
At 1 July 2018, as previously reported	25,051	406,743	(387)	–	11,931	204,610	3,965	775,984	1,402,846	1,427,897
Impact on initial application of HKFRS 9 (note 2)	–	–	387	(387)	–	–	–	–	–	–
At 1 July 2018, as adjusted	25,051	406,743	–	(387)	11,931	204,610	3,965	775,984	1,402,846	1,427,897
Loss for the year	–	–	–	–	–	–	–	(77,751)	(77,751)	(77,751)
Other comprehensive loss										
Items that may be reclassified subsequently to profit or loss										
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(6,928)	–	(6,928)	(6,928)
Items that will not be reclassified to profit or loss										
Change in fair value of Designated FVOCI	–	–	–	(10)	–	–	–	–	(10)	(10)
Total other comprehensive loss	–	–	–	(10)	–	–	(6,928)	–	(6,938)	(6,938)
Total comprehensive loss for the year	–	–	–	(10)	–	–	(6,928)	(77,751)	(84,689)	(84,689)
At 30 June 2019	25,051	406,743	–	(397)	11,931	204,610	(2,963)	698,233	1,318,157	1,343,208

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Notes	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES			
(Loss) Profit before taxation		**(78,215)**	8,796
Adjustments for:			
Depreciation of property, plant and equipment		**108**	136
Finance costs		**17,956**	16,089
Interest income		**(3,367)**	(4,310)
Interest income from financial assets at FVPL		**(2,475)**	(971)
Dividend income from financial assets at FVPL		**(14,079)**	–
Net loss (gain) on disposal of financial assets at FVPL		**10,572**	(3,660)
Net decrease (increase) in fair value of financial assets at FVPL		**18,838**	(9,596)
Net increase in fair value of investment properties	13	**(44,535)**	(27,000)
Net gain on disposal of investment properties	13	**(8,316)**	(4,556)
Write-down of properties under development		**65,576**	–
Impairment loss on loans receivables		**4,835**	–
Operating cash flows before changes in working capital		**(33,102)**	(25,072)
Changes in working capital:			
Properties under development		**(166,543)**	(57,674)
Other receivables		**15,919**	(35,887)
Restricted bank deposits		**(22,298)**	–
Accounts and other payables		**287,553**	24,882
Net cash generated from (used in) operations		**81,529**	(93,751)
Interest paid		**(25,632)**	(17,142)
Net cash from (used in) operating activities		**55,897**	(110,893)
INVESTING ACTIVITIES			
Interest received		**6,511**	4,294
Purchase of financial assets at FVPL		**(251,016)**	(276,899)
Purchase of property, plant and equipment		**(672)**	(36)
Additions to investment properties	13	**(13,015)**	–
Net proceeds from disposal of investment properties		**95,304**	56,556
Proceeds from disposal of financial assets at FVPL		**47,936**	96,570
Advance to other borrowers		**(30,350)**	(288,250)
Repayment from other borrowers		**67,000**	231,500
Net cash used in investing activities		**(78,302)**	(176,265)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Notes	2019 HK$'000	2018 HK$'000
FINANCING ACTIVITIES			
Net proceeds from issue of shares upon placing of shares		–	166,132
New bank borrowing raised	27(b)	–	348,000
New other borrowings raised	27(b)	–	109,830
Repayment of bank borrowing	27(b)	**(75,810)**	(388,000)
Repayment of other borrowings	27(b)	**(46,740)**	(48,350)
Net cash (used in) from financing activities		**(122,550)**	187,612
Net decrease in cash and cash equivalents		**(144,955)**	(99,546)
Cash and cash equivalents at the beginning of the reporting period		**243,793**	343,227
Effect on exchange rate changes		**(425)**	112
Cash and cash equivalents at the end of the reporting period		**98,413**	243,793
Analysis of the balances of cash and cash equivalents			
Cash at bank and on hand		**88,318**	56,152
Short-term time deposits		**10,095**	187,641
		98,413	243,793

1. GENERAL

Applied Development Holdings Limited (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 and the principal place of business of the Company are disclosed in the section headed "Corporate Information" in the 2019 annual report of the Company.

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 Company and its subsidiaries (collectively the "Group") are principally engaged in resort and property development, property investment and investment holding. The activities of the principal subsidiaries of the Company are set out in note 31(a) to the consolidated financial statements.

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 2018 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year.

ADOPTION OF NEW/REVISED HKFRSs

Amendments to HKAS 40: Transfers of Investment Property

The amendments clarify that, to transfer to or from, investment properties, there must be a change in use. A change in use would involve (a) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (b) supporting evidence that a change in use has occurred.

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

Amendments to HKFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

ADOPTION OF NEW/REVISED HKFRSs *(continued)*

HK(IFRIC)-Int 22: Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognised the non-monetary asset or non-monetary liability arising from the advance consideration.

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

HKFRS 9: Financial Instruments

The following terms are used in these consolidated financial statements:

- FVPL: fair value through profit or loss.
- FVOCI: fair value through other comprehensive income.
- Designated FVOCI: equity instruments measured at FVOCI.
- Mandatory FVOCI: debt instruments measured at FVOCI.

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. It introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting.

In accordance with the transitional provisions in HKFRS 9, comparative information has not been restated and the Group has applied HKFRS 9 retrospectively to financial instruments that existed at 1 July 2018 (i.e. the date of initial application), except as described below:

(a) The following assessments are made on the basis of facts and circumstances that existed at the date of initial application:

    (i) the determination of the business model within which a financial asset is held;

    (ii) the designation of financial assets or financial liabilities at FVPL or, in case of financial assets, at Designated FVOCI; and

    (iii) the de-designation of financial assets or financial liabilities at FVPL.

    The above resulting classification shall be applied retrospectively.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

ADOPTION OF NEW/REVISED HKFRSs *(continued)*

HKFRS 9: Financial Instruments *(continued)*

(b) If, at the date of initial application, determining whether there has been a significant increase in credit risk since initial recognition would require undue cost or effort, a loss allowance is recognised at an amount equal to lifetime expected credit losses at each reporting date until the financial instrument is derecognised unless that financial instrument has low credit risk at a reporting date.

(c) For investments in equity instruments that were measured at cost under HKAS 39, the instruments are measured at fair value at the date of initial application.

Differences between the previous carrying amounts under HKAS 39 and the current carrying amounts upon adoption of HKFRS 9 are recognised directly in components of equity at 1 July 2018 as summarised below:

	Investment revaluation reserve (recycling) HK$'000	Investment revaluation reserve (non-recycling) HK$'000	Total HK$'000
At 1 July 2018			
Reclassification	**387**	**(387)**	**–**
Increase (Decrease)	**387**	**(387)**	**–**

Classification and measurement of financial assets and financial liabilities

The adoption of HKFRS 9 has no significant effect on the classification and measurement of the Group's financial liabilities.

The following table reconciles the original measurement categories and carrying amounts under HKAS 39 to the new measurement categories and carrying amounts under HKFRS 9 for each class of the Group's financial assets as at 1 July 2018.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

ADOPTION OF NEW/REVISED HKFRSs *(continued)*

HKFRS 9: Financial Instruments *(continued)*

Classification and measurement of financial assets and financial liabilities (continued)

		Measurement category and carrying amount under HKFRS 9		
Measurement category under HKAS 39	Carrying amount under HKAS 39 HK$'000	**Amortised cost HK$'000**	**Designated FVOCI HK$'000**	**FVPL HK$'000**
Available-for-sale financial assets				
Listed equity securities, at fair value (note i)	185	–	185	–
Unlisted equity securities, at cost (note ii)	–	–	–	–
Loan to an affiliate company, at cost (note ii)	200,000	–	–	200,000
Financial assets at FVPL (note iii)				
Unlisted investment funds	199,903	–	–	199,903
Listed debt instruments				
– Hong Kong	37,454	–	–	37,454
– Overseas	7,797	–	–	7,797
Loans and receivables (note iv)				
Other receivables (excluding prepayments)	138,670	138,670	–	–
Bank balances and cash	243,793	243,793	–	–
	827,802	382,463	185	445,154

Notes:

(i) The listed equity securities that were previously classified as available-for-sale financial assets amounted to HK$185,000 are now classified as Designated FVOCI since, at the date of initial application, these investments are neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies and are designated as Designated FVOCI.

Related fair value losses of HK$387,000 as at 1 July 2018 were transferred from investment revaluation reserve (recycling) to investment revaluation reserve (non-recycling) on 1 July 2018.

(ii) The unlisted equity securities and loan to an affiliate company that were previously classified as available-for-sale financial assets amounted to US$20 (equivalent to approximately HK$156) and HK$200,000,000 respectively are now classified as FVPL since, at the date of initial application, these investments are not designated or eligible to be designated as Designated FVOCI.

No fair value changes as at 1 July 2018 were transferred from investment revaluation reserves to accumulated profits on 1 July 2018.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

ADOPTION OF NEW/REVISED HKFRSs *(continued)*

HKFRS 9: Financial Instruments *(continued)*

Classification and measurement of financial assets and financial liabilities (continued)

Notes: *(continued)*

(iii) The unlisted investment funds and listed debt instruments that were previously classified as financial assets at FVPL amounted to HK$199,903,000 and HK$45,251,000 respectively continue to be classified as financial assets at FVPL because, at the date of initial application, the Group's business model is to hold these investments for sale.

(iv) These items continue to be measured at amortised cost because, at the date of initial application, the Group's business model is to hold these investments to collect the contractual cash flows and the cash flows represent solely payments of principal and interest on the principal amount outstanding.

Expected credit loss ("ECL")

The ECL model under HKFRS 9 requires an entity to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Impairment based on ECL model on these financial assets upon the adoption of HKFRS 9 has no significant financial impact to the consolidated financial statements.

HKFRS 15: Revenue from Contracts with Customers

HKFRS 15 replaces, among others, HKAS 18 and HKAS 11 which specified the revenue recognition arising from sale of goods and rendering of services and the accounting for construction contracts respectively. The standard establishes a comprehensive framework for revenue recognition and certain costs from contracts with customers within its scope. It also introduces a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group has elected to apply the cumulative effect transition method and recognised the cumulative effect of initial adoption as an adjustment to the opening balance of components of equity at 1 July 2018 (i.e. the date of initial application). Therefore, the comparative information has not been restated for the effect of HKFRS 15.

In addition, the Group has applied HKFRS 15 retrospectively only to contracts that were not completed at 1 July 2018 in accordance with the transitional provisions therein.

The adoption of HKFRS 15 has no significant effect on the recognition and measurement of the Group's revenue.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

ADOPTION OF NEW/REVISED HKFRSs *(continued)*

HKFRS 15: Revenue from Contracts with Customers *(continued)*

Significant financing components

Before the adoption of HKFRS 15, the Group adjusted the contract consideration for the time value of money only when payments are deferred. However, HKFRS 15 requires such adjustments when a contract contains a significant financing component (unless the practical expedient in paragraph 63 of HKFRS 15 is applied), regardless of whether the payments are received in advance or in arrears. The payments for some sales contracts of goods are received in advance and therefore the contract consideration is now adjusted for the effect of the significant financing component (which is recognised as an interest expense during the relevant contract period), except for those contracts in which the period between the transfer of promised goods or services and the payments is one year or less given that the Group has applied the practical expedient.

Sales commissions

Before the adoption of HKFRS 15, the Group recognised sales commissions paid or payable to agents as a result of obtaining sales contracts for the Group when incurred. However, under HKFRS 15, the Group is required to capitalise such commissions as costs of obtaining contracts when they are incremental and recoverable, except when the practical expedient in paragraph 94 of HKFRS 15 is applied. The capitalised commissions are charged to profit or loss over the term of the specific existing and anticipated contracts to which the costs relate and are included in "selling expenses".

Presentation of receivable, contract assets and contract liabilities

Within the context of HKFRS 15, a receivable is an entity's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due. If an entity performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the entity shall present the contract as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or an entity has a right to an amount of consideration that is unconditional, before the entity transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

Before the adoption of HKFRS 15, contract balances relating to construction contracts in progress were presented in the consolidated statement of financial position under "receipt in advance". However, under HKFRS 15, certain of the balances are reclassified into "contract assets" or "contract liabilities" where appropriate.

A summary of the principal accounting policies adopted by the Group is set out below:

BASIS OF MEASUREMENT

The measurement basis used in the preparation of the consolidated financial statements is historical cost, except for investment properties, Designated FVOCI and financial assets at FVPL, which are measured at fair values as explained in the accounting policies set out below.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented, separately from equity holders of the Company, in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured initially either at fair value or at the present ownership instrument's proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income is attributed to the equity holders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

SUBSIDIARIES

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented within these notes, investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investments is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

INVESTMENT PROPERTIES

Investment properties are land and/or building that are held by owner to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use, properties that are being constructed or developed for future use as investment properties and properties that are held under operating lease, which satisfy the definition of investment property and are carried at fair value.

Investment properties are stated at fair value at the end of the reporting period. Any gain or loss arising from a change in fair value is recognised in profit or loss. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued. The fair value is based on market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual value, using the straight-line method at the following rates per annum. Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis and depreciated separately.

Leasehold improvements	20%
Furniture, fixtures and equipment	10% to 25%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

PROPERTIES UNDER DEVELOPMENT

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion. Development cost attributable to properties under development comprises mainly construction costs, cost of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

FINANCIAL INSTRUMENTS

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets *(continued)*

Classification and measurement – applicable from 1 July 2018

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income ("Mandatory FVOCI"); (iii) equity investment measured at fair value through other comprehensive income ("Designated FVOCI"); or (iv) measured at fair value through profit or loss ("FVPL").

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model (the "reclassification date").

Derivatives embedded in a hybrid contract in which a host is an asset within the scope of HKFRS 9 are not separated from the host. Instead, the entire hybrid contract is assessed for classification.

1) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

(a) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include other receivables and bank balances and cash.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets *(continued)*

Classification and measurement – applicable from 1 July 2018 (continued)

2) Designated FVOCI

Upon initial recognition, the Group may make an irrevocable election to present subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies in other comprehensive income. The classification is determined on an instrument-by-instrument basis.

These equity investments are subsequently measured at fair value and are not subject to impairment. Dividends are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains or losses are recognised in other comprehensive income and shall not be subsequently reclassified to profit or loss. Upon derecognition, the cumulative gain or loss is transferred directly to accumulated profits or losses.

The Group's Designated FVOCI include listed equity securities.

3) Financial assets at FVPL

These investments include financial assets held for trading, financial assets designated upon initial recognition as at FVPL and financial assets resulting from a contingent consideration arrangement in a business combination to which HKFRS 3 applies. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which includes any dividend or interest earned on the financial assets. Dividend or interest income is presented separately from fair value gain or loss.

A financial asset is classified as held for trading if it is:

(a) acquired principally for the purpose of selling it in the near term;

(b) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or

(c) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

Financial assets are designated at initial recognition as at FVPL only if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.

The Group's financial assets mandatorily measured at FVPL include listed equity securities, listed debt instruments and unlisted investment funds.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets *(continued)*

Classification and measurement – applicable before 1 July 2018

Financial assets are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets.

The Group classified its financial assets into one of the following categories before 1 July 2018:

1) Financial assets at FVPL

   Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition as at FVPL, and financial assets resulting from a contingent consideration arrangement in a business combination to which HKFRS 3 applies. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which does not include any dividend or interest earned on the financial assets.

   Financial assets are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not financial guarantee contracts or not designated and effective hedging instruments.

   Financial assets are designated at initial recognition as at FVPL only if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or (ii) they are part of a group of financial assets and/or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) they contain embedded derivatives that would need to be separately recorded.

   Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at FVPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

2) Loans and receivables

   Loans and receivables including other receivables and bank balances and cash are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets *(continued)*

Classification and measurement – applicable before 1 July 2018 (continued)

3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment loss.

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Group's financial liabilities include accounts and other payables and interest-bearing borrowings. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets and other items

Applicable from 1 July 2018

The Group recognises loss allowances for ECL on financial assets that are measured at amortised cost, Mandatory FVOCI, lease receivables, contract assets, loan commitments and financial guarantee contracts issued to which the impairment requirements apply in accordance with HKFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Impairment of financial assets and other items *(continued)*

Applicable from 1 July 2018 (continued)

Management of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

(a) past due information

(b) nature of instrument

(c) nature of collateral

(d) industry of debtors

(e) geographical location of debtors

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria.

(a) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or

(b) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Impairment of financial assets and other items *(continued)*

Applicable from 1 July 2018 (continued)

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Low credit risk

A financial instrument is determined to have low credit risk if:

(a) it has a low risk of default;

(b) the borrower has a strong capacity to meet its contractual cash flow obligations in the near terms; and

(c) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Simplified approach of ECL

The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Impairment of financial assets and other items *(continued)*

Applicable from 1 July 2018 (continued)

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower.

(b) a breach of contract, such as a default or past due event.

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount when the financial asset is 1 year past due based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

Applicable before 1 July 2018

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at FVPL, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Impairment of financial assets and other items *(continued)*

Applicable before 1 July 2018 (continued)

When an available-for-sale financial asset is impaired, a cumulative loss comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss in profit or loss, is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss in respect of available-for-sale equity instrument are not reversed through profit or loss. Any subsequent increase in fair value of available-for-sale equity instrument after recognition of impairment loss is recognised in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

For an available-for-sale financial asset that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

REVENUE RECOGNITION

Rental income under operating leases is recognised when the properties are let out and on the straight-line basis over the lease term. Contingent rents are recognised as income in the period in which they are earned.

Dividend income from financial assets is recognised when the Group's rights to receive dividend is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Applicable from 1 July 2018

Revenue from contracts with customers within HKFRS 15

Revenue from the sales of properties are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- Provides benefits which are received and consumed simultaneously by the customer;
- Creates or enhances an asset that the customer controls as the Group performs; or
- Does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

REVENUE RECOGNITION *(continued)*

Applicable from 1 July 2018 *(continued)*

Revenue from contracts with customers within HKFRS 15 (continued)

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the costs incurred up to the end of reporting period as a percentage of total estimated costs for each performance obligation.

For property sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant. When the contract contains a significant financing component (i.e. the customer or the Group is provided with a significant benefit of financing the transfer of goods or services to the customer), in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Group determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, the Group's borrowing rates and other relevant creditworthiness information of the customer of the Group.

Payments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position and presented as "contract liabilities" under "other payables".

Interest income

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

Applicable before 1 July 2018

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. To the extent that the Group has to perform further work on the properties already delivered to the purchasers, the relevant expenses shall be recognised immediately. Deposits and instalments received on the properties sold prior to the date of revenue recognition are included in the "receipt in advance" under current liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

CONTRACT ASSETS AND CONTRACT LIABILITIES

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For the sale of properties, it is common for the Group to receive from the customer the whole or some of the contractual payments before the services are completed or when the goods are delivered (i.e. the timing of revenue recognition for such transactions). The Group recognises a contract liability until it is recognised as revenue. During that period, any significant financing components, if applicable, will be included in the contract liability and will be expensed as accrued unless the interest expense is eligible for capitalisation.

FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Since the Group's main operation is carried out in Hong Kong, the amounts shown in the consolidated financial statements are presented in Hong Kong Dollar ("HKD").

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recognised in profit or loss except for those arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the gains or losses are also recognised directly in equity.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

– Assets and liabilities for each statement of financial position presented and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period.

– Income and expenses for each statement of comprehensive income are translated at average exchange rate.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FOREIGN CURRENCY TRANSLATION *(continued)*

– All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity.

– On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

– On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

– On all other partial disposals, which includes partial disposal of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

IMPAIRMENT OF OTHER ASSETS

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment and investments in subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as an income in profit or loss immediately.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BORROWINGS COSTS

Borrowings costs which are directly attributable to the acquisition, construction and production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as and included in finance costs in profit or loss in the period in which they are incurred.

EMPLOYEE BENEFIT

Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Retirement benefit scheme

Payment to defined contribution retirement benefit scheme is charged as expenses when employees have rendered service entitling them to the contributions.

Details of the retirement benefit scheme are set out in note 32 to the consolidated financial statements.

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Share options granted to employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserve in equity.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised as expenses immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As lessor

Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms.

As lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the terms of the relevant lease.

Lease incentives are recognised in profit or loss as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

TAXATION

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets or liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or liability is settled, based on the tax rates and the tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

RELATED PARTIES

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

  (i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).

  (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) both entities are joint ventures of the same third party.

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

  (vi) the entity is controlled or jointly controlled by a person identified in (a).

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty

Revenue recognition from sales of properties at a point in time

Under HKFRS 15, control of the asset is transferred over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Significant judgement is required in determining whether the terms of the Group's contracts with customers in relation to properties create an enforceable right to payment for the Group. The Group has considered the relevant local laws that apply to those relevant contracts and opinion from external legal counsel. Based on the assessment of the Group's management, the terms of the relevant sales contracts do not create an enforceable right to payment for the Group. Accordingly, the sales of properties is considered to be performance obligation satisfied at a point in time.

Valuation of investment properties

The Group's investment properties are stated at fair value based on the valuation carried out by an independent professional valuer on an open market basis by the direct comparison approach assuming sale with the benefit of vacant possession or by making reference to comparable sale evidence as available in the relevant market.

In determining the fair value of investment properties, the valuer has based on a method of valuation which involves, inter alia, sales price of comparable properties in close proximity adjusted for differences in key valuation attributes, such as size and age. In relying on the valuation report, management has exercised their judgement and is satisfied that the method of valuation is reflective of the current market conditions as at the end of each reporting period. Particulars of the investment properties of the Group are set out in note 13 to the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

Key sources of estimation uncertainty *(continued)*

Loss allowance for ECL

The Group's management estimates the loss allowance for loan and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables. Details of the key assumption and inputs used in estimating ECL are set out in note 3 to the consolidated financial statements.

Net realisable value ("NRV") of properties under development

The Group assesses the NRV of properties under development according to their NRV amounts based on the realisability of these properties, taking into account estimated costs to completion based on past experience and committed contracts and estimated net sales value based on prevailing market conditions. Write-down to NRV is made when events or changes in circumstances indicate that the carrying amounts may not be realised (i.e. NRV is lower than its carrying amounts). The assessment requires the use of judgement and estimates.

The Group estimates property construction cost upon recognition of respective costs of sales. Such estimates are substantiated by detailed budgetary information as developed by the management, and will be assessed periodically, as the constructions progress. Should these estimates depart from their actual finalised costs, such differences would affect the accuracy of costs of sales recognised.

The Group considers information from a variety of sources, including recent prices of similar properties in the same location and condition, with adjustments to reflect any changes in economic conditions since the dates of transactions that occurred at those prices and internal estimates such as future selling prices and costs to completion of the properties. The Group also engaged an independent professional valuer to assess the NRV of the properties under development. Particulars of the properties under development of the Group are set out in note 17 to the consolidated financial statements.

Fair value measurements and valuation processes

The Group's certain financial assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the management of the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. At the end of the reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The management of the Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the management of the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of an asset or a liability, the causes of the fluctuations will be reported to the directors of the Company for appropriate actions to be taken.

Information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various financial assets and liabilities are disclosed in notes 3, 15 and 16.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Annual Improvements to HKFRSs	2015–2017 Cycle[1]
HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 19	Employee benefits[1]
Amendments to HKAS 28	Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKASs 1 and 8	Definition of Material[2]
Amendments to HKFRS 3	Definition of a Business[3]
HKFRS 17	Insurance Contracts[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020
4 Effective for annual periods beginning on or after 1 January 2021
5 The effective date to be determined

Except for HKFRS 16 set out below, 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.

HKFRS 16 Leases

HKFRS 16 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 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 carry 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.

The initial application of HKFRS 16 will result in recognition of right-of-use assets and lease liabilities for certain leases of the Company that are currently classified as operating leases under HKAS 17. Subsequently, depreciation (and, if applicable, impairment loss) and interest will be recognised on the right-of-use assets and the lease liabilities respectively. The total amount charged to profit or loss for each reporting period is not expected to be significantly different from the operating lease expense recognised under HKAS 17.

3. FINANCIAL INSTRUMENTS

(a) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments include available-for-sale financial assets/Designated FVOCI, financial assets at FVPL, other receivables, bank balances and cash, accounts and other payables and interest-bearing borrowings. Details of these financial instruments are disclosed in respective notes to the consolidated financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Foreign currency risk

The Group is exposed to foreign currency risk primarily on financial assets at FVPL. The currency giving rise to this risk is United States Dollar ("US$"). The Group does not hedge its foreign currency risks because the rate of exchange between HK$ and US$ is relatively stable under current market condition and the existing currency exchange policies adopted by the Government of Hong Kong Special Administrative Region.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's secured bank borrowings with floating interest rates as at the end of the reporting period. The interest rates and terms of repayment have been disclosed in note 22 to the consolidated financial statements. The Group currently does not have a policy to hedge against the interest rate risk as the management does not expect any significant interest rate risk as at the end of the reporting period.

At the end of the reporting period, if interest rates had been 100 basis points *(2018: 100 basis points)* higher/lower and all other variables were held constant, the Group's net loss would increase/decrease by approximately HK$2,273,000 *(2018: net profit would decrease/increase by approximately HK$2,906,000)*, but there would be no impact on the other equity reserves.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the secured bank borrowings in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual end of the reporting period.

Price risk

The Group is exposed to equity price risks principally arising from listed equity securities held under Designated FVOCI and financial assets at FVPL in the consolidated financial statements.

The sensitivity analysis has been determined based on the exposure to equity price risk. At the end of the reporting period, if the market price had been 5% *(2018: 5%)* higher/lower while all other variables were held constant, the Group's net loss would decrease/increase by approximately HK$20,805,000 *(2018: net profit would be increase/decrease by approximately HK$8,346,000)* due to change in the fair value of investments.

3. FINANCIAL INSTRUMENTS *(continued)*

(a) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The carrying amount of financial assets recognised on the consolidated statement of financial position, which is net of impairment losses, represents the Group's exposure to credit risk without taking into account the value of any collateral held or other credit enhancements.

The Group's credit risk is mainly attributable to bank balances and loans receivables and other receivables.

Credit risk arising from other receivables

The Group considers the other receivables which are deposit in nature have low credit risk and the expected loss rate, is assessed to be insignificant and no loss allowance provision is made for these deposits during the year.

Credit risk arising from bank balances

Substantially all of the Group's pledged bank deposits and bank balances and cash were deposited in creditworthy global banks and state-controlled financial institutions in the People's Republic of China (the "PRC"), which management considers they are without significant credit risks.

Credit risk arising from loans receivables

Management has money lending policies in place and the exposure to the credit risk is monitored on an ongoing basis. The Group grants loans only to recognised and creditworthy third parties. It is the Group's policy that all these borrowers are subject to credit verification procedures. Also, the Group has other monitoring procedures to ensure that follow-up action is promptly taken to recover overdue debts.

At the end of the reporting period, the Group had a concentration of credit risk as 66% *(2018: 58%)* of the total loans receivables was due from the Group's largest borrower of the Group's two *(2018: two)* borrowers.

In estimating the ECL and in determining whether there is a significant increase in credit risk since initial recognition and whether the financial asset is credit-impaired, the Group has taken into account the historical actual credit loss experience for the borrowers and the financial position of the counterparties by reference to, among others, their management or audited accounts and available press information, adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. There was no change in the estimation techniques or significant assumptions made during the year.

The Group has established a loan credit risk classification system and performs credit risk management based on loan classification in one of four categories of internal credit rating. The information about the ECL for loans receivables as at 30 June 2019 is summarised below. After considering the above factors, a loss allowance of HK$4,835,000 *(2018: HK$nil)* was recognised to profit or loss during the year.

3. FINANCIAL INSTRUMENTS *(continued)*

(a) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Credit risk arising from loans receivables (continued)

At 30 June 2019

Internal credit rating	Gross carrying amount HK$'000	ECL	Loss allowance HK$'000	Net carrying amount HK$'000
Performing (note (i))	22,000	12-month	–	22,000
Underperforming (note (ii))	48,485	Lifetime	4,835	43,650
Not performing (note (iii))	–	Lifetime	–	–
Write off	–	n/a	–	–
	70,485		4,835	65,650

Notes:

(i) Performing (Normal Credit Quality) refers to the loans that have not had a significant increase in credit risk and ECL in the next 12 months will be recognised.

(ii) Underperforming (Significant Increase in Credit Risk) refers to the loans that have had a significant increase in credit risk and for which the lifetime ECL will be recognised.

(iii) Not performing (Credit-impaired) refers to the loans that have objective evidence of impairment and for which the lifetime ECL will be recognised.

As at 30 June 2019, the Group recognised loss allowance of HK$4,835,000 *(2018: HK$Nil)* on its loans receivables. The movement in the loss allowance for loan receivables during the year is summarised below. The comparative amounts represent the loss allowance for impairment losses recognised under HKAS 39.

	2019				2018
	12-month ECL	Lifetime ECL		Total	Total
	Performing HK$'000	Under performing HK$'000	Not performing HK$'000	HK$'000	HK$'000
At the beginning of the reporting period	–	–	–	–	–
Increase in allowance	–	–	4,835	4,835	–
At the end of the reporting period	–	–	4,835	4,835	–

3. FINANCIAL INSTRUMENTS *(continued)*

(a) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through facilities available from bank and other borrowers. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The maturity profile of the financial liabilities of the Group at the end of the reporting period based on remaining contractual undiscounted payments is summarised below:

	2019		
	Total carrying value HK$'000	**Total contractual undiscounted cash flow HK$'000**	**On demand or less than 1 year HK$'000**
Accounts and other payables	**141,628**	**141,628**	**141,628**
Interest-bearing borrowings	**390,795**	**390,795**	**390,795**
	532,423	**532,423**	**532,423**

	2018		
	Total carrying value HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or less than 1 year HK$'000
Accounts and other payables	137,315	137,315	137,315
Interest-bearing borrowings	414,491	414,491	414,491
	551,806	551,806	551,806

(b) FAIR VALUE MEASUREMENTS

The following table presents the carrying value of financial instruments measured at fair value at 30 June 2019 and 2018 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.

3. FINANCIAL INSTRUMENTS *(continued)*

(b) FAIR VALUE MEASUREMENTS *(continued)*

(i) Financial assets measured at fair value

		At 30 June 2019			
	Notes	**Total HK$'000**	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**
Financial assets at FVPL:					
Listed debt instruments					
– Hong Kong	16(c)	**15,930**	**15,930**	**–**	**–**
– Overseas	16(d)	**4,031**	**4,031**	**–**	**–**
Listed equity investments					
– Hong Kong	16(b)	**498,313**	**498,313**	**–**	**–**
Unlisted investment funds	16(a)	**199,997**	**–**	**199,997**	**–**
		718,271	**518,274**	**199,997**	**–**
Designated FVOCI					
Listed equity investments					
– Hong Kong	15(a)	**175**	**175**	**–**	**–**

		At 30 June 2018			
		Total HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Financial assets at FVPL:					
Listed debt instruments					
– Hong Kong	16(c)	37,454	37,454	–	–
– Overseas	16(d)	7,797	7,797	–	–
Unlisted investment funds	16(a)	199,903	–	199,903	–
		245,154	45,251	199,903	–
Available-for-sale financial assets:					
Listed equity investments					
– Hong Kong	15(a)	185	185	–	–

During the years ended 30 June 2019 and 2018, 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.

3. FINANCIAL INSTRUMENTS *(continued)*

(b) FAIR VALUE MEASUREMENTS *(continued)*

(ii) Financial assets and liabilities not measured at fair value

The carrying amounts of the financial assets and liabilities of the Group carried at amounts other than fair values are not materially different from their fair values as at 30 June 2019 and 2018.

The carrying amounts of each of the following categories of financial assets and financial liabilities are set out as follows:

At 30 June 2019

	HK$'000
Financial assets at amortised cost:	
Other receivables (excluding prepayments)	**92,462**
Restricted bank deposits	**22,298**
Bank balances and cash	**98,413**
	213,173
Financial liabilities measured at amortised cost:	
Accounts and other payables (excluding deposits received and contract liabilities)	**141,628**
Interest-bearing borrowings	**390,795**
	532,423

At 30 June 2018

	HK$'000
Loans and receivables measured at amortised cost:	
Other receivables (excluding prepayments)	138,670
Bank balances and cash	243,793
	382,463
Available-for-sale financial assets:	
Unlisted shares, at cost	–
Loan to an affiliate company, at cost	200,000
	200,000
Financial liabilities measured at cost/amortised cost:	
Accounts and other payables (excluding deposits received and receipt in advance)	137,315
Interest-bearing borrowings	414,491
	551,806

4. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure, to reduce the cost of capital and to support the Group's stability and growth.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders. No changes were made in the objectives, policies or processes during the years ended 30 June 2019 and 2018.

5. REVENUE

	2019 **HK$'000**	2018 HK$'000
Revenue		
Gross rental income from investment properties	**457**	2,772
Interest income from financial assets at FVPL	**2,475**	971
Dividend income from financial assets at FVPL	**14,079**	–
	17,011	3,743
Other revenue		
Bank interest income	**324**	1,353
Loan interest income	**3,043**	2,957
Other	**11**	–
	3,378	4,310
	20,389	8,053

6. OTHER INCOME

	2019 **HK$'000**	2018 HK$'000
Exchange gain, net	**693**	–
Sundry income	**322**	57
	1,015	57

7. 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. No revenue has been earned by the resort and property development segment as the properties under development were not yet completed. 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 and debt instruments and other assets. No operating segments have been aggregated.

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

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

7. SEGMENT INFORMATION *(continued)*

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 HK$'000	Property investment HK$'000	Investment holding HK$'000	Segment total HK$'000	Unallocated HK$'000	Total HK$'000
Assets	990,991	522,852	725,239	2,239,082	120,599	2,359,681
Liabilities	(638,027)	(276,670)	(101,503)	(1,016,200)	(273)	(1,016,473)
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	–	–	–	–	(4,835)	(4,835)

7. SEGMENT INFORMATION *(continued)*

Segment revenue and results for the year ended 30 June 2018 are presented below:

	Resort and property development HK$'000	Property investment HK$'000	Investment holding HK$'000	Total HK$'000
Revenue	–	2,772	971	3,743
Other revenue and income	97	–	9	106
	97	2,772	980	3,849
Results				
Segment results	(12,992)	32,292	13,910	33,210
Unallocated corporate income				4,261
Unallocated corporate expenses				(12,586)
Finance costs				(16,089)
Profit before taxation				8,796
Taxation				1,842
Profit for the year				10,638

7. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities as at 30 June 2018 and other segment information for the year ended 30 June 2018 are presented below:

	Resort and property development HK$'000	Property investment HK$'000	Investment holding HK$'000	Segment total HK$'000	Unallocated HK$'000	Total HK$'000
Assets	853,121	530,725	445,349	1,829,195	356,728	2,185,923
Liabilities	(408,583)	(348,766)	(499)	(757,848)	(178)	(758,026)
Other segment information:						
Additions to property, plant and equipment	36	–	–	36	–	36
Depreciation of property, plant and equipment	122	–	14	136	–	136
Net gain on disposal of financial assets at FVPL	–	–	3,660	3,660	–	3,660
Net increase in fair value of financial assets at FVPL	–	–	9,596	9,596	–	9,596
Net increase in fair value of investment properties	–	27,000	–	27,000	–	27,000
Net gain on disposal of an investment property	–	4,556	–	4,556	–	4,556

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.

7. SEGMENT INFORMATION *(continued)*

GEOGRAPHICAL INFORMATION

The Group's operations are principally located in Hong Kong, Singapore 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	
	2019	2018
	HK$'000	HK$'000
Hong Kong	**16,567**	3,629
Singapore	**444**	114
	17,011	3,743

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	
	2019	2018
	HK$'000	HK$'000
Hong Kong	**454,513**	530,010
The PRC	**175**	116
	454,688	530,126

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.

INFORMATION ABOUT MAJOR CUSTOMERS

None of external customers contributed 10% or more of the revenue of the Group for the year ended 30 June 2019. Two of external customers individually contributed 10% or more of the revenue of the Group's property investment segment for the year ended 30 June 2018.

	2019	2018
	HK$'000	HK$'000
Customer A	**–**	1,678
Customer B	**–**	1,094

8. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest expenses on bank and other borrowings	**26,584**	16,733
Less: Interest capitalised into properties under development	**(8,628)**	(644)
	17,956	16,089

9. (LOSS) PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	2019 HK$'000	2018 HK$'000
Staff costs, including directors' emoluments		
Salaries and other benefits	**7,584**	6,881
Retirement benefit scheme contributions	**459**	448
Total staff costs	**8,043**	7,329
Other items		
Auditor's remuneration		
– Audit service	**780**	680
– Non-audit related service	**105**	100
Depreciation of property, plant and equipment	**108**	136
Direct operating expenses relating to investment properties that did not generate rental income	**1,381**	1,201
Exchange (gain) loss, net	**(693)**	629
Operating lease payments on premises	**1,493**	1,952

10. 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 2019 and 2018 are wholly absorbed by unrelieved tax losses brought forward from previous years.

Taxation arising in the PRC, if applicable, is calculated at the rates based on existing legislation, interpretations and practices in respect thereof.

The tax credit comprises:

	2019 HK$'000	2018 HK$'000
Deferred taxation		
Benefit of tax losses recognised	**(464)**	(1,842)
Tax credit	**(464)**	(1,842)

Reconciliation of taxation

	2019 HK$'000	2018 HK$'000
(Loss) Profit before taxation	**(78,215)**	8,796
Income tax at application tax rate	**(20,100)**	347
Tax effect of expenses not deductible in determining taxable profit	**33,964**	4,434
Tax effect of income not taxable in determining taxable profit	**(11,453)**	(7,919)
Unrecognised tax losses	**3,320**	1,725
Unrecognised temporary differences	**2,809**	–
Utilisation of previously unrecognised tax losses	**(9,004)**	(316)
Utilisation of unrecognised temporary differences	**–**	227
Others	**–**	(340)
Tax credit for the year	**(464)**	(1,842)

The applicable tax rate is the weighted average of rates prevailing in the territories in which the Group entities operate.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) DIRECTORS' EMOLUMENTS

For the years ended 30 June 2019 and 2018, the emoluments paid or payable to each director were as follows:

	Wang Bo HK$'000 (Note i)	Yuen Chi Ping HK$'000	Ng Kit Ling HK$'000 (Note ii)	Yao Weirong HK$'000 (Note i)	Guo Shungen HK$'000 (Note i)	Lau Chi Keung HK$'000	Yu Tat Chi, Michael HK$'000	Chiu Kit Man, Calvin HK$'000	Total HK$'000
Year ended 30 June 2019									
Fees	**–**	**240**	**86**	**240**	**240**	**240**	**240**	**240**	**1,526**
Other emoluments									
Salaries and other benefits	**–**	**810**	**299**	**989**	**–**	**–**	**–**	**–**	**2,098**
Retirement benefit scheme contributions	**–**	**18**	**6**	**18**	**–**	**–**	**–**	**–**	**42**
Discretionary bonus	**–**	**62**	**–**	**80**	**–**	**–**	**–**	**–**	**142**
Total emoluments	**–**	**1,130**	**391**	**1,327**	**240**	**240**	**240**	**240**	**3,808**
Year ended 30 June 2018									
Fees	205	240	240	138	138	240	240	240	1,681
Other emoluments									
Salaries and other benefits	–	733	998	552	–	–	–	–	2,283
Retirement benefit scheme contributions	–	18	18	11	–	–	–	–	47
Discretionary bonus	–	122	158	–	–	–	–	–	280
Total emoluments	205	1,113	1,414	701	138	240	240	240	4,291

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

(a) DIRECTORS' EMOLUMENTS *(continued)*

Notes:

(i) On 4 December 2017, Mr. Wang Bo resigned as the chairman and a non-executive director of the Company. On the same date, Mr. Yao Weirong was appointed as the chairman and an executive director of the Company and Mr. Guo Shungen was appointed as a non-executive director of the Company.

(ii) On 22 October 2018, Ms. Ng Kit Ling resigned as an executive director of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 30 June 2019 and 2018. In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the years ended 30 June 2019 and 2018.

(b) EMPLOYEES' EMOLUMENTS

The five highest paid individuals included three* *(2018: three)* directors of the Company, details of whose emoluments are set out in (a) above. The emoluments of the remaining three* *(2018: two)* individuals are as follows:

	2019	2018
	HK$'000	HK$'000
Salaries and other benefits	**1,596**	724
Retirement benefits scheme contributions	**46**	33
	1,642	757

The three *(2018: two)* highest paid individuals' remuneration falls within the following band:

	Number of employees	
	2019	2018
Nil to HK$1,000,000	**3**	2

During the years ended 30 June 2019 and 2018, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as a compensation for loss of office. During the years ended 30 June 2019 and 2018, no such highest paid individuals waived or agreed to waive any emoluments.

* The three individuals include an individual who resigned as a director of the Company but remained as an employee of the Company during the year ended 30 June 2019.

12. (LOSS) EARNINGS PER SHARE

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

	2019	2018
	HK$'000	HK$'000
(Loss) Profit for the year for the purposes of calculating basic earnings per share	**(77,751)**	10,638

	2019	2018
	No. of shares	No. of shares
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**2,505,105,739**	2,428,465,999

For the years ended 30 June 2019 and 2018, diluted (loss) earnings per share is the same as basic (loss) earnings per share. The Company did not have any dilutive potential ordinary shares during the years ended 30 June 2019 and 2018.

13. INVESTMENT PROPERTIES

	2019	2018
	HK$'000	HK$'000
Fair value		
At the beginning of the reporting period	**530,000**	555,000
Additions to investment properties (note (a))	**13,015**	–
Disposal of investment properties (note (b))	**(97,818)**	(52,000)
Transfer to assets classified as held for sale (note 20)	**(35,732)**	–
Increase in fair value	**44,535**	27,000
At the end of the reporting period	**454,000**	530,000

13. INVESTMENT PROPERTIES *(continued)*

Notes:

(a) In February 2019, the Group completed the subdivision of the investment property into 22 units and incurred aggregate construction costs of HK$13,015,000, which has been recognised as additions to investment properties.

(b) In March 2019, the Group entered into a sales and purchase agreement with a third party, pursuant to which the Group agreed to sell investment properties at an aggregate consideration of HK$108,300,000 with aggregate transaction costs of HK$2,166,000. A net gain on disposal of investment properties amounting to approximately HK$8,316,000 was recognised in profit or loss for the year ended 30 June 2019.

(c) The fair value of investment properties held in Hong Kong has been arrived at on the basis of valuation at the end of the reporting period carried out by Avista Valuation Advisory Limited *(2018: CHFT Advisory and Appraisal Limited)*, an independent professional valuer which is a member of the Hong Kong Institute of Surveyors ("HKIS") and has appropriate qualifications and recent experience in the valuation of similar properties at the relevant locations. The valuation, which conforms to the HKIS Valuation Standards on Properties, was conducted on an open market basis by the direct comparison approach assuming sale with the benefit of vacant possession or by making reference to comparable sale evidences as available in the relevant market. Sales prices of comparable properties in close proximity adjusted for differences in key valuation attributes, such as size and age, were used to value the properties. The most significant input into this valuation approach is price per square foot.

The fair value measurement of the Group's investment properties has been categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement*. The fair values of the investment properties as at 30 June 2019 and 2018 are classified as Level 2 fair value measurement, which uses significant observable inputs in arriving at fair value. During the years ended 30 June 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurement, or transfers into or out of Level 3 fair value measurement.

All of the Group's property interests held under operating leases to earn rental or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

(d) The investment properties of the Group are situated in Hong Kong. The remaining unexpired lease term of investment properties is within the range from 10 to 50 years.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost			
At 1 July 2017	–	398	398
Additions	–	36	36
Exchange realignment	–	2	2
At 30 June 2018 and 1 July 2018	–	436	436
Additions	512	160	672
Exchange realignment	–	(5)	(5)
At 30 June 2019	**512**	**591**	**1,103**
Accumulated depreciation			
At 1 July 2017	–	174	174
Charge for the year	–	136	136
At 30 June 2018 and 1 July 2018	–	310	310
Charge for the year	52	56	108
Exchange realignment	–	(3)	(3)
At 30 June 2019	**52**	**363**	**415**
Net carrying values			
At 30 June 2019	**460**	**228**	**688**
At 1 July 2018	–	126	126

15. DESIGNATED FVOCI/AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Notes	**2019** **HK$'000**	2018 HK$'000
Available-for-sale financial assets			
Listed equity securities at fair value			
– Hong Kong	(a)	**–**	185
Unlisted equity securities, at cost	(b)	**–**	–
Loan to an affiliate company, at cost	(b)	**–**	200,000
		–	200,185
Designated FVOCI			
Listed equity securities at fair value			
– Hong Kong	(a)	**175**	–
		175	200,185

Notes:

(a) The fair value of the listed equity securities is determined on the basis of quoted market price at the end of the reporting period.

(b) As at 30 June 2018, the Group held 20% interest in the ordinary share capital of Wealth Guide Global Limited ("Wealth Guide") amounting to US$20 (equivalent to approximately HK$156) and provided a shareholder's loan to Wealth Guide amounting to HK$200,000,000 in proportion to the Group's equity interest in Wealth Guide. The shareholder's loan is unsecured, interest-free and has no fixed repayment term and it is to be repaid upon the agreement of the Group and the majority shareholder of Wealth Guide. The majority shareholder of Wealth Guide also provided the loan in the proportion to its shareholding. The shareholder's loan is considered as quasi-capital investment and forms part of the Group's investment in Wealth Guide.

Wealth Guide is a company incorporated in the British Virgin Islands. The principal activity of Wealth Guide is investment holdings and the major investments are equity securities and other investments.

In the opinion of the directors of the Company, the Group has no significant influence on Wealth Guide in accordance with HKAS 28 (2011) because no representative can be appointed in the board of directors of Wealth Guide by the Group and the Group did not participate in any policy making processes of Wealth Guide. Accordingly, the equity investments and shareholder's loan are accounted for as available-for-sale financial assets measured at cost less impairment loss. Upon the adoption of HKFRS 9 on 1 July 2018, the investment in Wealth Guide has been reclassified as financial assets at FVPL.

16. FINANCIAL ASSETS AT FVPL

	Notes	2019 HK$'000	2018 HK$'000
Unlisted investment funds	(a)	**199,997**	199,903
Listed equity securities – Hong Kong	(b)	**498,313**	–
Listed debt instruments			
– Hong Kong	(c)	**15,930**	37,454
– Overseas	(d)	**4,031**	7,797
		718,271	245,154

Notes:

(a) The unlisted investment funds represented 100% Class A participating, redeemable, non-voting shares of Green Asia Restructure SP and 100% Class A participating, redeemable, non-voting shares of Green Asia Restructure SP II (collectively referred to as the "Funds") with carrying amount of approximately HK$138,898,000 and HK$61,099,000 *(2018: HK$138,859,000 and HK$61,044,000)* respectively. The Funds are segregated portfolios managed by Green Asia Restructure Fund SPC.

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

The fair value of these unlisted investment funds amounting to approximately HK$199,997,000 *(2018: approximately HK$199,903,000)* was established by reference to the prices evaluated by a professional external valuer *(2018: quoted by the administrator)* based on the net assets value of the Funds at the end of the reporting period.

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

(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.

On 9 July 2018, Dragon Bell entered into a margin loan agreement, pursuant to which CCB International Securities Limited granted Dragon Bell a margin loan facility with principal amount of up to HK$100,000,000. The purpose of the margin loan was for partial funding of the subscription of Redsun's shares in the upcoming initial public offering. The Company has provided continuing guarantee in favour of Dragon Bell to guarantee the settlement of all liabilities and obligation of Dragon Bell under the margin loan agreement.

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. At the end of the reporting period, the carrying amount of investment in Redsun and its corresponding margin loan amounted to HK$351,313,000 and HK$100,000,000 respectively *(2018: HK$Nil and HK$Nil).*

16. FINANCIAL ASSETS AT FVPL *(continued)*

Notes *(continued)*:

(b) *(continued)*

(ii) As mentioned in note 15(b) to the consolidated financial statements, on 14 June 2019, the Group entered into an agreement with Wealth Guide to settle the loan of HK$200,000,000 by receiving 140,000,000 ordinary shares of Zall Smart Commerce Group Limited ("Zall") with fair value of HK$214,200,000 as at the completion date held by Wealth Guide. A gain of HK$14,200,000 on settlement of shareholders' loan was recognised in profit or loss during the year and the fair value of ordinary shares of Zall of HK$214,200,000 was recognised as financial assets at FVPL on the same date. At the end of the reporting period, the fair value of investment in Zall amounted to HK$147,000,000 *(2018: HK$Nil)*.

(c) At the end of the reporting period, the Group held debt instruments listed in Hong Kong amounting to approximately HK$15,930,000 *(2018: HK$37,454,000)*, which bore fixed interest rate ranging from 4.75% to 6.25% *(2018: 4.75% to 7.10%)* per annum. The fair value of these debt instruments at the end of the reporting period was determined on the basis of quoted market price.

(d) At the end of the reporting period, the Group held debt instruments listed overseas amounting to approximately HK$4,031,000 *(2018: HK$7,797,000)*, which bore fixed interest rate at 5.875% *(2018: ranging from 5.875% to 6.85%)* 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.

Before 1 July 2018, the financial instruments were designated at fair value upon initial recognition as they are managed and evaluated on a fair value basis.

17. PROPERTIES UNDER DEVELOPMENT

	2019	2018
	HK$'000	HK$'000
Properties under development ("PUD")	**917,107**	820,929

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, the PUD with carrying amount of approximately HK$368,000,000 *(2018: HK$Nil)* is expected to be completed within one year and the remaining balances is expected to be completed after more than one year.

18. OTHER RECEIVABLES

	Notes	2019 HK$'000	2018 HK$'000
Loans and interest receivables	(a)	**70,485**	107,000
Loss allowance	(c)	**(4,835)**	–
		65,650	107,000
Deposits, prepayments and other debtors	(b)	**26,803**	7,670
Dividend receivables		**14,079**	–
Prepaid PRC land appreciation tax		**5,807**	1,066
Due from a security broker		**658**	30,000
		47,347	38,736
		112,997	145,736

Notes:

(a) As at the end of the reporting period, the loan with principal amount of HK$22,000,000 *(2018: HK$45,000,000)* granted to a third party borrower is unsecured, bearing fixed interest rates at 4% *(2018: 6%)* per annum. The remaining loans with principal amount of HK$48,350,000 *(2018: HK$62,000,000)* granted to another third party borrower, in which the spouse of a Company's director has 20% equity interest in and being one of the directors of it, are also unsecured, bearing fixed interest rates at 4% *(2018: 4%)* per annum. These loans are receivable within twelve months.

(b) Included in deposits, prepayments and other debtors, a consideration receivable of HK$10,830,000 *(2018: HK$Nil)* for disposal of investment properties (note 13) and prepaid other PRC taxes of HK$9,851,000 *(2018: HK$1,767,000)*.

(c) The movement in the loss allowance for the balances during the year is summarised below. The comparative amounts represent the loss allowance for impairment losses recognised under HKAS 39.

	2019 HK$'000	2018 HK$'000
At the beginning of the reporting period	**–**	–
Increase in allowance	**4,835**	–
At the end of the reporting period (note 3)	**4,835**	–

Information about the Group's exposure to credit risks and loss allowance for loans receivables and other receivables is included in note 3 to the consolidated financial statements.

19. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

	2019	2018
	HK$'000	HK$'000
Cash at bank and on hand	110,616	56,152
Short-term time deposits	10,095	187,641
	120,711	243,793
Less: restricted bank deposits under pre-sales of PUD (note)	(22,298)	–
	98,413	243,793

Note:

In accordance with relevant policies issued by the PRC Local State-owned Land and Resource Bureau applicable to all property developers, the Group is required to place certain of the proceeds received from the pre-sale of PUD to designated accounts maintained with a bank. The restriction will be released when the construction is completed. The restricted cash earns interest at floating daily bank deposit rates.

Bank balances and cash comprise bank balances held by the Group that bear interest at prevailing market interest rates. Short-term time deposits are made between one month and three months depending on the immediate cash requirement of the Group and earn interest at the prevailing short-term deposit rates.

20. ASSETS CLASSIFIED AS HELD FOR SALE

In May 2019, the Group entered into a sale and purchase agreement with a third-party, to dispose of an investment property at a cash consideration of HK$35,732,000. The disposal transaction is expected to be completed within one year. The investment property as at 30 June 2019 was classified as assets held for sale and as follows:

	2019	2018
	HK$'000	HK$'000
Investment properties	35,732	–

The investment property is included in the property investment segment.

21. ACCOUNTS AND OTHER PAYABLES

	Notes	2019 HK$'000	2018 HK$'000
Accounts payables			
To third parties	(a)	**100,670**	109,738
Other payables			
Accrued charges and other creditors		**19,298**	5,537
Deposits received	(b)	**21,178**	8,825
Contract liabilities/Receipt in advance	(c)	**349,897**	81,974
Provision for land transfer fees		**21,660**	22,040
		412,033	118,376
		512,703	228,114

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:

	2019 HK$'000	2018 HK$'000
Within 365 days	**66,763**	40,760
Over 365 days	**33,907**	68,978
	100,670	109,738

(b) Deposits received represent intention deposits received from potential customers for purchase of PUD of approximately HK$21,178,000 *(2018: HK$8,825,000)*.

(c) Contract liabilities/Receipt in advance

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:

	2019 HK$'000
At the beginning of the reporting period	**81,974**
Receipt in advance	**269,336**
Exchange realignment	**(1,413)**
At the end of the reporting period	**349,897**

As at 30 June 2019, none of the contract liabilities that are expected to be settled after more than 12 months.

22. INTEREST-BEARING BORROWINGS

	Notes	2019 HK$'000	2018 HK$'000
Current portion			
Bank borrowings, secured	(a)	**272,190**	348,000
Other borrowings, secured	(b)	**100,000**	–
Other borrowings, unsecured	(c)	**18,605**	66,491
		390,795	414,491

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 *(2018: 2% below Hong Kong Dollar Prime Rate)* and are repayable in November 2019 *(2018: in November 2019)*. The effective interest rate during the year was 3.01% *(2018: 4.39%)* per annum. At the end of the reporting period, bank loan with a clause in their terms that gives the bank an overriding rights to demand for repayment without notice or with notice period of less than 12 months at its sole discretion are classified as current liabilities even though the directors do not expect that the banks would exercise their right to demand repayment. The bank borrowings are secured by the assets of the Group as follows:

(i) pledge of investment properties of the Group (including assets classified as held for sale) with a carrying amount of approximately HK$489,732,000 *(2018: approximately HK$530,000,000);*

(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 2019, rental income of approximately HK$457,000 *(2018: approximately HK$1,678,000)* was generated from the investment property;

(iii) assignment agreements in respect of insurance compensation of the Group's investment properties duly executed by the Group in favour of the bank; and

(iv) corporate guarantee provided by the Company.

(b) As mentioned in note 16(b)(i) to the consolidated financial statements, the secured margin loans from a security broker is interest-bearing at 8% per annum and repayable on demand. As at 30 June 2019, the carrying amount of equity securities classified under financial assets at FVPL of approximately HK$351,313,000 *(2018: HK$Nil)* was pledged as collateral to the margin loans and a corporate guarantee provided by the Company to guarantee the settlement of all liabilities and obligation under margin loan.

(c) At the end of the reporting period, the Group's other borrowings are unsecured and bearing fixed interest rates ranging from 10% to 24% *(2018: 10% to 24%)* per annum and repayable within twelve months or on demand.

23. SHARE CAPITAL

	2019 Number of shares	**2019** HK$'000	2018 Number of shares	2018 HK$'000
Authorised:				
At the beginning and end of the reporting period, ordinary shares of HK$0.01 each	**6,000,000,000**	**60,000**	6,000,000,000	60,000
Issued and fully paid:				
At the beginning of the reporting period, ordinary shares of HK$0.01 each	**2,505,105,739**	**25,051**	2,087,590,739	20,876
Issue of shares upon placing of shares	**–**	**–**	417,515,000	4,175
	2,505,105,739	**25,051**	2,505,105,739	25,051

24. RESERVES

(a) Share premium represents the excess of the net proceeds or consideration from issuance of the Company's shares over their par value. The application of the share premium account is governed by Section 46(2) of the Companies Act 1981 of Bermuda (as amended).

(b) The non-recycling investment revaluation reserve comprises the cumulative net change in the fair value of Designated FVOCI at the end of the reporting period and is dealt with in accordance with the accounting policies adopted. The recycling investment revaluation reserve as at 30 June 2018 represented the cumulated net change in fair value of available-for-sale investment in accordance with HKAS 39.

(c) Capital redemption reserve has been set up and is dealt with or repurchases and cancellations of the Company's own shares. The application of the capital redemption reserve is governed by Section 42A of the Companies Act 1981 Bermuda (as amended).

(d) Capital reserve represents contributed surplus arising from the cancellation of share premium account of the Company pursuant to a special resolution passed by the Company on 22 February 1999 and waivers of loans from the then minority shareholders of subsidiaries of the Company during the years ended 30 June 2006 and 2008.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

24. RESERVES *(continued)*

(e) Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(f) Subject to the conditions mentioned in the foregoing paragraph, the Company had reserves (including: capital reserve and accumulated losses) totalling approximately HK$125,753,000 *(2018: approximately HK$131,569,000)* available for distribution to shareholders at the end of the reporting period.

The directors do not recommend the payment of a dividend for the year ended 30 June 2019 *(2018: Nil)*.

25. SHARE-BASED PAYMENTS

The Company adopted a share option scheme on 15 November 2012 (the "Scheme") for the primary purpose of providing incentives to directors and eligible employees. Under the Scheme, the Board of Directors may, at its discretion, grant options to any employees, including executive directors, or consultants of the Company and/or its subsidiaries, to subscribe for shares of the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of adoption of the Scheme (the "Scheme Mandate Limit") or the date of any shareholders' meeting in refreshing the Scheme Mandate Limit, if applicable. Unless approved by the shareholders of the Company, the number of shares in respect of which options may be granted to any individual is not permitted to exceed the higher of 1% of the number of shares issued and issuable under the Scheme or any other limit as may be permitted under the Listing Rules.

Any grant of options under the Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their respective associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HK$5 million, in any 12-month period, are subject to shareholders' approval in a general meeting of the Company.

Options granted must be taken up within 30 days of the date of grant, upon payment of HK$1 by the grantee on each acceptance of grant. Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board of Directors may at its discretion to determine the specific exercise period. The exercise price is determined by the Board of Directors, and will be the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Pursuant to an ordinary resolution passed in Annual General Meeting ("AGM") on 4 November 2014, the refreshment of the Scheme Mandate Limit (the "Refreshment") was proposed and passed by shareholders. The total number of shares which may be issued upon exercise of the options to be granted under the Refreshment must not exceed 173,966,073 shares, representing 10% of the issued share capital of the Company at the date of the AGM approving the proposed refreshment.

25. SHARE-BASED PAYMENTS *(continued)*

The directors and employees of the Company and its subsidiaries are entitled to participate in the Scheme. As at 30 June 2019, the total number of shares available for issue under the Scheme was 173,966,073 *(2018: 173,966,073)* shares, which represented approximately 7% *(2018: 7%)* of the Company's issued share capital.

During the years ended 30 June 2019 and 2018, no share options had been granted. There were no share options outstanding as at 30 June 2019 and 2018.

26. DEFERRED TAXATION

The movements for the year in the Group's net deferred tax liabilities are as follows:

	2019	2018
	HK$'000	HK$'000
At the beginning of the reporting period	**115,421**	116,272
Credit to profit or loss (note 10)	**(464)**	(1,842)
Exchange realignment	**(1,982)**	991
At the end of the reporting period	**112,975**	115,421

Recognised deferred tax assets (liabilities) at the end of the reporting period represent the following:

	Assets		**Liabilities**	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Depreciation allowances	**–**	–	**(2,417)**	(2,733)
Fair value adjustment on PUD	**–**	–	**(112,975)**	(114,957)
Tax losses	**2,417**	2,269	**–**	–
Deferred tax assets (liabilities)	**2,417**	2,269	**(115,392)**	(117,690)
Offsetting	**(2,417)**	(2,269)	**2,417**	2,269
Net deferred tax liabilities	**–**	–	**(112,975)**	(115,421)
Amount expected to be recovered/ settled after 12 months	**–**	–	**(112,975)**	(115,421)

The balance represented deferred tax on the fair value adjustment on the PUD arising from the acquisition of a subsidiary and accelerated tax depreciation offsetting against unused tax losses recognised.

26. DEFERRED TAXATION *(continued)*

UNRECOGNISED DEFERRED TAX ASSETS

	2019	2018
	HK$'000	HK$'000
Depreciation allowances	**17**	22
Tax losses arising in Hong Kong	**243,796**	259,157
Deemed profit for pre-sales of PUD in the PRC	**11,139**	–
Tax losses arising in the PRC	**3,690**	15,090
	258,642	274,269

At the end of the reporting period, the Group had unused tax losses and deductible temporary differences of approximately HK$243,796,000 and HK$17,000 *(2018: HK$259,157,000 and HK$22,000)* respectively available for offset against future taxable profits. No deferred tax assets in respect of these items have been recognised due to the unpredictability of future profit streams. Neither the tax losses nor the deductible temporary differences expire under current tax legislation in Hong Kong.

In addition, at the end of the reporting period, the Group has the following tax losses arising in the PRC that can be offset against future taxable profits of the respective subsidiaries for a maximum of 5 years from the year in which the tax loss was incurred:

	2019	2018
	HK$'000	HK$'000
Year of expiry		
2019	**–**	2,712
2020	**–**	5,461
2021	**–**	2,903
2022	**3,690**	4,014
2023	**–**	–
	3,690	15,090

27. OTHER CASH FLOW INFORMATION

(a) MAJOR NON-CASH TRANSACTIONS

(i) As mentioned in note 16(b)(ii) to the consolidated financial statements, the Group entered into an agreement with Wealth Guide to settle the loan of HK$200,000,000 by receiving 140,000,000 ordinary shares of Zall with fair value of HK$214,200,000 as at the completion date held by Wealth Guide.

(ii) As mentioned in note 16(b)(i) to the consolidated financial statements, the acquisition of investment in Redsun of HK$304,021,000 was partially settled by a margin loan of HK$100,000,000.

(b) CHANGE IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Details of the changes in the Group's liabilities from financing activities are as follows:

	Interest-bearing borrowings	
	2019	2018
	HK$'000	HK$'000
At the beginning of the reporting period	**414,491**	392,968
Non-cash flows:		
New margin loan raised	**100,000**	–
Exchange realignment	**(1,146)**	43
Cash flows:		
New bank borrowing raised	**–**	348,000
New other borrowings raised	**–**	109,830
Repayment of bank borrowing	**(75,810)**	(388,000)
Repayment of other borrowings	**(46,740)**	(48,350)
At the end of the reporting period	**390,795**	414,491

28. OPERATING LEASE COMMITMENTS

THE GROUP AS LESSEE

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2019	2018
	HK$'000	HK$'000
Within one year	**796**	160
In the second to fifth year inclusive	**356**	–
	1,152	160

Operating lease payments represent rental expenses payable by the Group for its offices. Leases are negotiated for a term of 2 years *(2018: 1 year)*. Rental expenses are fixed over the lease period and no arrangements have been entered into for contingent rental payments.

THE GROUP AS LESSOR

At the end of the reporting period, the Group had contracted with tenants for future minimum lease payments, which represent rental income receivable by the Group under non-cancellable operating leases which fall due as follows:

	2019	2018
	HK$'000	HK$'000
Within one year	**5,065**	–
In the second to fifth year inclusive	**2,760**	–
	7,825	–

29. OTHER COMMITMENTS

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

	2019	2018
	HK$'000	HK$'000
Expenditure in respect of the properties under development contracted but not provided for	**223,969**	200,332

30. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the consolidated financial statements, during the year, the Group had the following transactions with related parties:

(a) OUTSTANDING BALANCES WITH RELATED PARTIES

As at 30 June 2019, included in other payable were a rental deposit of HK$441,000 *(2018: HK$Nil)* received from the then substantial shareholder of the Company. Details of these balances are disclosed in note 34(b) to the financial statements.

(b) REMUNERATION TO KEY MANAGEMENT PERSONNEL

There was no remuneration to members of key management other than directors as disclosed in note 11 to the consolidated financial statements for both years.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	**2019** **HK$'000**	2018 HK$'000
Non-current assets			
Interests in subsidiaries	(a)	**508,886**	305,248
Current assets			
Other receivables		**43,943**	62,423
Bank balances and cash		**17,131**	208,024
		61,074	270,447
Current liabilities			
Other payables		**482**	401
Net current assets		**60,592**	270,046
Net assets		**569,478**	575,294
Capital and reserves			
Share capital	23	**25,051**	25,051
Reserves	(b)	**544,427**	550,243
Total equity		**569,478**	575,294

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

(a) INTERESTS IN SUBSIDIARIES

	2019 HK$'000	2018 HK$'000
Unlisted shares, at cost	**89,046**	89,046
Amount due from subsidiaries	**646,141**	420,755
	735,187	509,801
Provision for impairment losses	**(37,179)**	(37,179)
	698,008	472,622
Amount due to a subsidiary	**(189,122)**	(167,374)
	508,886	305,248

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment term. At the end of the reporting period, the carrying amounts of the amounts due approximate their fair values. The amounts due from subsidiaries are not expected to be realised in the next twelve months from the end of the reporting period.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

(a) INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries of the Company at the end of the reporting period are as follows:

Name of subsidiaries	Place of incorporation/ registration and operation	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued/paid up share capital/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Applied Investment (Asia) Limited ("Applied Investment")	Hong Kong	Ordinary HK$574,630,911	100%	–	Investing in securities
Applied Hong Kong Properties Limited	Hong Kong	Ordinary HK$500,000	–	100%	Investing in equity securities and property investment
Applied Talent Management Limited	Hong Kong	Ordinary HK$1	–	100%	Provision of administrative and secretarial services
Dragon Gainer Investment Limited	Hong Kong	Ordinary HK$1	–	100%	Provision of administrative and secretarial services
Dragon Bell Group Limited	BVI	Ordinary US$1	100%	–	Investing in securities
Superform Investment Limited	Hong Kong	Ordinary HK$102	–	100%	Property investment
無錫盛業海港股份有限公司 Wuxi Shengye Joint Stock Company Limited* ("Wuxi Shengye") (note ii)	The PRC	Registered capital RMB180,000,000 *(2018: RMB380,000,000)*	–	100%	Property development

Notes:

(i) None of the subsidiaries had any debt securities outstanding at the end of the reporting period, or at any time during the reporting period.

(ii) Wuxi Shengye is a wholly foreign owned enterprise. It was resolved that the Group's wholly-owned subsidiary, Wuxi Shengye, reduced its paid-up capital from RMB380,000,000 to RMB180,000,000 in February 2019.

The above list includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or assets and liabilities of the Group. To give details of all other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

(b) MOVEMENTS OF RESERVES OF THE COMPANY

	Share premium HK$'000 (Note 24(a))	Capital redemption reserve HK$'000 (Note 24(c))	Capital reserve HK$'000 (Note 24(d))	Accumulated losses HK$'000	Total HK$'000
At 1 July 2017	244,786	11,931	204,610	(64,153)	397,174
Loss for the year and total comprehensive loss for the year	–	–	–	(8,888)	(8,888)
Transactions with equity holders					
Contributions and distributions					
Issue of shares upon placing of shares	161,957	–	–	–	161,957
At 30 June 2018 and 1 July 2018	406,743	11,931	204,610	(73,041)	550,243
Loss for the year and total comprehensive loss for the year	–	–	–	(5,816)	(5,816)
At 30 June 2019	406,743	11,931	204,610	(78,857)	544,427

32. RETIREMENT BENEFIT SCHEME

With effect from 1 December 2000, the Group has enrolled all its qualifying employees employed in Hong Kong into a mandatory provident fund scheme (the "MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contributions payable in future years.

In accordance with rules and regulations in the PRC, the employees of the Group's entities established in the PRC are required to participate in defined contribution retirement plans organised by local government. Contributions to those plans are expensed as incurred and other than these monthly contributions and the Group has no further obligation for the payment of the retirement benefits to its employees.

The retirement benefits cost charged to profit or loss, as set out in note 9 to the consolidated financial statements, represents contributions payable to the schemes by the Group at rates specified in the rules of the MPF Scheme and the defined contribution retirement plans in the PRC.

33. DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 30 June 2019 *(2018: HK$Nil)*.

34. EVENTS AFTER REPORTING PERIOD

In addition to the events disclosed elsewhere in these consolidated financial statements, the Group had the following subsequent events:

(a) On 26 July 2019, Dragon Bell, a wholly-owned subsidiary of the Company, disposed of 18,500,000 ordinary shares of Redsun at a price of HK$2.55 per share with aggregate consideration of HK$47,175,000 and completed in July 2019. A net loss of disposal of financial assets at FVPL amounted to HK$2,220,000 would be recognised in the year ending 30 June 2020.

On 15 August 2019, Dragon Bell entered into a sales and purchase agreement with a third party, to dispose of 37,000,000 ordinary shares of Redsun at prices ranged from HK$2.30 to HK$2.75 per share. The disposal is expected to be completed in October 2019. Details of the disposal were set out in the Company's announcement dated 15 August 2019.

(b) On 14 June 2019, Superform Investment Limited (an indirect wholly-owned subsidiary of the Company), as landlord, entered into the tenancy agreement with the then substantial shareholder, Ruihua (International) Fund Limited, as tenant, in respect of the premises, located at offices 2401B & 2402A on the 24th floor of Lippo Centre for a term of 18 months commencing from 1 July 2019 and ending on 31 December 2020 with an option to renew for a further term of 18 months. The rental of premises to the then substantial shareholder was effective on 1 July 2019, thus, which will be connected transaction in the next reporting period until August 2019. The details of the transaction have been set out under the heading "Connected transactions" in the Directors Report of this annual report.

The following is a summary of the published results of and the assets and liabilities of the Group:

RESULTS

	For the year ended 30 June				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Revenue	2,652	7,622	14,293	3,743	**17,011**
Profit (Loss) before taxation	7,679	370,102	290,949	8,796	**(78,215)**
Tax (charge) credit	–	(66)	31	1,842	**464**
Profit (Loss) for the year	7,679	370,036	290,980	10,638	**(77,751)**
Attributable to equity holders of the Company	7,679	370,036	290,980	10,638	**(77,751)**

ASSETS AND LIABILITIES

	At 30 June				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Total assets	560,798	961,450	1,958,302	2,185,923	**2,359,681**
Total liabilities	(83,260)	(5,277)	(711,156)	(758,026)	**(1,016,473)**
	477,538	956,173	1,247,146	1,427,897	**1,343,208**
Equity attributable to equity holders of the Company	477,538	956,173	1,247,146	1,427,897	**1,343,208**

PARTICULARS OF INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT

Particulars of investment properties (including assets held for sales) held by the Group at 30 June 2019 are as follows:

Name/location	Approximate gross floor area	Lease expiry	Type	Effective % held
Hong Kong				
24th Floor, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong (excluding units 2410A, 2410B, 2411A and 2411B)	14,382 sq.ft.	2059	Commercial	100

Particulars of properties under development held by the Group at 30 June 2018 are as follows:

Name/location	Construction progress of the properties	Expected completion date of construction	Approximate site area	Approximate gross floor area under construction	Lease expiry	Type	Effective % held
The PRC							
The sides of Tianhe Road, Tianyi New Town, Huishan District, Wuxi City, Jiangsu Province, the PRC	Under construction	The third quarter of 2019 to 2021, by phases	29,326 sq.m.	191,984 sq.m.	2053	Commercial	100

DEFINITIONS

In this annual report, the following terms or expressions have the following meanings unless otherwise specified:

"AGM"	the annual general meeting of the Company
"Board"	the board of Directors of the Company
"Bye-laws"	the Bye-laws of the Company
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Company"	Applied Development Holdings Limited
"Directors"	the directors of the Company
"FY2019"	the financial year ended 30 June 2019
"Group"	the Company and its subsidiaries
"HK Ruihua"	Hongkong Ruihua Investment Management Limited
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Jiangsu Ruihua"	Jiansu Ruihua Investment Holding Group Co., Limited*（江蘇瑞華投資控股集團有限公司）
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"PRC"	the People's Republic of China
"Ruihua International"	Ruihua (International) Fund Limited（瑞華（國際）基金有限公司）
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the share(s) of the Company
"Shareholder(s)"	the holder(s) of the Shares
"sq.ft."	square feet
"sq.m."	square meter

* *For identification purpose only*

DEFINITIONS

"Stock Exchange" or "HKEx"	The Stock Exchange of Hong Kong Limited
"Superform Investment"	Superform Investment Limited (超勇投資有限公司)
"Wuxi Shengye"	Wuxi Shengye Harbour Co. Ltd* (無錫盛業海港股份有限公司), a wholly owned subsidiary of the Company
"FVPL"	Fair value through profit or loss
"HK$" and "HK cents"	Hong Kong dollars and cents, the lawful currency of Hong Kong
"US dollars"	United States dollars, the lawful currency of the United States of America
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent

* *For identification purpose only*