



APPLIED DEVELOPMENT HOLDINGS LIMITED

實力建業集團有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 519



Interim Report
2020

* For identification purpose only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Zhanming¹ (*Chairman*)
Mr. Yuen Chi Ping (*Chief Executive Officer*)

Non-Executive Directors

Mr. Wu Tao¹
Mr. Yao Wei Rong²

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, Michael³

NOMINATION COMMITTEE

Mr. Wu Zhanming¹ (*Chairman*)
Mr. Lau Chi Keung
Mr. Chiu Kit Man, Calvin

COMPANY SECRETARY

Ms. Luk Shan⁴

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>

¹ appointed with effect from 21 August 2019

² re-designated from Executive Director to Non-executive Director with effect from 21 August 2019

³ appointed as a member of the Remuneration Committee with effect from 21 August 2019

⁴ appointed with effect from 2 September 2019

⁵ Mr. Guo Shun Gun resigned as a Non-executive Director with effect from 21 August 2019

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 31 December 2019*

		Six months ended	
		31 December	
	<i>Notes</i>	2019	2018
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	2	223,613	1,412
Cost of sales		(214,119)	–
<hr/>			
Gross profit		9,494	1,412
Other revenue	2	2,017	2,058
Other income		90	–
Net loss on disposal of financial assets at fair value through profit or loss (“FVPL”)		(14,279)	(8,111)
Net (decrease) increase in fair value of financial assets at FVPL		(58,158)	66,594
Net decrease in fair value of investment properties		(18,339)	–
Impairment loss on loans receivables	12(b)	(1,550)	–
Selling and marketing expenses		(8,419)	(4,964)
Administrative expenses		(15,616)	(9,489)
Finance costs	4	(5,484)	(9,051)
<hr/>			
(Loss) Profit before taxation	5	(110,244)	38,449
Taxation	6	5,614	–
<hr/>			
(Loss) Profit for the period, attributable to equity holders of the Company		(104,630)	38,449
<hr/>			
Other comprehensive income for the period, net of tax		–	–
<hr/>			
Total comprehensive (loss) income for the period, attributable to equity holders of the Company		(104,630)	38,449
<hr/>			
(Loss) Earnings per share	7		
Basic		(4.18) HK cents	1.53 HK cents
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Diluted		(4.18) HK cents	1.53 HK cents
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2019

		Reserves								
		Share capital	Share premium	Investment revaluation reserve (non-recycling)	Capital redemption reserve	Capital reserve	Translation reserve	Accumulated profits	Total reserves	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2019 (audited)		25,051	406,743	(397)	11,931	204,610	(2,963)	698,233	1,318,157	1,343,208
Loss for the period and total comprehensive loss for the period		-	-	-	-	-	-	(104,630)	(104,630)	(104,630)
At 31 December 2019 (unaudited)		25,051	406,743	(397)	11,931	204,610	(2,963)	593,603	1,213,527	1,238,578
		Reserves								
		Share capital	Share premium	Investment revaluation reserve	Capital redemption reserve	Capital reserve	Translation reserve	Accumulated profits	Total reserves	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2018 (audited)		25,051	406,743	(397)	11,931	204,610	3,965	775,984	1,402,846	1,427,897
Profit for the period and total comprehensive income for the period		-	-	-	-	-	-	38,449	38,449	38,449
At 31 December 2018 (unaudited)		25,051	406,743	(397)	11,931	204,610	3,965	814,433	1,441,295	1,466,346

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2019

	Six months ended	
	31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	29,595	91,296
INVESTING ACTIVITIES		
Interest received	134	173
Purchase of financial assets at FVPL	(44,396)	(351,016)
Purchase of property, plant and equipment	(23)	(105)
Additions to investment properties	(459)	–
Proceeds from disposal of financial assets at FVPL	168,892	11,586
Net cash from (used in) investing activities	124,148	(339,362)
FINANCING ACTIVITIES		
Interest paid in respect of bank borrowings	(5,470)	(9,051)
New other borrowings raised	–	100,670
Repayment of other borrowings	(110,327)	(35,960)
Repayment of lease liabilities	(398)	–
Net cash (used in) from financing activities	(116,195)	55,659
Net increase (decrease) in cash and cash equivalents	37,548	(192,407)
Cash and cash equivalents at the beginning of the period	98,413	243,793
Cash and cash equivalents at the end of the period	135,961	51,386
Analysis of balances of cash and cash equivalents:		
Cash at bank and on hand	125,795	39,027
Short-term time deposits	10,166	12,359
	135,961	51,386

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING AND POLICIES

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

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

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

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

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

HKFRS 16: Leases

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

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

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1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING AND POLICIES (continued)

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

As lessee

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

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

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

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

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

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

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

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING AND POLICIES (continued)

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

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

Base on the foregoing, as at 1 July 2019:

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

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

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

As lessor

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

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2. REVENUE

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

3. SEGMENT INFORMATION

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

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

3. SEGMENT INFORMATION (continued)

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

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

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

	Resort and property development <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Investment holding <i>HK\$'000</i> (Unaudited)	Segment total <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
As at 31 December 2019						
Assets	914,013	483,630	521,807	1,919,450	155,310	2,074,760
Liabilities	(557,896)	(276,730)	(873)	(835,499)	(683)	(836,182)

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3. SEGMENT INFORMATION (continued)

	Resort and property development <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Investment holding <i>HK\$'000</i> (Unaudited)	Segment total <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Six months ended 31 December 2019						
Other segment information:						
Additions to property, plant and equipment	9	-	14	23	-	23
Additions to investment properties	-	459	-	459	-	459
Decrease in fair value of investment properties	-	(18,339)	-	(18,339)	-	(18,339)
Depreciation of property, plant and equipment	27	-	59	86	-	86
Depreciation of right-of-use assets	-	-	-	-	389	389
Net decrease in fair value of financial assets at FVPL	-	-	(58,158)	(58,158)	-	(58,158)
Net loss on disposal of financial assets at FVPL	-	-	(14,279)	(14,279)	-	(14,279)
Impairment loss of loans receivables	-	-	-	-	(1,550)	(1,550)

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

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

3. SEGMENT INFORMATION (continued)

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

	Resort and property development <i>HK\$'000</i> (Audited)	Property investment <i>HK\$'000</i> (Audited)	Investment holding <i>HK\$'000</i> (Audited)	Segment total <i>HK\$'000</i> (Audited)	Unallocated <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
As at 30 June 2019						
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)

	Resort and property development <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Investment holding <i>HK\$'000</i> (Unaudited)	Segment total <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Six months ended 31 December 2018						
Other segment information:						
Additions to property, plant and equipment	95	-	10	105	-	105
Depreciation of property, plant and equipment	21	-	2	23	-	23
Net increase in fair value of financial assets at FVPL	-	-	66,594	66,594	-	66,594
Net loss on disposal of financial assets at FVPL	-	-	(8,111)	(8,111)	-	(8,111)

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

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3. SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are principally located in Hong Kong and the People's Republic of China other than Hong Kong (the "PRC").

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

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

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

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

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

4. FINANCE COSTS

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

5. (LOSS) PROFIT BEFORE TAXATION

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

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6. TAXATION

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

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

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

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

7. (LOSS) EARNINGS PER SHARE

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

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

8. INVESTMENT PROPERTIES

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

9. PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE

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

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

10. FINANCIAL ASSETS AT FVPL

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

Notes:

- (a) The unlisted investment funds represented 100% Class A participating, redeemable, non-voting shares of Green Asia Restructure SP and 100% Class A participating, redeemable, non-voting shares of Green Asia Restructure SP II (collectively referred to as the "Funds") with carrying amount of approximately HK\$117,197,000 and HK\$56,015,000 (30 June 2019: HK\$138,898,000 and HK\$61,099,000) respectively. The Funds are segregated portfolios managed by Green Asia Restructure Fund SPC.

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

APPLIED DEVELOPMENT HOLDINGS LIMITED

10. FINANCIAL ASSETS AT FVPL (continued)

(a) (continued)

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

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

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

11. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

12. OTHER RECEIVABLES

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

Notes:

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

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

APPLIED DEVELOPMENT HOLDINGS LIMITED

13. ACCOUNTS AND OTHER PAYABLES

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

Notes:

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

	31/12/2019 HK\$'000 (Unaudited)	30/6/2019 HK\$'000 (Audited)
Within 365 days	119,768	66,763
Over 365 days	34,554	33,907
	154,322	100,670

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

14. SHARE CAPITAL

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

15. RELATED PARTY TRANSACTIONS

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

(a) Remuneration to key management personnel

Remuneration to key management personnel including amounts paid to the Directors are as follows:

	Six months ended 31 December	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Salaries and other benefits	2,424	2,253
Retirement benefits scheme contributions	12	27
	2,436	2,280

APPLIED DEVELOPMENT HOLDINGS LIMITED

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following table presents the carrying value of financial instruments measured at fair value at 31 December 2019 and 30 June 2019 across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level of input that is significant to the entire measurement. The levels of inputs are defined as follows:

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

(i) *Financial assets measured at fair value*

	Total HK\$'000	31/12/2019 (Unaudited)		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<i>Financial assets at FVPL:</i>				
Unlisted investment funds	173,212	-	173,212	-
Debt instruments listed in Hong Kong	15,954	15,954	-	-
Debt instruments listed overseas	4,053	4,053	-	-
Equity securities listed in Hong Kong	328,119	328,119	-	-
	521,338	348,126	173,212	-

<i>Financial assets at FVOCI:</i>				
Equity securities listed in Hong Kong	175	175	-	-

	Total HK\$'000	30/6/2019 (Audited)		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<i>Financial assets at FVPL:</i>				
Unlisted investment funds	199,997	-	199,997	-
Debt instruments listed in Hong Kong	15,930	15,930	-	-
Debt instruments listed overseas	4,031	4,031	-	-
Equity securities listed in Hong Kong	498,313	498,313	-	-
	718,271	518,274	199,997	-

<i>Financial assets at FVOCI:</i>				
Equity securities listed in Hong Kong	175	175	-	-

During the six months ended 31 December 2019, 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.

17. INTERIM DIVIDEND

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

18. EVENTS AFTER REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND PROSPECTS

INTERIM DIVIDEND

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

RESULTS

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

BUSINESS REVIEW

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

Resort and Property Development

After the acquisition of Wuxi Shengye Joint Stock Company Limited* (無錫盛業海港股份有限公司) (“Wuxi Shengye”) in June 2017, the pre-sale of the properties commenced in October 2017 and the construction of the first phase of the apartment portion has completed in the third quarter of 2019. The completion of the construction of the second phase of the apartment portion and the whole project is expected to take place in the second quarter of 2020 and the fourth quarter of 2021 respectively. During the six months ended 31 December 2019, Wuxi Shengye delivered properties to customers and recognised a revenue of HK\$220,160,000. As at 31 December 2019, the contracted sales with the contracts signed but properties not yet delivered were HK\$287,284,000.

Property Investment

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

MANAGEMENT DISCUSSION AND PROSPECTS

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

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

Investment Holding

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

1. The Group invested in Green Asia Restructure SP and Green Asia Restructure SP II (collectively, the "Funds") in 2017. The Funds are segregated portfolios managed by Green Asia Restructure Fund SPC. 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 investment cost of the Funds held by the Group as at 31 December 2019 was HK\$180,973,000. As at 31 December 2019, the fair value of Green Asia Restructure SP and Green Asia Restructure SP II was HK\$117,197,000 and HK\$56,015,000 respectively. The fair value of the Funds accounted for 8% of the Group's total assets. During the six months ended 31 December 2019, the fair value of the Group's investment in the Funds decreased by HK\$19,698,000.

MANAGEMENT DISCUSSION AND PROSPECTS

2. On 28 June 2018, the Group entered into a cornerstone investment agreement to subscribe for the shares of Redsun Properties Group Limited (“Redsun”) at offer price of HK\$2.28 per share with an aggregate consideration of HK\$300,000,000. Redsun and its subsidiaries are principally engaged in property development, commercial property investment and operation and hotel operation. The shares of Redsun (stock code: 1996) have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 12 July 2018. 131,578,000 ordinary shares, representing approximately 4% of equity interest in Redsun, were allotted to the Group. Such investment was recorded as financial assets at fair value through profit or loss.

On 26 July 2019, the Group disposed of 18,500,000 ordinary shares of Redsun at a price of HK\$2.55 per share with an aggregate consideration of HK\$47,175,000, which was completed in July 2019. On 15 August 2019, the Group disposed of 37,000,000 ordinary shares of Redsun at a price of HK\$2.30 per share with an aggregate consideration of HK\$85,100,000, which was completed on 10 October 2019. After completion of the two disposals, the Group holds 76,078,000 shares in Redsun, representing approximately 2.29% of the total issued share capital of Redsun and recognised a loss on disposals of HK\$16,251,000 during the six months ended 31 December 2019. Based on the initial acquisition cost of HK\$2.28 per share, the Group would recognise a gain of HK\$5,735,000 in total in respect of the two disposals during the six months ended 31 December 2019. As at 31 December 2019, the fair value of Group’s investment in Redsun was approximately HK\$196,282,000, which amounted for 9% of the Group’s total assets.

3. As at 31 December 2019, the Group held 173,470,000 ordinary shares of Zall Smart Commerce Group Limited (“Zall”), representing approximately 1.5% of the total issued share capital of Zall. The shares of Zall (stock code: 2098) are listed on Main Board of the Stock Exchange. Zall and its subsidiaries are principally engaged in property development, tourism, investment, provision of healthcare products and services business and new energy business. The acquisition cost of Zall shares held by the Group as at 31 December 2019 was HK\$1.28 per share. As at 31 December 2019, the fair value of investment in Zall was approximately HK\$131,837,000, which amounted for 6% of the Group’s total assets. During the six months ended 31 December 2019, the fair value of the Group’s investment in Zall decreased by HK\$31,658,000.
4. As at 31 December 2019, the Group held debt instruments listed in Hong Kong and overseas with fair value of HK\$20,007,000. The fixed interest rate of the debt instruments ranged from 4.75% to 6.25% per annum.

MANAGEMENT DISCUSSION AND PROSPECTS

PROSPECTS

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

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

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

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:

MANAGEMENT DISCUSSION AND PROSPECTS

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

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

MANAGEMENT DISCUSSION AND PROSPECTS

Financial Risk

The Group is exposed to financial risks relating to foreign currency, equity price, credit and liquidity risk in its ordinary course of business. As stated below, the majority of the Group's assets and liabilities were denominated in Renminbi, Hong Kong dollars and US dollars, and hence the exposure to foreign exchange risk was insignificant to the Group. The Group is exposed to price risk arising from investment holding comprising unlisted investment funds and listed equity investments held under financial assets at fair value through profit or loss. Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to the Group. The Group's credit risk is mainly attributable to loan receivables and bank balances which the management considers insignificant as the counter-parties have their good credit in the market. The Group has its sufficient level of bank balances and cash to finance the Group operations and expected expansion, therefore, the liquidity risk is insignificant.

FOREIGN CURRENCY MANAGEMENT

The majority of the Group's assets and liabilities were denominated in Renminbi, Hong Kong dollars and US dollars, and hence the exposure to foreign exchange risk was insignificant to the Group. 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 31 December 2019, the Group's bank and other borrowings of approximately HK\$272,190,000 (30 June 2019: HK\$372,190,000) and HK\$8,278,000 (30 June 2019: HK\$18,605,000) were denominated in Hong Kong dollars and Renminbi respectively. The balances of bank and other borrowings of approximately HK\$8,278,000 (30 June 2019: HK\$118,605,000) 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 Hong Kong dollars, Renminbi and US dollars. The Group currently does not have interest rate hedging policies as the management of the Group does not expect significant interest rate risk as at 31 December 2019. 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.

MANAGEMENT DISCUSSION AND PROSPECTS

OPERATING SEGMENT INFORMATION

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

CAPITAL COMMITMENTS

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

PLEDGE OF ASSETS

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

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

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

LITIGATION

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

MANAGEMENT DISCUSSION AND PROSPECTS

HUMAN RESOURCES AND REMUNERATION POLICY

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

SUBSEQUENT EVENTS

Details of the important events affecting the Group which have been occurred since 31 December 2019 are set out in note 18 to the condensed consolidated financial statements attached to this interim report.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered into the register to be kept by the Company pursuant to section 352 of the SFO were as follows:

Long positions in the shares of the Company

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

Save as disclosed above, as at 31 December 2019, none of the Directors nor chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered into the register to be kept by the Company pursuant to section 352 of the SFO.

OTHER INFORMATION

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

There is no change in the Directors' information which is required to be set out in this interim report pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

The Directors and employees of the Group are entitled to participate in the share option scheme of the Company adopted by the Company on 15 November 2012. As at 31 December 2019, no share options had been granted since the adoption of the share option scheme.

Save as disclosed above, at no time during the six months ended 31 December 2019 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other associated corporations (within the meaning of Part XV of the SFO) and none of the Directors or their spouses or children under the age of 18 had any right to subscribe for securities of the Company or had exercised any such rights during the six months ended 31 December 2019.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

To the best knowledge of the Directors, as at 31 December 2019, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares, underlying shares or debentures of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the shares of the Company

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

Save as disclosed above, as at 31 December 2019, the Directors and chief executive of the Company were not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares, underlying shares or debentures of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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

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

OTHER INFORMATION

CORPORATE GOVERNANCE

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

The Company complied with all the applicable code provisions (the “Code Provisions”) of the CG Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 31 December 2019, save for Code Provision A.4.2. Details of the deviation with reasons are set out in the paragraphs below:

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

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

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

OTHER INFORMATION

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

AUDIT COMMITTEE

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

* *For identification purpose only*