# 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 2020

* For identification purpose only

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTOR

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

### NON-EXECUTIVE DIRECTORS

Mr. Wu Tao
Mr. Yao Wei Rong

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. 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

## AUDITOR

Mazars CPA Limited
*Certified Public Accountants*

## SOLICITOR

Miao & Co. (in Association with Han Kun Law Offices)

## STOCK CODE

HKEx: 519

## WEBSITE

http://www.applieddev.com

Dear Shareholders,

On behalf of the Board, I hereby present the results of the Group for FY2020.

## RESULTS

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

## PROSPECTS

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

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

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

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

# CHAIRMAN'S STATEMENT

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

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

Thank all the staff and partners of the Company for their efforts and help. Facing the challenges brought about by this global crisis, we will look for opportunities in a calm response, and continue to explore on the road to realise the asset optimisation and business innovation of the Company.

By order of the Board

**Wu Zhanming**
*Chairman and Acting Chief Executive Officer*

Hong Kong, 28 September 2020

## BUSINESS REVIEW

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

### RESORT AND PROPERTY DEVELOPMENT

After the acquisition of Wuxi Shengye in June 2017, the pre-sale of the properties under development commenced in October 2017 and the constructions of the first and second phase of the apartment portion were completed in the third quarter of 2019 and third quarter of 2020 respectively. The completion of the whole project is expected to take place in the fourth quarter of 2021. During FY2020, Wuxi Shengye delivered properties to customers and recognised a revenue of approximately HK$239,636,000. As at 30 June 2020, the sale amounts with the contracts signed but properties not yet delivered were approximately HK$310,575,000.

### PROPERTY INVESTMENT

The Group commenced sub-division of the investment property of the whole 24th floor, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong (the"Sub-division Properties") in October 2018 and the sub-division was completed in February 2019. After the completion of sub-division, four units of the Sub-division Properties were sold for an aggregate consideration of HK$108,300,000 and the Group recognised a gain on disposal of approximately HK$8,316,000 for FY2019.

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

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

### INVESTMENT HOLDING

The Group's investment strategy for the investment holding business is mainly to diversify its investments in unlisted investment funds, listed equity securities and listed debt instruments. For FY2020, the Group recorded interest and dividend income from financial assets at FVPL of HK$2,424,000 *(2019: HK$16,554,000)*, net loss on disposal of financial assets at FVPL of HK$40,097,000 *(2019: HK$10,572,000)* and a decrease in fair value of financial assets at FVPL of HK$50,288,000 *(2019: HK$18,838,000)*. Details of the significant investments held by the Group for FY2020 are set out as follows:

#### 1. GREEN ASIA RESTRUCTURE SP AND GREEN ASIA RESTRUCTURE SP II

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

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

## 2. ZALL SMART COMMERCE GROUP LIMITED ("ZALL SMART")

As at 30 June 2020, the Group held 148,283,000 ordinary shares of Zall Smart (stock code: 2098), representing approximately 1.3% of the total issued share capital of Zall Smart. The shares of Zall Smart are listed on Main Board of the Stock Exchange. Zall Smart and its subsidiaries are principally engaged in property development, tourism, investment, provision of healthcare products and services business and new energy business. The acquisition cost of Zall Smart's shares held by the Group as at 30 June 2020 was HK$1.28 per share. As at 30 June 2020, the fair value of investment in Zall Smart was approximately HK$105,281,000, which amounted for 5.6% of the Group's total assets. During FY2020, the fair value of the Group's investment in Zall Smart decreased by HK$34,476,000. During FY2020, the Group had not received any dividend or investment income from its holding of Zall Smart's shares and recorded a loss on disposal of Zall Smart's shares of approximately HK$2,374,000.

## 3. REDSUN PROPERTIES GROUP LIMITED ("REDSUN PROPERTIES")

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

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

## FINANCIAL REVIEW

### REVENUE, COST OF SALES AND PROFIT MARGIN

The revenue of the Group increased by HK$231,373,000, or 1,360%, from HK$17,011,000 for FY2019 to HK$248,384,000 for FY2020. Revenue increased significantly mainly because the properties of Wuxi Shengye were delivered to customers and recognised revenue in FY2020. The revenue recognised from properties sales was HK$239,636,000, cost of sales after considering the fair value adjustment at acquisition was HK$223,313,000 and gross profit margin was 6.8%. The low gross profit margin was mainly attributable to the revaluation of the properties under development at the date of acquisition of Wuxi Shengye in year of 2017. Excluding the fair value adjustment on inventories, from the perspective of Wuxi Shengye, the gross profit margin for the sale of properties was 17.6%.

### NET LOSS ON DISPOSAL OF FINANCIAL ASSETS AT FVPL

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

### NET DECREASE IN FAIR VALUE OF FINANCIAL ASSETS AT FVPL

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

### NET (DECREASE) INCREASE IN FAIR VALUE OF INVESTMENT PROPERTIES

The Group recognised a net increase in fair value of investment properties of HK$44,535,000 in FY2019 and a net decrease in fair value of investment properties of HK$74,992,000 in FY2020. The fair value of investment properties of the Group was determined with reference to the valuation conducted by an independent professional valuer, AVISTA Valuation Advisory Limited ("AVISTA"). The valuer has adopted the direct comparison method for the valuation by comparing recent market evidence of similar properties located in the neighborhood area. The fair value of investment properties was affected by the economy and properties market of Hong Kong. The outbreak of the COVID-19 and social incidents in Hong Kong hit overall trading volume and price of grade-A offices in Hong Kong.

### WRITE-DOWN OF PROPERTIES UNDER DEVELOPMENT

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

### IMPAIRMENT LOSS ON LOANS AND INTEREST RECEIVABLES

Impairment loss on loans and interest receivables of the Group increased by HK$54,154,000, or 1,120%, from HK$4,835,000 for FY2019 to HK$58,989,000 for FY2020. The impairment loss mainly related to three loan receivables (the "Loans") due from two parties which were companies with money lender licenses. The gross balance of the Loans and interest receivables as at 30 June 2020 was HK$63,824,000. These Loans were overdue for more than 90 days at the end of the reporting period.

The impairment loss has been made by the Directors after taking into the consideration of the valuation report which was prepared by an independent professional valuer, APAC Appraisal and Consulting Limited (the "Valuer"). The assessment of impairment has been conducted in accordance with Hong Kong Financial Reporting Standard 9 ("HKFRS 9") and the expected credit loss (the "ECL") allowance of the Loans has been conducted using a "three stage" model:

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

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

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

***ECL – Probability-Weighted Loss Default Model***

The Valuer adopted the probability-weighted loss default model to determine the ECL for the Loans. This model is a function of a probability of default ("PD"), a forward-looking adjustment factor ("K"), a loss given default ("LGD"), exposure at default ("EAD"), discount factor ("DF").

$ECL = PD \times K \times LGD \times EAD \times DF$

Principle assumptions and key inputs include:

1. Given that the Loans were defaulted for extended periods of time with no certainty of future payments, the PD for the Loans is considered to be 100%.

2. As no specific financial information of the borrowers was available to the Company, it is assumed that borrowers are financially incapable for repayment of the outstanding balance, and the LGD is assumed to be 100% for sake of prudence.

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

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

## SELLING EXPENSES

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

## ADMINISTRATIVE EXPENSES

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

## FINANCE COSTS

Finance cost of the Group decreased by HK$8,591,000, or 48%, from HK$17,956,000 for FY2019 to HK$9,365,000 for FY2020. The decrease in finance costs was mainly because a margin loan of HK$100,000,000 has been fully repaid in October 2019.

## LOSS FOR THE YEAR

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

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

## 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, 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 RMB, HK$ and US dollars, and hence the exposure to foreign exchange risk was insignificant to the Group. The Group is exposed to price risk principally arising from listed equity investments held under financial assets at FVPL. Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to the Group. The Group's credit risk is mainly attributable to loan receivables and cash equivalents. Management considers credit risk in relation to the cash equivalents is insignificant as they were deposited in credit worthy banks and financial institutions. The Group has monitored the credit risk from loans receivables on an ongoing basis. A credit impairment on loans receivables was noted during FY2020, follow-up actions have been taken to recover the overdue debts. Details please refer to "Impairment loss on loans and interest receivables" under Financial Review. 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 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 2020, bank and other borrowings of approximately HK$272,190,000 *(2019:HK$372,190,000)* and nil *(2019: HK$18,605,000)* were denominated in HK$ and RMB respectively. The balances of bank and other borrowings of approximately HK$272,190,000 *(2019: HK$272,190,000)* and nil *(2019: HK$118,605,000)* were at variable interest rates and fixed interest rates respectively. Cash and cash equivalents held by the Group were mainly denominated in HK$, 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 FY2020. 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 FY2020 are set out in note 7 to the consolidated financial statements of this annual report.

## CAPITAL COMMITMENTS

The Group had no material capital commitments as at 30 June 2020 *(2019: nil)*.

### PLEDGE OF ASSETS

As at 30 June 2020, the Group had provided the following securities for banking facilities granted to the Group:

(i) pledge of investment properties of the Group with a carrying amount of HK$415,200,000 *(2019: HK$489,732,000 (including assets classified as held for sale))*;

(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) no corporate guarantee provided *(2019: corporate guarantee provided by the Company)*.

As at 30 June 2020, the carrying value of the financial assets at FVPL of approximately HK$35,329,000 *(2019: HK$351,313,000)* was pledged as collateral to the margin loan facilities granted to the Group with corporate guarantee provided by the Company. No *(2019: HK$100,000,000)* margin loan facilities has been utilized at the end of the reporting period.

## LITIGATION

Save as the potential litigation the Company (as claimant) may bring against the borrowers for Loans collection as disclosed in the section headed "Impairment Loss on Loans and Interest Receivables" on pages 7 to 9 of this report, as at 30 June 2020, the Group has no material litigation which had to be disclosed.

## HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2020, the Group employed a total of 28 *(2019: 38)* full-time employees and executive Directors. The Group's total staff costs including Directors' emoluments amounted to HK$9,815,000 for FY2020 *(2019: HK$8,043,000)*. 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.

## 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

Details of the subsequent events of the Group after the end of FY2020 are set out in note 35 to the consolidated financial statements attached to this annual report.

## EXECUTIVE DIRECTOR

**Mr. Wu Zhanming**, aged 56, the Chairman, Executive Director, Acting Chief Executive Officer and a director of certain subsidiaries of the Company. Mr. Wu Zhanming joined the Group in August 2019. 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.

## NON-EXECUTIVE DIRECTORS

**Mr. Wu Tao**, aged 51, a Non-executive Director of the Company and a director of a subsidiary of the Company. Mr. Wu Tao joined the Group in August 2019. 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 21 years of experience in the financial sector. From January 1999 to December 2004, he worked at Langran Holding Limited Jiangsu 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 49, a Non-executive Director 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 Investment Holding Group Co., Limited*（江蘇瑞華投資控股集團有限公司）. 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 a general manager.

* For identification purpose only

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Lau Chi Keung** ("**Mr. Lau**"), aged 71, an Independent Non-executive Director of the Company. He joined the Group in September 2016. Mr. Lau has over 39 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 The 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 University of Hong Kong – 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 is a member of the Disciplinary Panel of Hong Kong Institute of Surveyors. 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 55, an Independent Non-executive Director of the Company. He joined the Group in September 2016. 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), Lerado Financial Group Company Limited (a company listed on the Stock Exchange, stock code: 1225) and Unity Investments Holdings Limited (a company listed on the Stock Exchange, stock code: 913), respectively.

**Mr. Chiu Kit Man, Calvin** ("**Mr. Chiu**"), aged 43, an Independent Non-executive Director of the Company. He joined the Group in September 2016. 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.

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Company for FY2020.

## 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 32(a) 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 12 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 FY2020 are set out in the consolidated statement of comprehensive income on page 58 of this annual report.

## FINAL DIVIDEND

The Board has resolved not to recommend a final dividend for FY2020 *(2019: 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 133 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 FY2020 are set out in note 14 to the consolidated financial statements.

## INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during FY2020 are set out in note 13 to the consolidated financial statements. Details of the investment properties of the Group as at 30 June 2020 are set out on page 134 of this annual report.

## SHARE CAPITAL

Details of movements in the Company's share capital during FY2020 are set out in note 25 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 its existing Shareholders.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during FY2020.

## RESERVES

Details of movements in the reserves of the Company and of the Group during FY2020 are set out in note 32(b) to the consolidated financial statements and in the consolidated statement of changes in equity on pages 60 to 61 of this annual report, respectively.

## DISTRIBUTABLE RESERVES

As at 30 June 2020, the Company had reserves (including capital reserve and accumulated losses) totaling approximately HK$51,199,000 *(2019: HK$125,753,000)* available for distribution to the Shareholders.

## MAJOR SUPPLIERS AND CUSTOMERS

During FY2020, purchases from the Group's five largest suppliers and the largest supplier were 39% and 14% arising from the resort and property development segment respectively. During FY2020, the aggregate revenue attributable to the Group's five largest customers was less than 30% of the Group's revenue. The major suppliers are independent third parties of the Company during FY2020.

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 suppliers during FY2020.

## DIRECTORS

The Directors during FY2020 and up to the date of this annual report were:

### EXECUTIVE DIRECTORS:

Mr. Wu Zhanming *(Chairman) (appointed on 21 August 2019)*
*(Acting Chief Executive Officer) (re-designated on 10 June 2020)*
Mr. Yuen Chi Ping *(suspension of duties on 10 June 2020 and resigned on 19 August 2020)*

### 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 had received the resignation letters from each of Mr. Guo Shun Gen and Mr. Yuen Chi Ping confirming that he had no disagreement with the Board and there was nothing relating to his resignation that were related to the affairs of the Company or that needed to be brought to the attention of the Shareholders and the Stock Exchange.

In accordance with Bye-laws 87(1) of the Bye-Laws, Mr. Yao Wei Rong and Mr. Yu Tat Chi, Michael will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

## PERMITTED INDEMNITY PROVISIONS

During FY2020 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 of the Company.

## 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 FY2020 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 are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. Yuen Chi Ping had been suspended all of his administrative and executive duties as an executive Director and the Chief Executive Officer of the Company with effect from 10 June 2020, and he resigned as an executive Director and the Chief Executive Officer of the Company on 19 August 2020.

Mr. Yu Tat Chi, Michael has been appointed as an independent non-executive director of Unity Investments Holdings Limited (a company listed on the Stock Exchange, stock code: 913) with effect from 17 August 2020.

Except the above disclosures, there is no updated information of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## DIRECTORS' AND CHIEF EXECUTIVE' S INTERESTS AND SHORT POSITIONS

As at 30 June 2020, the interest and short position of the Directors or chief executive of the Company in shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the 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 were as follows:

### LONG POSITION IN THE SHARES

| 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 30 June 2020, 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.

## SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 27 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 FY2020 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 FY2020.

## SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND SHORT POSITIONS

To the best knowledge of the Directors, as at 30 June 2020, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares, underlying Shares or debentures of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

### LONG POSITION IN THE SHARES

| | 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** |
| Ms. Li Fuyi | Beneficial owner | 279,930,959 | 11.17% |

Save as disclosed above, as at 30 June 2020, 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 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.

During FY2020, the Independent Non-executive Directors have reviewed the above continuing connected transaction and confirmed that such transaction has been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transaction, nothing has come to their attention that caused them to believe the continuing connected transaction:

(1) has not been approved by the Board;

(2) was not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group;

(3) was not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(4) has exceeded the cap.

Save as disclosed above, during FY2020, 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 31 to the consolidated financial statements and all of them (except the transaction contemplated under the Tenancy Agreement as described above) 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.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Connected Transactions" and related party transactions and continuing connected transactions in note 31 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company, its holding company, any of its subsidiaries or fellow subsidiaries was a party and in which a Director or his/her connected entity had, directly or indirectly, a material interest, subsisted at the end of the FY2020 or at any time during the FY2020.

## 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

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 during FY2020 and up to the date of this annual report.

## EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed in note 27 to the consolidated financial statements, no equity-linked agreements were entered into by the Group, or existed during FY2020.

## MANAGEMENT CONTRACTS

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 during FY2020.

## 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

No charitable donations were made by the Group during FY2020 *(2019: HK$30,000)*.

## AUDIT COMMITTEE

The audited consolidated financial statements of the Company for FY2020 have been reviewed by the Audit Committee before they are duly approved by the Board under the recommendation of the Audit Committee.

## AUDITOR

The consolidated financial statements of the Company for FY2020 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 and Acting Chief Executive Officer*

Hong Kong, 28 September 2020

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. The Company has adopted the CG Code set out in Appendix 14 of the Listing Rules as its own code on corporate governance.

## 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 FY2020, save for the Code Provisions A.4.2 and A.2.1.

Details of the deviation from Code Provision A.4.2 and its 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 AGM of the Company.

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

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

Details of the deviation from Code Provision A.2.1 and its reasons are set out in the section headed "Chairman and Chief Executive Officer" on page 22 of this annual report.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer ("CEO") should be separate and performed by different individuals.

The CEO is responsible for day-to-day management of the business of the Group, whilst the Chairman provides leadership for the Board to ensure that the Board acts diligently and in the best interests of the Group, and that meetings are planned and conducted effectively. The Chairman is also responsible for approving the agenda for each Board meeting, taking into account, where appropriate, matters proposed by the Directors. The Chairman also actively encourages the Directors to make full contributions and actively participate in the Board's affairs. It is also the responsibility of the Chairman to ensure that good corporate governance practices and procedures are established.

During the period from 1 July 2019 to 9 June 2020, Mr. Wu Zhanming ("Mr. Wu") was the Chairman of the Company and Mr. Yuen Chi Ping ("Mr. Yuen"), was the CEO of the Company. With effect from 10 June 2020, Mr. Yuen has been suspended all his administrative and executive duties as an Executive Director and the CEO, and Mr. Wu has been re-designated as the Acting CEO of the Company to fill the vacancy arising from the suspension of duties of Mr. Yuen. With effect from 19 August 2020, Mr. Yuen resigned as the CEO. The Board is now taking steps to identify suitable candidates to act as the CEO. The Board believes that the holding of both positions of Chairman and CEO by the same individual will not impair the balance of power and authority between the Board and the management of the Group.

## 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 FY2020.

## 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 FY2020 and up to the date of this annual report were:

### EXECUTIVE DIRECTORS:

Mr. Wu Zhanming *(Chairman) (appointed on 21 August 2019)*
*(Acting CEO) (re-designated on 10 June 2020)*
Mr. Yuen Chi Ping *(suspension of duties on 10 June 2020 and resigned on 19 August 2020)*

### 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 13 to 14 of this annual report.

Save as disclosed in this annual report, there is no other financial, business, family or other material/relevant relationships 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 FY2020, 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 are 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 and are available for inspection at any time on reasonable notice by any Directors.

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 FY2020, 15 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. Wu Zhanming *(Chairman) (appointed on 21 August 2019) (Acting CEO) (re-designated on 10 June 2020)* | 10/10 | 2/2 |
| Mr. Yuen Chi Ping *(suspension of duties on 10 June 2020 and resigned on 19 August 2020)* | 14/15 | 2/2 |
| **Non-executive Directors** | | |
| Mr. Wu Tao *(appointed on 21 August 2019)* | 10/10 | 2/2 |
| Mr. Yao Wei Rong *(re-designated from Executive Director to Non-executive Director on 21 August 2019)* | 14/15 | 2/2 |
| Mr. Guo Shun Gen *(resigned on 21 August 2019)* | 5/5 | N/A |
| **Independent Non-executive Directors** | | |
| Mr. Lau Chi Keung | 13/15 | 2/2 |
| Mr. Yu Tat Chi, Michael | 12/15 | 2/2 |
| Mr. Chiu Kit Man, Calvin | 15/15 | 2/2 |

## NON-EXECUTIVE DIRECTORS

All Non-Executive Directors and 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.

Under the existing service contract entered into between the Company and Mr. Yao Wei Rong following his re-designation from an Executive Director to a Non-Executive Director on 21 August 2019, Mr. Yao Wei Rong was appointed for a term from 21 August 2019 to 3 December 2020 (being the date immediately preceding the third anniversary date of his appointment as a Director on 4 December 2017).

## 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, 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 once during FY2020 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 | 1/1 |
| Mr. Chiu Kit Man, Calvin | 1/1 |
| 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)* | 1/1 |

## 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 the Chairman 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 the 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 2 times during FY2020 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 the Chairman of the Nomination Committee on 21 August 2019)* | 1/1 |
| Mr. Lau Chi Keung | 2/2 |
| Mr. Chiu Kit Man, Calvin | 2/2 |
| Mr. Yao Wei Rong *(resigned as the Chairman 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, 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 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 in the Nomination Policy 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.

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 FY2020 is set out in the "Independent Auditor's Report" on pages 51 to 57 of this annual report.

For FY2020, remuneration payable to the Company's auditor, Mazars CPA Limited, for the provision of audit services was HK$850,000. During FY2020, HK$218,000 was paid as remuneration to Mazars CPA Limited for the provision of non-audit related services including professional services for announcements of interim result, assurance report on continuing connected transaction and circular of major disposal.

## 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 2 times during FY2020 and the attendance of each member is set out as follows:

| **Members** | **Number of attendance** |
|---|---|
| Mr. Yu Tat Chi, Michael | 2/2 |
| Mr. Lau Chi Keung | 2/2 |
| Mr. Chiu Kit Man, Calvin | 2/2 |

The following is a summary of work performed by the Audit Committee during FY2020:

1. reviewed and discussed the audited financial statements of the Group for the year ended 30 June 2019 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 2019 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 FY2020.

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 FY2020, 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 FY2020. 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 FY2020, 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 programs 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 FY2020, and the review covered the period from 1 July 2019 to 30 June 2020. 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 the 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 deems 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 FY2020, there was no significant change in constitutional documents of the Company.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

### PURPOSE OF THIS REPORT

The Group is pleased to present its fourth Environmental, Social and Governance (“ESG”) Report (the “ESG Report”) to its stakeholders, aiming to disclose the Group’s commitment, strategies and major performance in sustainable development.

### REPORTING PERIOD AND SCOPE

The reporting period (the “Reporting Period”) of this ESG Report covers the period from 1 July 2019 to 30 June 2020. Unless otherwise stated, the reporting scope includes head office’s operation and property investment business in Hong Kong. As the Group has started to recognize a material revenue from the property development business in Wuxi during the Reporting Period, we have expanded the reporting scope of this ESG Report to cover it.

### REPORTING STANDARDS

This ESG Report has been prepared in accordance with the “Environmental, Social and Governance Reporting Guide” in Appendix 27 to the Listing Rules on the Stock Exchange, and has been reviewed and approved by the Board on 28 September 2020.

### ACCESS TO THIS ESG REPORT

This ESG Report is available in both English and Chinese versions and is accessible on the websites of the Stock Exchange and the Company (https://www.applieddev.com/). If there is any inconsistency between the two versions, the English version shall prevail.

### FEEDBACK

Every stakeholder’s opinion is considered valuable and crucial to the Group’s business and sustainable development. Should you have any opinion on this ESG Report or our sustainable development performance, please contact us at info@applieddev.com.

## ABOUT APPLIED DEVELOPMENT

The Company has been listed in Hong Kong since 1986 and is mainly engaged in (i) resort and property development; (ii) property investment; and (iii) investment holding.

### OUR VISION

Artists create beautiful things. We create value.

### OUR MISSION

- To be passionate about our customers, partners, and business development
- To bring sustainable growth to our shareholders
- To achieve excellence in every project we undertake
- To stand accountable to customers, shareholders, partners, and employees for commitment to quality
- To encourage teamwork, and to be committed in the best interests of the Group

## OUR APPROACH TO SUSTAINABILITY

The Group is committed to taking up corporate social responsibility, and striking a balance between business development and sustainable development, in order to bring long-term value to the Group and its stakeholders. As such, we uphold environmental, social and governance principles in our daily operations and decision-making processes and maintain stringent management at all levels of our business, hoping to help create a better and greener future for our next generations.

### STAKEHOLDER ENGAGEMENT

The Group values mutual communications with its stakeholders and sees every of their opinions as an opportunity for continuous improvement. We maintain frequent two-way communications with our key stakeholders, including customers, employees, suppliers and business partners, shareholders and investors, government and regulatory bodies as well as the wider community. Regular communication channels deployed include:

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

## MATERIALITY ASSESSMENT

Apart from the aforementioned regular communication channels, in order to collect stakeholders' opinions in terms of sustainable development, we appointed an independent sustainability consultant to conduct a materiality assessment, inviting stakeholders to participate in a survey and rate on various environmental, social and governance issues. The ratings allow us to identify issues material to the Group, hence we can better review and readjust our sustainability approach by putting great store by those material issues. The following outlines the procedures of the materiality assessment:

**1. *Identifying ESG areas***

Based on regular stakeholder engagement results, local reporting standards, latest sustainability trends in the industry, our operations and development plan, we identified 37 environmental, social and governance issues that are relatively important to the Group and to key stakeholders.

**2. *Rating on the identified issues***

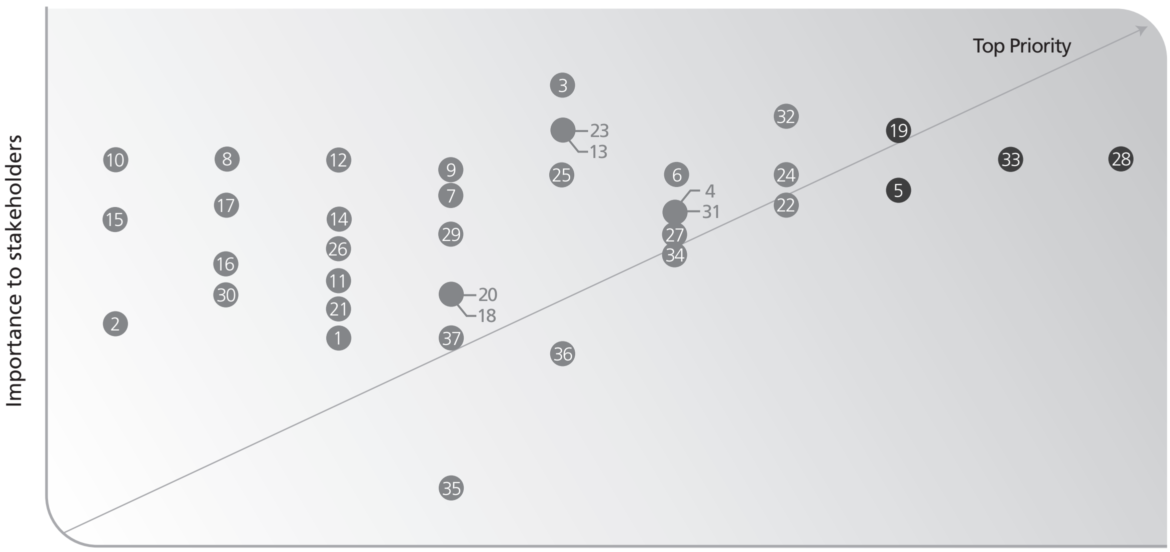
Stakeholders were invited to participate in an online survey to provide ratings on the issues in terms of their perception of the materiality of issues to the Group and provide opinions on our sustainability performance.

**3. *Analysing and evaluating results***

Ratings from both stakeholders and the management were collected for materiality assessment.

The below materiality matrix presents the results of the materiality assessment. 4 issues located in the top right-hand corner are of relatively high importance to stakeholders and the Group.

**Materiality Matrix**




Significance to the Group

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

Providing customers with quality products and services has always been our core responsibility. The Group has always spared no efforts in maintaining our professionalism in every property investment and development project, aiming at bringing long-term value to our customers.

During the Reporting Period, we were not aware of any breach of laws and regulations regarding health and safety, advertising and privacy matters relating to products and services, including but not limited to Landlord and Tenant (Consolidation) Ordinance (Cap 7, the Laws of Hong Kong), Personal Data (Privacy) Ordinance (Cap. 486, the Laws of Hong Kong), the Advertising Law of the PRC（《中華人民共和國廣告法》）and the Law of the PRC on the Protection of Consumer Rights and Interest（《中華人民共和國消費者權益保護法》）. Due to our business nature, the Group is not involved in product labelling issue. Intellectual property right is also an immaterial issue to the Group.

### QUALITY PROPERTY

Providing quality and safe offices is our commitment to customers. We are in stringent compliance with Landlord and Tenant (Consolidation) Ordinance (Cap 7, the Laws of Hong Kong). Before handing over the office to customers, we will conduct an on-site inspection with the customers. If customers have any concerns about the office, we will take immediate remedial action accordingly.

In terms of the property development business in Wuxi, we have developed a series of policies to control the quality of the property project in a systematic and stringent manner, from planning and design, construction, pre-sale, handover to after-sale. Standard procedures are addressed in these policies which form the bases of our work.

### CUSTOMER SATISFACTION

We highly concern about the satisfaction of our valued customers. Every single opinion or suggestion from customers will be treated and handled seriously. We have developed a communication channel to collect and respond to customers' opinions in an appropriate and timely manner.

During the delivery stage in our property development business in Wuxi, our designated personnel will check the appearance, furniture, electrical appliances and other facilities in the property together with the owner to ensure the owner is satisfied with the quality of the property. Any concerns raised by the owners will be addressed shortly.

### PRIVACY PROTECTION

A number of customer personal data are handled during operations. We adhere to the requirements of Personal Data (Privacy) Ordinance (Cap. 486, the Laws of Hong Kong) and other relevant laws and regulations to handle such data with care. We store sensitive customer data in designated places and set access limit. Employees are forbidden to disclose such data without prior approval, so as to keep the confidentiality of the personal information of our customers.

### ADVERTISING

In the course of advertising and promoting our business, the Group is responsible for verifying the authenticity of the content of advertisement in order to protect consumer rights. There was no material non-compliance with relevant laws and regulations that have significant impact on the Group regarding advertising during the Reporting Period.

### SUPPLY CHAIN MANAGEMENT

The Group mainly engages local suppliers to minimize the carbon emissions generated due to transportation. Being a corporate citizen, we are committed to taking up our social responsibility, and at the same time striving to bring positive impact to the supply chain. During supplier selection, we will put environmental and social factors, including labor practices, environmental protection measures, integrity etc., into consideration, aiming to put forward sustainable development of the entire supply chain.

We are also focused on the quality of products and services of suppliers. When selecting new suppliers, we will look into candidate suppliers' product and service quality and price. Qualified ones will be shortlisted. We will also conduct regular review on existing suppliers to ensure that they have met our requirements. If any problem is identified, we will request for timely rectification and conduct follow-up assessment.

### ANTI-CORRUPTION

The Group always upholds the principle of business ethics and integrity during its operations and prohibits any forms of corruption and other unlawful behaviors, including bribery, extortion, fraud and money laundering, in order to comply with Prevention of Bribery Ordinance (Cap. 201, the Laws of Hong Kong), the Anti-Unfair Competition Law of the PRC（《中華人民共和國反不正當競爭法》） and the Criminal Law of the PRC （《中華人民共和國刑法》）. We require employees to avoid the abovementioned behaviors. They should report on any benefits received directly or indirectly, as well as any suspected misconduct to the Group. The Group will conduct thorough investigation and follow-up action timely to protect the rights of the Group and our stakeholders.

During the Reporting Period, a former director of the Company has been under investigation by the Independent Commission Against Corruption of Hong Kong and has resigned from the Company with effect from 19 August 2020. During the Reporting Period, the Group was not aware of any other violation of laws and regulations relating to bribery, extortion, fraud and money laundering.

## CARING OUR EMPLOYEES

The Group believes that corporate success is inseparable from the contributions of employees. We see every of our employees as the cornerstone of the Group's continuous development, and hence we spare no effort in safeguarding their rights and benefits in order to attract, retain and reward them. We adhere to the requirements of applicable laws and regulations, including but not limited to Employment Ordinance (Cap. 57), Employees' Compensation Ordinance (Cap. 262), Minimum Wage Ordinance (Cap. 608), Mandatory Provident Fund Schemes Ordinance (Cap. 485) of Hong Kong, the Labor Law of the PRC （《中華人民共和國勞動法》）, the Social Insurance Law of the PRC （《中華人民共和國社會保險法》）, the Occupational Disease Prevention Law of the PRC （《中華人民共和國職業病防治法》）and the Provisions on the Prohibition of Using Child Labor （《禁止使用童工規定》）, and establish comprehensive human resources policies and measures regarding compensation, working hours, rest periods, termination of labor contracts and dismissal to protect the interests of the Group and our employees.

During the Reporting Period, the Group was not aware of any violation of labor-related laws and regulations including those relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

## RETAINING TALENTS

The Group always adheres to the "people-oriented" approach in recruiting and retaining talents. We recruit talents through various internal and external channels such as internal referral, job fairs, media advertising, online recruitment and headhunting companies. While recruiting suitable candidates to join us, we also strive to retain our employees by offering competitive remuneration packages and benefits. Remuneration package generally covers basic salary, overtime pay, various rewards and cash benefits. We also contribute Mandatory Provident Fund for employees in Hong Kong as well as social insurance and housing provident fund for employees in the PRC with regards to the legal requirements of Mandatory Provident Fund Schemes Ordinance (Cap. 485) and the Social Insurance Law of the PRC （《中華人民共和國社會保險法》）. We would review and adjust the remuneration package annually in view of market trend, performance appraisal results and development of the Group to ensure it remains competitive. In addition, we also provide an array of benefits to better attract and retain talents:

| | | |
|---|---|---|
| Holidays | • Statutory and public holidays<br>• Annual leave<br>• Sick leave<br>• Work injury leave<br>• Marriage leave | • Breastfeeding leave<br>• Paternity leave<br>• Maternity leave<br>• Compassionate leave<br>• Early leave on festive days |
| Cash benefits | • Festive benefits<br>• Birthday benefits<br>• Marriage and compassionate benefits<br>• Hospital benefits | • Single child benefits<br>• Single child medical allowance<br>• Childbirth allowance<br>• Communication allowance<br>• Transportation allowance |
| Others | • Health check<br>• Travel | • Work meal |

## RESPECTING TALENTS

The Group regards human resources as its unique and valuable asset and aims to provide staff diversified, equal and harmonious workplace that is free of discrimination and harassment. We pledge to treat every employee equally on any occasion regardless of their gender, age, ethnicity, creed, religion, disability and sexual orientation. If any case of discrimination is suspected or identified, employees are encouraged to report to the Group, followed by a timely and thorough investigation and follow-up actions.

Our human resources policies have clearly set out the terms concerning remuneration and benefits, working hours, dismissal and rest periods etc. to protect mutual benefits of both employees and the Group. Employees are discouraged to work overtime. If overtime work is necessary, employees should seek prior approval from department head. Overtime pay or compensation leave will be arranged afterwards. If employees have any thoughts in terms of any work arrangement, they are encouraged to raise their concerns to us. We see every opinion seriously and will take up appropriate ones for the Group's sake. Also, we bring our people together through our human resources policy, employee welfare, on-the job training and related activities and enhance their cohesiveness.

As a responsible corporate citizen, we adopt "zero-tolerance" approach to child labor and forced labor. We strictly abide by the Employment Ordinance (Cap. 57, the Laws of Hong Kong) and the Provisions on the Prohibition of Using Child Labor(《禁止使用童工規定》). Our Human Resources Department will verify the identification documents of candidates during recruitment to ensure they are legally eligible to work. During the Reporting Period, we did not identify any child or forced labor within the Group.

### NURTURING TALENTS

We believe that the Group's success and continuous development are indispensable from the contributions and efforts of our employees. Thus, we attach great importance to nurturing our talents by providing them with abundant training and career development opportunities.

In terms of career development, we have established a comprehensive performance appraisal system to assess employees' performance on a quarter or annual basis. The results will form an important basis for promotion, salary adjustment and training.

We arrange different forms of internal and external trainings each year, allowing our employees to enhance their professional knowledge and skills while pursuing their personal career development goals. Types of training range from orientation program, job position training, specific training and self-learning etc. We pay attention to the training needs from each department and seek appropriate internal and external training to our employees so that they could better equip themselves and keep abreast of the latest market trend and knowledge.

### SAFEGUARDING TALENTS

The physical and mental wellbeing of our employees is of utmost importance to us. We dedicate ourselves in maintaining a safe working environment while striving to eradicate all occupational health and safety risks to safeguard the wellbeing of our employees. As such, we arrange regular check to maintain good hygiene, ventilation and lighting in the workplace, organize safety training as well as conduct fire drill to raise employees' awareness in occupational health and safety. There was no recorded case of work-related injuries or causalities and the Group was not aware of any non-compliance in relation to occupational health and safety during the Reporting Period.

## COMMITMENT TO SUSTAINABLE OPERATION

We believe the Group should shoulder the responsibility in environmental protection. The Group complies with applicable laws and regulations during operations, including but not limited to Hong Kong Waste Disposal Ordinance, the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》), Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》) and Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), striving to reduce emissions and save natural resources in order to build a greener future for the next generation. During the Reporting Period, we were not aware of any violations of applicable environmental laws and regulations among the Group and its subsidiaries.

## ENERGY, AIR AND GREENHOUSE GAS EMISSIONS

The air, greenhouse gas ("GHG") emissions as well as energy consumption of the Group are mainly attributed to the purchased electricity to sustain our daily operations and use of mobile vehicles. The following table outlines the energy consumption, air and GHG emissions data of the Group during the Reporting Period and the previous year[1]:

| | Unit | 2019 | **2020** |
|---|---|---|---|
| Energy Consumption in Total [2] | MWh | 13.21 | **694.73** |
| Purchased Electricity [2] | MWh | 13.21 | **644.64** |
| Unleaded Petrol | MWh | N/A | **40.56** |
| LPG | MWh | N/A | **9.53** |
| Energy Consumption Intensity [2] | $MWh/m^2$ | 0.07 | **0.26** |
| Nitrogen Oxides (NOx) | Kg | N/A | **1.48** |
| Sulphur Oxides (SOx) | Kg | N/A | **0.07** |
| Particulate Matter (PM) | kg | N/A | **0.10** |
| GHG Emissions in Total (Scope 1 & 2) [2 and 3] | Tonnes of $CO_2e$ | 10.43 | **468.38** |
| GHG Emission (Scope 1) | Tonnes of $CO_2e$ | N/A | **14.04** |
| GHG Emission (Scope 2) [2] | Tonnes of $CO_2e$ | 10.43 | **454.34** |
| GHG Emission Intensity (Scope 1 & 2) [2] | Tonnes of $CO_2e/m^2$ | 0.06 | **0.18** |

Although our energy consumption, air and GHG emissions are not significant, the Group is highly concerned about their impact on the environment and is devoted to reducing its carbon footprint to help combat climate change. We remind our staff to turn off the lights and air-conditioning before leaving and encourage them to take public transport instead of private vehicles. Also, video conferencing is recommended to replace business travel in an effort to minimize GHG emissions.

## NON-HAZARDOUS WASTE

The Group generates non-hazardous waste including general refuse and paper during its daily operations. Due to the business nature, we are not involved in hazardous waste generation and use of packaging materials for finished goods. Below details the non-hazardous waste data of the Group during the Reporting Period and the previous year[1]:

| | Unit | 2019 | **2020** |
|---|---|---|---|
| Total Non-Hazardous Wate Generated[4] | Tonnes | 0.85 | **70.05** |
| Non-Hazardous Waste Disposed | Tonnes | 0.85 | **70.05** |
| Total Non-Hazardous Waste Generated Intensity | $Kg/m^2$ | 4.69 | **26.51** |

1 The considerable increase in FY2020 was mainly attributed to the expansion of reporting scope of which the property development business in Wuxi has been included.

2 Since the energy supplier could not provide provision of electricity supply and sub-meter for individual occupant, the electricity consumption in Wuxi office was estimated by office area. We will optimize the method of data collection and disclose relevant data in the future.

3 According to the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) issued by World Business Council For Sustainable Development and World Resources Institute, Scope 1 direct emissions cover GHG emissions directly produced by businesses owned or controlled by the Group, while Scope 2 indirect emissions cover GHG emissions of indirect energy resulted from electricity (purchased or acquired), thermal energy, refrigeration and steam internally consumed by the Group.

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

The Group is dedicated in collecting, disposing and recycling waste properly to avoid the potential negative impact on the surroundings. In order to reduce waste at source, we highly advocate the concept of "paperless office" by adopting duplex printing and printing with recycled paper. Staff are also encouraged to adopt electronic communications to reduce paper consumption.

During the Reporting Period, the Group made an announcement and invited our shareholders to choose their preferred means of receipt of the Group's corporate communications. Over 95% of our registered shareholders opted for electronic means, hence minimizing the use of paper to a large extent in support of environmental protection.

### WATER

The Group's domestic water is provided by local water supply companies, thus we did not encounter any problems in sourcing water. The following table shows the water consumption data[5] of the Group during the Reporting Period and the previous year[6]:

| | Unit | 2019 | **2020[7]** |
|---|---|---|---|
| Total Water Consumption | $m^3$ | N/A | **1,080.00** |
| Water Consumption in Intensity | $m^3/m^2$ | N/A | **0.41** |

[5] Our head office's operation and property investment business in Hong Kong operate 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, relevant data only cover our property development business in Wuxi.

[6] Due to the expansion of the reporting scope during the Reporting Period, the environmental data during the Reporting Period and that of 2019 are not fit for direct comparison.

[7] Water supply in the Hong Kong office has been solely controlled by the building management. Since the building management could not provide the provision of water supply and sub-meter for individual occupant, water consumption data only covers that of the Groups' property development business in Wuxi. In addition, since the water supplied could not provide the provision of water supply and sub-meter for individual occupant, water consumption data in Wuxi was estimated based on the amount of water consumption per person from the design of property. We will optimize the method for data collection and disclose relevant data in the future.

### GREEN PROPERTY

The Group is devoted to building quality property while not compromising the surrounding environment. As a result, we attach great importance to environmental protection in the time of design and construction of property projects. We have implemented the following measures for the property project in Wuxi:

| | |
|---|---|
| Design | • Solar panels are installed on the roof of the building to for daily electricity consumption and hot water supply<br>• Rainwater recycling system is built to collect and sanitize rainwater for cleaning and watering purpose<br>• Sound-activated lighting system is installed at the staircases<br>• Building intelligent system is installed to monitor and better manage the use of energy in the building<br>• Mechanical ventilation systems are installed at the carpark, equipment room and boiler room to filter the air emissions |
| Construction | • Require construction workers to collect, separate and transport construction waste and other general refuse in a proper way<br>• Dust will be generated due to digging, concrete mixing and transportation. Mud and stone will be transported timely to minimize the amount of dust generated. Water sprinkling and covering measures will also be carried out to control air pollution |

## CONTRIBUTING TO OUR SOCIETY

As a property developer and investor, the Group values long-term relationships with the local communities where our businesses take root. We are committed to giving back to society and actively engaged in community investment, hoping to bring positive influence to the people in need. We would also encourage our employees to reach out to serve the needy in their spare time, aiming at building a better community.

## ESG REPORTING GUIDE CONTENT INDEX

| Subject Areas, Aspects, General Disclosure and KPIs | | Chapter/Disclosure | Page |
|---|---|---|---|
| **A. Environmental** | | | |
| **Aspect A1: Emissions** | | | |
| General Disclosure<br><br>Information on:<br><br>(a) the policies; and<br><br>(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. | | **Commitment to Sustainable Operation** | **41** |
| KPI A1.1 | The types of emissions and respective emissions data. | **Energy, Air and Greenhouse Gas Emissions** | **42** |
| KPI A1.2 | Greenhouse gas emissions in total and where appropriate, intensity. | **Energy, Air and Greenhouse Gas Emissions** | **42** |
| KPI A1.3 | Total hazardous waste produced and where appropriate, intensity. | **Non-hazardous Waste** | **42** |
| KPI A1.4 | Total non-hazardous waste produced and where appropriate, intensity. | **Non-hazardous Waste** | **42** |
| KPI A1.5 | Description of measures to mitigate emissions and results achieved. | **Commitment to Sustainable Operation** | **41** |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | **Non-hazardous Waste** | **42** |

| | | | |
|---|---|---|---|
| **Aspect A2: Use of Resources** | | | |
| General Disclosure<br>Policies on the efficient use of resources, including energy, water and other raw materials.<br><br>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc. | | **Commitment to Sustainable Operation** | **41** |
| KPI A2.1 | Direct and/or indirect energy consumption by type in total and intensity. | **Energy, Air and Greenhouse Gas Emissions** | **42** |
| KPI A2.2 | Water consumption in total and intensity. | **Water** | **43** |
| KPI A2.3 | Description of energy use efficiency initiatives and results achieved. | **Energy, Air and Greenhouse Gas Emissions** | **42** |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | **Water** | **43** |
| KPI A2.5 | Total packaging material used for finished products, and if applicable, with reference to per unit produced. | **The Group is not involved in packaging material** | **N/A** |
| **Aspect A3: The Environment and Natural Resources** | | | |
| General Disclosure<br>Policies on minimising the issuer's significant impact on the environment and natural resources. | | **Green Property** | **44** |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | **Green Property** | **44** |

**B. Social**

*Employment and Labor Practices*

**Aspect B1: Employment**

| | | | |
|---|---|---|---|
| General Disclosure<br>Information on:<br><br>(a) the policies; and<br><br>(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. | | **Caring Our Employees** | **39** |
| KPI B1.1 | Total workforce by gender, employment type, age group and geographical region. | **Not to be disclosed during the Reporting Period** | **N/A** |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region. | **Not to be disclosed during the Reporting Period** | **N/A** |

**Aspect B2: Health and Safety**

| | | | |
|---|---|---|---|
| General Disclosure<br>Information on:<br><br>(a) the policies; and<br><br>(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. | | **Safeguarding Talents** | **41** |
| KPI B2.1 | Number and rate of work-related fatalities. | **Safeguarding Talents** | **41** |
| KPI B2.2 | Lost days due to work injury. | **Safeguarding Talents** | **41** |
| KPI B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | **Safeguarding Talents** | **41** |

| | | | |
|---|---|---|---|
| **Aspect B3: Development and Training** | | | |
| General Disclosure<br>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | | **Nurturing Talents** | **41** |
| KPI B3.1 | The percentage of employees trained by gender and employee category. | **Not to be disclosed during the Reporting Period** | **N/A** |
| KPI B3.2 | The average training hours completed per employee by gender and employee category. | **Not to be disclosed during the Reporting Period** | **N/A** |
| **Aspect B4: Labor Standards** | | | |
| General Disclosure<br>Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor. | | **Respecting Talents** | **40** |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labor. | **Respecting Talents** | **40** |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered. | **Not to be disclosed during the Reporting Period** | **N/A** |
| *Operating Practices* | | | |
| **Aspect B5: Supply Chain Management** | | | |
| General Disclosure<br>Policies on managing environmental and social risks of the supply chain. | | **Supply Chain Management** | **39** |
| KPI B5.1 | Number of suppliers by geographical region. | **Not to be disclosed during the Reporting Period** | **N/A** |
| KPI B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | **Supply Chain Management** | **39** |

| | | | |
|---|---|---|---|
| **Aspect B6: Product Responsibility** | | | |
| General Disclosure<br>Information on:<br><br>(a) the policies; and<br><br>(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. | | **Creating Value for Our Customers** | **38** |
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | **The Group does not engage in product manufacturing** | **N/A** |
| KPI B6.2 | Number of products and service related complaints received and how they are dealt with. | **Not to be disclosed during the Reporting Period** | **N/A** |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights. | **Intellectually property is not applicable to the Group** | **N/A** |
| KPI B6.4 | Description of quality assurance process and recall procedures. | **The Group does not engage in product manufacturing** | **N/A** |
| KPI B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | **Privacy Protection** | **38** |

| | | | |
|---|---|---|---|
| **Aspect B7: Anti-corruption** | | | |
| General Disclosure<br>Information on:<br><br>(a) the policies; and<br><br>(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** | **39** |
| KPI B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | **Anti-corruption** | **39** |
| KPI B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | **Anti-corruption** | **39** |
| *Community* | | | |
| **Aspect B8: Community Investment** | | | |
| General Disclosure<br>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** | **44** |
| KPI B8.1 | Focus areas of contribution. | **Not to be disclosed during the Reporting Period** | **N/A** |
| KPI B8.2 | Resources contributed to the focus area. | **Not to be disclosed during the Reporting Period** | **N/A** |

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 58 to 132, which comprise the consolidated statement of financial position as at 30 June 2020, 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 2020, 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 2020. 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***<br>*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$415,200,000 as at 30 June 2020. The fair value was determined by the Group with reference to the valuations carried out by an independent professional valuer engaged by the Group.<br><br>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 inputs in the models. | Our audit procedures, among others, included:<br>– evaluating the competence, capability and objectivity of the independent professional valuer;<br><br>– 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;<br><br>– assessing the reasonableness of the significant assumptions adopted in the valuation; and<br><br>– 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 | How our audit addressed the key audit matter |
|---|---|
| ***Net realisable value of properties under development ("PUD") and properties held for sales ("PHS")***<br>*Refer to significant accounting policies in note 2 and the disclosure of PUD and PHS in notes 18 and 19 to the consolidated financial statements.* | |
| As at 30 June 2020, the Group had PUD and PHS amounting to approximately HK$514,891,000 (after write-down of HK$72,221,000) and HK$315,304,000 respectively, which accounted for 27% and 17% of the Group's total assets respectively. The Group's PUD and PHS are stated at the lower of cost and net realisable value ("NRV").<br><br>The NRV of PUD and PHS is assessed with reference to valuations carried out by an independent professional valuer engaged by the Group.<br><br>We have identified the assessment of NRV of the Group's PUD and PHS as a key audit matter because of their significance to the consolidated financial statements and significant estimation and judgement involved in the measurement of the NRV. | Our audit procedures, among others, included:<br>– Assessing the appropriateness of the determination of NRV of the PUD and PHS, 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;<br><br>– 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 PHS was based;<br><br>– Evaluating the competence, capabilities and objectivity of the independent professional valuer;<br><br>– Discussing with the independent professional valuer their valuation methodology and the key estimates and assumptions adopted in their valuation; and<br><br>– Assessing the management's process in estimating the future costs to completion and estimated selling expenses for the PUD and PHS, 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. |

## KEY AUDIT MATTERS *(continued)*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Expected credit loss ("ECL") on loans and interest receivables***<br>*Refer to significant accounting policies in note 2 and the disclosure of loans and interest receivables in notes 3(a) and 20 to the consolidated financial statements.* | |
| As at 30 June 2020, the carrying amount of loans and interest receivables (before net of loss allowance of HK$63,824,000) was HK$63,824,000. Loss allowance amounting to HK$58,989,000 has been recognised in profit or loss during the year.<br><br>Management assessed the provision for ECL of loans and interest receivables with reference to valuations carried out by an independent professional valuer engaged by the Group, which is based on probability weighted estimate of credit losses over the expected life of these receivables and where there are any events or changes in circumstances indicate a detrimental impact on the estimated future cash flows of these balances.<br><br>We considered this matter to be a key audit matter because of their significance to the consolidated financial statements and the assessment of ECL for loans and interest receivables requires the use of management's judgement and estimates. | Our audit procedures, among others, included:<br>– Understanding, through enquiry with management, the Group's credit risk management and practices, and assessing the Group's ECL policies;<br><br>– Assessing, on a sample basis, management's judgement over the ECL and creditworthiness of the borrowers by assessing the available information, such as background information of the borrowers, past collection history of borrowers, the Group's actual loss experience and subsequent settlement of loans and interest receivables, adjusted for forward-looking factors specific to the borrowers and the economic environment;<br><br>– Assessing the competence, capability and objectivity of independent professional valuer who assisted the management to determine the ECL; and<br><br>– Challenging the judgements and estimates made by management and the valuer regarding the factors considered during the ECL assessment. |

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2020 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.

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

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.

- 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.

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

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, 28 September 2020

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 2020

| | Notes | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|---|
| Revenue | 5 | **248,384** | 17,011 |
| Cost of sales | 9 | **(223,313)** | – |
| Gross profit | | **25,071** | 17,011 |
| Other revenue | 5 | **3,175** | 3,378 |
| Other income | 6 | **745** | 1,015 |
| Net loss on disposal of financial assets at fair value through profit or loss ("FVPL") | | **(40,097)** | (10,572) |
| Net decrease in fair value of financial assets at FVPL | | **(50,288)** | (18,838) |
| Net (decrease) increase in fair value of investment properties | 13 | **(74,992)** | 44,535 |
| Net gain on disposal of investment properties | | **–** | 8,316 |
| Write-down of properties under development | 18 | **(10,251)** | (65,576) |
| Impairment loss on loans and interest receivables | 20(b) | **(58,989)** | (4,835) |
| Impairment loss on other receivables | 20(b) | **(4,995)** | – |
| Selling expenses | | **(10,322)** | (14,499) |
| Administrative expenses | | **(26,596)** | (20,194) |
| Finance costs | 8 | **(9,365)** | (17,956) |
| **Loss before taxation** | 9 | **(256,904)** | (78,215) |
| Taxation | 10 | **1,755** | 464 |
| **Loss for the year** | | **(255,149)** | (77,751) |
| **Other comprehensive loss** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| – Exchange differences arising on translation of foreign operations | | **(15,476)** | (6,928) |
| *Items that will not be reclassified to profit or loss* | | | |
| – Change in fair value of financial assets at fair value through other comprehensive income ("Designated FVOCI") | | **(20)** | (10) |
| **Total other comprehensive loss for the year, net of tax** | | **(15,496)** | (6,938) |
| **Total comprehensive loss for the year** | | **(270,645)** | (84,689) |
| **Loss per share** | 12 | | |
| Basic | | **(10.19) HK cents** | (3.10) HK cents |
| Diluted | | **(10.19) HK cents** | (3.10) HK cents |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

| | Notes | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 13 | **415,200** | 454,000 |
| Property, plant and equipment | 14 | **533** | 688 |
| Right-of-use assets | 15 | **1,068** | – |
| Designated FVOCI | 16 | **155** | 175 |
| | | **416,956** | 454,863 |
| **Current assets** | | | |
| Properties under development | 18 | **514,891** | 917,107 |
| Properties held for sales | 19 | **315,304** | – |
| Financial assets at FVPL | 17 | **332,291** | 718,271 |
| Other receivables | 20 | **23,252** | 112,997 |
| Tax recoverable | | **8** | – |
| Restricted bank deposits | 21 | **15,899** | 22,298 |
| Cash and cash equivalents | 21 | **270,671** | 98,413 |
| | | **1,472,316** | 1,869,086 |
| Assets classified as held for sale | 13(d) | **–** | 35,732 |
| | | **1,472,316** | 1,904,818 |
| **Current liabilities** | | | |
| Accounts and other payables | 22 | **447,422** | 512,703 |
| Interest-bearing borrowings | 23 | **272,190** | 390,795 |
| Lease liabilities | 24 | **791** | – |
| | | **720,403** | 903,498 |
| **Net current assets** | | **751,913** | 1,001,320 |
| **Total assets less current liabilities** | | **1,168,869** | 1,456,183 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 28 | **96,009** | 112,975 |
| Lease liabilities | 24 | **297** | – |
| | | **96,306** | 112,975 |
| **Net assets** | | **1,072,563** | 1,343,208 |
| **Capital and reserves** | | | |
| Share capital | 25 | **25,051** | 25,051 |
| Reserves | | **1,047,512** | 1,318,157 |
| **Total equity** | | **1,072,563** | 1,343,208 |

The consolidated financial statements on pages 58 to 132 were approved and authorised for issue by the Board of Directors on 28 September 2020 and signed on its behalf by:

**Wu Zhanming**
*Director*

**Yu Tat Chi, Michael**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

| | Share capital HK$'000 | Share premium HK$'000 (Note 26(a)) | Investment revaluation reserve (non-recycling) HK$'000 (Note 26(b)) | Capital redemption reserve HK$'000 (Note 26(c)) | Capital reserve HK$'000 (Note 26(d)) | Translation reserve HK$'000 (Note 26(e)) | Accumulated profits HK$'000 | Total reserves HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| | | Reserves | | | | | | | |
| At 1 July 2018 | 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 for the year** | – | – | (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 CHANGES IN EQUITY

For the year ended 30 June 2020

| | Share capital HK$'000 | Reserves: Share premium HK$'000 (Note 26(a)) | Investment revaluation reserve (non-recycling) HK$'000 (Note 26(b)) | Capital redemption reserve HK$'000 (Note 26(c)) | Capital reserve HK$'000 (Note 26(d)) | Translation reserve HK$'000 (Note 26(e)) | Accumulated profits HK$'000 | Total reserves HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| At 1 July 2019 | **25,051** | **406,743** | **(397)** | **11,931** | **204,610** | **(2,963)** | **698,233** | **1,318,157** | **1,343,208** |
| Loss for the year | – | – | – | – | – | – | (255,149) | (255,149) | (255,149) |
| **Other comprehensive loss** | | | | | | | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | | | | | | | |
| Exchange differences arising on translation of foreign operations | – | – | – | – | – | (15,476) | – | (15,476) | (15,476) |
| *Items that will not be reclassified to profit or loss* | | | | | | | | | |
| Change in fair value of Designated FVOCI | – | – | (20) | – | – | – | – | (20) | (20) |
| **Total other comprehensive loss for the year** | – | – | (20) | – | – | (15,476) | – | (15,496) | (15,496) |
| **Total comprehensive loss for the year** | – | – | (20) | – | – | (15,476) | (255,149) | (270,645) | (270,645) |
| **At 30 June 2020** | **25,051** | **406,743** | **(417)** | **11,931** | **204,610** | **(18,439)** | **443,084** | **1,047,512** | **1,072,563** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

| | Notes | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Loss before taxation | | **(256,904)** | (78,215) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 14 | **173** | 108 |
| Depreciation of right-of-use assets | 15 | **780** | – |
| Finance costs | 8 | **9,365** | 17,956 |
| Interest income | | **(3,175)** | (3,367) |
| Interest income from financial assets at FVPL | 5 | **(802)** | (2,475) |
| Dividend income from financial assets at FVPL | 5 | **(1,622)** | (14,079) |
| Net loss on disposal of financial assets at FVPL | | **40,097** | 10,572 |
| Net decrease in fair value of financial assets at FVPL | | **50,288** | 18,838 |
| Net decrease (increase) in fair value of investment properties | 13 | **74,992** | (44,535) |
| Net gain on disposal of investment properties | | **–** | (8,316) |
| Write-down of properties under development | 18 | **10,251** | 65,576 |
| Impairment loss on loans and interest receivables | 20(b) | **58,989** | 4,835 |
| Impairment loss on other receivables | 20(b) | **4,995** | – |
| **Operating cash flows before changes in working capital** | | **(12,573)** | (33,102) |
| Changes in working capital: | | | |
| Properties under development | | **354,421** | (166,543) |
| Properties held for sales | | **(315,304)** | – |
| Other receivables | | **1,619** | 15,919 |
| Restricted bank deposits | | **6,399** | (22,298) |
| Accounts and other payables | | **(44,330)** | 287,553 |
| Net cash (used in) generated from operations | | **(9,768)** | 81,529 |
| Interest paid | | **(12,010)** | (25,632) |
| Tax paid | | **(4,831)** | – |
| **Net cash (used in) from operating activities** | | **(26,609)** | 55,897 |
| **INVESTING ACTIVITIES** | | | |
| Dividend received | | **14,079** | – |
| Interest received | | **3,821** | 6,511 |
| Purchase of financial assets at FVPL | | **(59,574)** | (251,016) |
| Purchase of property, plant and equipment | 14 | **(25)** | (672) |
| Additions to investment properties | 13 | **(460)** | (13,015) |
| Net proceeds from disposal of investment properties | | **–** | 95,304 |
| Net proceeds from disposal of financial assets at FVPL | | **354,876** | 47,936 |
| Advance to other borrowers | | **–** | (30,350) |
| Repayment from other borrowers | | **6,842** | 67,000 |
| **Net cash from (used in) investing activities** | | **319,559** | (78,302) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

| | Notes | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|---|
| **FINANCING ACTIVITIES** | 29(a) | | |
| Interest paid | | **(36)** | – |
| Repayment of bank borrowing | | **–** | (75,810) |
| Repayment of other borrowings | | **(117,789)** | (46,740) |
| Repayment of lease liabilities | | **(760)** | – |
| **Net cash used in financing activities** | | **(118,585)** | (122,550) |
| **Net increase (decrease) in cash and cash equivalents** | | **174,365** | (144,955) |
| **Cash and cash equivalents at the beginning of the reporting period** | | **98,413** | 243,793 |
| **Effect on exchange rate changes** | | **(2,107)** | (425) |
| **Cash and cash equivalents at the end of the reporting period** | | **270,671** | 98,413 |
| **Analysis of the balances of cash and cash equivalents** | | | |
| Cash at banks and on hand | | **135,674** | 88,318 |
| Cash at securities brokers | | **124,760** | – |
| Short-term time deposits | | **10,237** | 10,095 |
| | | **270,671** | 98,413 |

## 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 2020 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 32(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 2019 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year.

### ADOPTION OF NEW/REVISED HKFRSs

***Annual Improvements Project – 2015-2017 Cycle***

*HKAS 23: Borrowing Costs Eligible for Capitalisation*

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### ADOPTION OF NEW/REVISED HKFRSs *(continued)*

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

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

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

***Amendments to HKAS 19: Employee Benefits***

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

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

***HKFRS 16: Leases***

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

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

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

*As lessee*

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### ADOPTION OF NEW/REVISED HKFRSs *(continued)*

***HKFRS 16: Leases*** *(continued)*

*As lessee – leases previously classified as operating leases*

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

(a) Did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA.

(b) Excluded initial direct costs from the measurement of the right-of-use assets at the DIA.

At the DIA, right-of-use assets were measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

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

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

The following table summarises the impact of transition to HKFRS 16 at the DIA on the consolidated statement of financial position:

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### ADOPTION OF NEW/REVISED HKFRSs *(continued)*

***HKFRS 16: Leases*** *(continued)*

*As lessee – leases previously classified as operating leases (continued)*

Based on the foregoing, as at 1 July 2019:

- Right-of-use assets and lease liabilities of HK$1,061,000 were recognised on initial measurement respectively.

- There was no adjustment to the opening balance of components of equity.

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

| | **HK$'000** |
|---|---|
| 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 Group is not required to make any adjustments on transition for leases in which it is a lessor, rather than the underlying asset.

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.

### 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### BASIS OF CONSOLIDATION *(continued)*

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.

### 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 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 reflects, among other things, rental income from current leases and other assumptions that market participants would use when pricing investment property under current market conditions and is adjusted for separately recognised assets or liabilities to avoid double-counting assets or liabilities.

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.

### 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 sales.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### PROPERTIES HELD FOR SALES

Properties held for sales are stated at the lower of cost and net realisable value. Cost attributable to properties held for sales comprises mainly construction costs, cost of land use rights, borrowing costs and professional fees incurred during the development period. Net realisable value is determined with reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition.

### 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.

*Classification and measurement*

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) Designated FVOCI; or (iv) measured at 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.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**FINANCIAL INSTRUMENTS** *(continued)*

***Financial assets*** *(continued)*

*Classification and measurement (continued)*

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 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, restricted bank deposits and cash at banks and securities brokers.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### FINANCIAL INSTRUMENTS *(continued)*

***Financial assets*** *(continued)*

*Classification and measurement (continued)*

3) Financial assets at FVPL

These investments include financial assets that are not measured at amortised cost or FVOCI, including 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 and financial assets that are otherwise required to be measured at FVPL. 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.

***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.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### FINANCIAL INSTRUMENTS *(continued)*

#### ***Financial liabilities*** *(continued)*

*Classification and measurement (continued)*

The Group's financial liabilities include accounts and other payables, interest-bearing borrowings and lease liabilities. All financial liabilities except for financial liabilities at FVPL, 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***

The Group recognises loss allowances for ECL on financial assets that are measured at amortised cost, and lease receivables 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.

*Measurement 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### FINANCIAL INSTRUMENTS *(continued)*

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

*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.

*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.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### FINANCIAL INSTRUMENTS *(continued)*

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

*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.

*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*

For accounts receivables, the Group applies a simplified approach in calculating ECL. 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 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 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***

Rental income under operating leases is recognised when the properties are let out and on the straight-line basis over the lease term. Before 1 July 2019, contingent rents are recognised as income in the period in which they are earned. From 1 July 2019, variable lease payments that depend on an index or a rate are initially measured using the index or rate at the commencement date and subsequently adjusted when such index or rate changes. Other variable lease payments are recognised as income in the period in which the event or condition that triggers those payments occurs.

***Dividend income***

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.

***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.

***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.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### REVENUE RECOGNITION *(continued)*

***Revenue from contracts with customers within HKFRS 15*** *(continued)*

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 right of 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.

### 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 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.

– 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, 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 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, right-of-use assets 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.

### 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 33 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

***Share options granted to employees of the Group*** *(continued)*

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.

### LEASES

***Applicable from 1 July 2019***

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*As lessee*

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### LEASES *(continued)*

***Applicable from 1 July 2019*** *(continued)*

*As lessee (continued)*

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful life of the right-of-use asset as follows:

| | |
|---|---|
| Office premise | 2-3 years |

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments including in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**LEASES** *(continued)*

***Applicable from 1 July 2019*** *(continued)*

*As lessee (continued)*

A lease modification is accounted for as a separate lease if

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.

(b) the Group determines the lease term of the modified contract.

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

***As lessor***

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.

***As lessor – operating lease***

The Group applies the derecognition and impairment requirements in HKFRS 9 to the operating lease receivables.

A modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### LEASES *(continued)*

***Applicable before 1 July 2019***

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.

For the purpose of measuring deferred tax assets or deferred tax liabilities for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale.

## 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 sales 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 sales 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 until the transfer of the control of the properties. 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 interest receivables 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 other receivables. Details of the key assumption and inputs used in estimating ECL are set out in note 3(a) to the consolidated financial statements.

*Net realisable value ("NRV") of properties under development ("PUD") and properties held for sales ("PHS")*

The Group assesses the NRV of PUD and PHS according to realisability of these properties, 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 reassessed 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. The Group also engaged an independent professional valuer to assess the NRV of the PUD and PHS. Particulars of the PUD and PHS of the Group are set out in notes 18 and 19 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, 16 and 17.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

***Key sources of estimation uncertainty*** *(continued)*

*Estimation of lease term of contracts with extension options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the options to extend the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the extension. After the commencement date, the Group reassesses the lease term whether there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to extend.

The extension option for the lease of office has not been included in lease liability at DIA because the directors consider that the probability of exercise the option to extend the lease is remote.

### FUTURE CHANGES IN HKFRSs

At the date of authorisation of the consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are relevant to the Group and are not yet effective for the current year, which the Group has not early adopted.

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

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 June 2020
[4] Effective for annual periods beginning on or after 1 January 2022
[5] Effective for annual periods beginning on or after 1 January 2023
[6] The effective date to be determined

The directors of the Company do not anticipate that the application of these new/revised HKFRSs will have any material impact on the Group's consolidated financial statements in the future.

## 3. FINANCIAL INSTRUMENTS

### (a) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments include Designated FVOCI, financial assets at FVPL, other receivables, restricted bank deposits, cash and cash equivalents, accounts and other payables, interest-bearing borrowings and lease liabilities. 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 23 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 200 basis points *(2019: 100 basis points)* higher/lower and all other variables were held constant, the Group's net loss would increase/decrease by approximately HK$4,546,000 *(2019: HK$2,273,000)*, 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 200 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 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 15% *(2019: 5%)* higher/lower while all other variables were held constant, the Group's net loss would decrease/increase by approximately HK$17,611,000 *(2019: HK$20,805,000)* 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 restricted bank deposit, cash and cash equivalents, other receivables and loans and interest receivables.

*Credit risk arising from other receivables*

The Group consider that the other receivables have low credit risk based on debtors' strong capacity to meet its contractual cash flow obligations in near term and low risk of default.

At the end of the reporting period, the Group had a concentration risk as 42% *(2019: 83%)* and 94% *(2019: 99%)* of the total other receivables were made up by the Group's largest debtor and the five largest debtors' outstanding balances respectively.

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 debtors and the financial position of the counterparties by reference to, among others, their management or audited accounts, legal advice of claims from counterparty 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. Impairment loss of HK$4,995,000 *(2019: HK$Nil)* has been provided during the year.

**At 30 June 2020**

| Internal credit rating | Gross carrying amount | ECL | Loss allowance | Net carrying amount |
|---|---|---|---|---|
| | HK$'000 | | HK$'000 | HK$'000 |
| Performing *(note (i))* | 1,233 | 12-month | – | 1,233 |
| Underperforming *(note (ii))* | – | Lifetime | – | – |
| Not performing *(note (iii))* | 4,905 | Lifetime | 4,905 | – |
| Write off | – | n/a | – | – |
| | 6,138 | | 4,905 | 1,233 |

## 3. FINANCIAL INSTRUMENTS *(continued)*

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

***Credit risk*** *(continued)*

*Credit risk arising from other receivables (continued)*

Notes:

(i) Performing (Normal Credit Quality) refers to the other receivables 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 other receivables 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 other receivables that have objective evidence of impairment and for which the lifetime ECL will be recognised.

There was no change in the estimation techniques or significant assumptions made during the year.

*Credit risk arising from restricted bank deposits and cash and cash equivalents*

Substantially all of the Group’s restricted bank deposits and cash and cash equivalents 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 and interest receivables*

The Group has a credit policy in place and exposures to credit risks are monitored on an ongoing basis. In order to minimise credit risk, the Group has other monitoring procedures to ensure that follow-up action is promptly taken to recover overdue debts.

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 and interest receivables as at 30 June 2020 is summarised below. After considering the above factors, a loss allowance of HK$58,989,000 *(2019: HK$4,835,000)* 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 and interest receivables (continued)*

**At 30 June 2020**

| **Internal credit rating** | **Gross carrying amount HK$'000** | **ECL** | **Loss allowance HK$'000** | **Net carrying amount HK$'000** |
|---|---|---|---|---|
| Performing *(note (i))* | **–** | **12-month** | **–** | **–** |
| Underperforming *(note (ii))* | **–** | **Lifetime** | **–** | **–** |
| Not performing *(note (iii))* | **63,824** | **Lifetime** | **63,824** | **–** |
| Write off | **–** | **n/a** | **–** | **–** |
| | **63,824** | | **63,824** | **–** |

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.

## 3. FINANCIAL INSTRUMENTS *(continued)*

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

***Credit risk*** *(continued)*

*Credit risk arising from loans and interest receivables (continued)*

As at 30 June 2020, the Group recognised loss allowance of HK$63,824,000 *(2019: HK$4,835,000)* on its loans and interest receivables. The movement in the loss allowance for loans and interest receivables during the year is summarised below.

| | **2020** | | | |
|---|---|---|---|---|
| | **12-month ECL** | **Lifetime ECL** | | **Total** |
| | **Performing** | **Under performing** | **Not performing** | |
| | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** |
| At the beginning of the reporting period | – | **4,835** | **–** | **4,835** |
| Change in category | – | **(4,835)** | **4,835** | **–** |
| Increase in loss allowances | – | **–** | **58,989** | **58,989** |
| **At the end of the reporting period** | – | **–** | **63,824** | **63,824** |

| | 2019 | | | |
|---|---|---|---|---|
| | 12-month ECL | Lifetime ECL | | Total |
| | Performing | Under performing | Not performing | |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At the beginning of the reporting period | – | – | – | – |
| Increase in loss allowances | – | 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. 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:

| | **2020** | | | |
|---|---|---|---|---|
| | **On demand or less than 1 year HK$'000** | **In the second to fifth years inclusive HK$'000** | **Total contractual undiscounted cash flows HK$'000** | **Total carrying amount HK$'000** |
| Accounts and other payables | **173,605** | **–** | **173,605** | **173,605** |
| Interest-bearing borrowings | **272,190** | **–** | **272,190** | **272,190** |
| Lease liabilities | **813** | **299** | **1,112** | **1,088** |
| | **446,608** | **299** | **446,907** | **446,883** |

| | 2019 | | | |
|---|---|---|---|---|
| | On demand or less than 1 year HK$'000 | In the second to fifth years inclusive HK$'000 | Total contractual undiscounted cash flows HK$'000 | Total carrying amount HK$'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 |

## 3. FINANCIAL INSTRUMENTS *(continued)*

### (b) FAIR VALUE MEASUREMENTS

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period 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*

| | | 2020 | | | |
|---|---|---|---|---|---|
| | Notes | **Total HK$'000** | **Level 1 HK$'000** | **Level 2 HK$'000** | **Level 3 HK$'000** |
| *Designated FVOCI:* | | | | | |
| Equity investments listed in Hong Kong | 16 | **155** | **155** | **–** | **–** |
| *Financial assets at FVPL:* | | | | | |
| Unlisted investment funds | 17(a) | **178,260** | **–** | **178,260** | **–** |
| Listed equity investments – Hong Kong | 17(b) | **146,170** | **140,610** | **–** | **5,560** |
| Listed debt instruments – Hong Kong | 17(c) | **7,861** | **7,861** | **–** | **–** |
| | | **332,291** | **148,471** | **178,260** | **5,560** |

## 3. FINANCIAL INSTRUMENTS *(continued)*

### (b) FAIR VALUE MEASUREMENTS *(continued)*

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

| | | 2019 | | | |
|---|---|---|---|---|---|
| | | Total HK$'000 | Level 1 HK$'000 | Level 2 HK$'000 | Level 3 HK$'000 |
| *Designated FVOCI:* | | | | | |
| Equity investments listed in Hong Kong | 16 | 175 | 175 | – | – |
| *Financial assets at FVPL:* | | | | | |
| Unlisted investment funds | 17(a) | 199,997 | – | 199,997 | – |
| Listed equity investments | | | | | |
| – Hong Kong | 17(b) | 498,313 | 498,313 | – | – |
| Listed debt instruments | | | | | |
| – Hong Kong | 17(c) | 15,930 | 15,930 | – | – |
| – Overseas | | 4,031 | 4,031 | – | – |
| | | 718,271 | 518,274 | 199,997 | – |

During the years ended 30 June 2020 and 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. There were additions on Level 3 fair value measurements.

The details of the movements of the fair value measurements categorised as Level 3 of the fair value hierarchy during the years ended 30 June 2020 and 2019 are as follows:

**Movements in Level 3 fair value measurements**

| | **Financial assets at FVPL Listed equity securities** | |
|---|---|---|
| | **2020 HK$'000** | 2019 HK$'000 |
| At the beginning of the reporting period | **–** | – |
| Additions | **5,560** | – |
| **At the end of the reporting period** | **5,560** | – |

## 3. FINANCIAL INSTRUMENTS *(continued)*

### (b) FAIR VALUE MEASUREMENTS *(continued)*

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

**Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement**

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

| Valuation approach | Unobservable input | Sensitivity to changes |
|---|---|---|
| Discounted cash flow method and binomial tree model | Risky rate | If the risky rate increased/decreased, the fair value of the listed equity securities would decrease/increase. |
| | Volatility | If the volatility increased/decreased, the fair value of the listed equity securities would increase/decrease. |

#### *(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 the end of the reporting period.

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

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| *Financial assets measured at amortised cost:* | | |
| Other receivables (excluding prepayments) | **14,361** | 92,462 |
| Restricted deposits | **15,899** | 22,298 |
| Cash and cash equivalents | **270,671** | 98,413 |
| | **300,931** | 213,173 |
| *Financial liabilities measured at amortised cost:* | | |
| Accounts and other payables (excluding deposits received and contract liabilities) | **173,605** | 141,628 |
| Interest-bearing borrowings | **272,190** | 390,795 |
| Lease liabilities | **1,088** | – |
| | **446,883** | 532,423 |

## 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 2020 and 2019.

## 5. REVENUE

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

## 6. OTHER INCOME

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Exchange gain, net | – | 693 |
| Management fee income | 558 | – |
| Sundry income | 187 | 322 |
| | 745 | 1,015 |

## 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. The resort and property development segment includes properties under development, first phase of the project has been completed and transferred to properties held for sales during the year. The property investment segment includes mainly commercial properties that are held for capital appreciation or earning rental income. The investment holding segment includes holding of unlisted investment funds, equity securities, debt instruments and other assets. No operating segments have been aggregated.

Segment revenue and results for the year ended 30 June 2020 are presented below:

| | Resort and property development HK$'000 | Property investment HK$'000 | Investment holding HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Revenue** | 239,636 | 6,324 | 2,424 | 248,384 |
| **Other revenue and income** | 237 | 287 | 751 | 1,275 |
| | 239,873 | 6,611 | 3,175 | 249,659 |
| **Results** | | | | |
| Segment results | (18,728) | (70,525) | (87,837) | (177,090) |
| Unallocated corporate income | | | | 2,645 |
| Unallocated corporate expenses | | | | (73,094) |
| Finance costs | | | | (9,365) |
| Loss before taxation | | | | (256,904) |
| Taxation | | | | 1,755 |
| Loss for the year | | | | (255,149) |

## 7. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities as at 30 June 2020 and other segment information for the year ended 30 June 2020 are presented below:

| | Resort and property development HK$'000 | Property investment HK$'000 | Investment holding HK$'000 | Segment total HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Assets** | 865,483 | 428,465 | 520,073 | 1,814,021 | 75,251 | 1,889,272 |
| **Liabilities** | (538,130) | (276,680) | (150) | (814,960) | (1,749) | (816,709) |
| Other segment information: | | | | | | |
| Additions to property, plant and equipment/ investment properties | 11 | 460 | 14 | 485 | – | 485 |
| Depreciation of property, plant and equipment | (55) | – | (118) | (173) | – | (173) |
| Depreciation of right-of-use assets | – | – | – | – | (780) | (780) |
| Net loss on disposal of financial assets at FVPL | – | – | (40,097) | (40,097) | – | (40,097) |
| Net decrease in fair value of financial assets at FVPL | – | – | (50,288) | (50,288) | – | (50,288) |
| Net decrease in fair value of investment properties | – | (74,992) | – | (74,992) | – | (74,992) |
| Write-down of properties under development | (10,251) | – | – | (10,251) | – | (10,251) |
| Impairment loss of loans and interest receivables | – | – | – | – | (58,989) | (58,989) |
| Impairment loss of other receivables | (4,995) | – | – | (4,995) | – | (4,995) |

## 7. SEGMENT INFORMATION *(continued)*

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) |

There was no revenue generated from inter-segment transactions for both years. Revenue from resort and property development segment reported above represents sales of properties in the PRC to external customers. Other than those disclosed in note 31(d) to the consolidated financial statements, 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 and the PRC (other than Hong Kong).

The following table provides an analysis of the Group's revenue from external customers by geographical market, which interest income from financial assets at FVPL is based on the location of the markets of the respective investments:

| | Revenue by geographical market | |
|---|---|---|
| | **2020** | 2019 |
| | **HK$'000** | HK$'000 |
| Hong Kong | **8,611** | 16,567 |
| The PRC | **239,636** | – |
| Others | **137** | 444 |
| | **248,384** | 17,011 |

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

| | Carrying amounts of non-current assets | |
|---|---|---|
| | **2020** | 2019 |
| | **HK$'000** | HK$'000 |
| Hong Kong | **416,678** | 454,513 |
| The PRC | **123** | 175 |
| | **416,801** | 454,688 |

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

### INFORMATION ABOUT MAJOR CUSTOMERS

None of external customers contributed 10% or more of the revenue of the Group for the year *(2019: none)*.

## 8. FINANCE COSTS

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Interest expenses on bank and other borrowings | 12,132 | 26,584 |
| Less: Interest capitalised into properties under development | (2,803) | (8,628) |
| | 9,329 | 17,956 |
| Interest expenses on lease liabilities | 36 | – |
| | 9,365 | 17,956 |

## 9. LOSS BEFORE TAXATION

This is stated after charging (crediting):

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

## 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 2020 and 2019 are wholly absorbed by unrelieved tax losses brought forward from previous years.

The PRC Enterprise Income Tax ("EIT") in respect of operations in the PRC is calculated at a rate 25% *(2019: 25%)* on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

The PRC Land Appreciation Tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. LAT is recognised as an income tax expense. LAT paid is deductible expenses for EIT purposes.

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

## 10. TAXATION *(continued)*

| **Reconciliation of taxation** | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Loss before taxation | **(256,904)** | (78,215) |
| Income tax at application tax rate | **(49,775)** | (20,100) |
| Tax effect of expenses not deductible in determining taxable profit | **44,029** | 33,964 |
| Tax effect of income not taxable in determining taxable profit | **(475)** | (11,453) |
| Unrecognised tax losses | **2,307** | 3,320 |
| Unrecognised temporary differences | **3** | 2,809 |
| Utilisation of previously unrecognised tax losses | **(898)** | (9,004) |
| LAT | **4,072** | – |
| EIT effect of LAT | **(1,018)** | – |
| Tax credit for the year | **(1,755)** | (464) |

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 2020 and 2019, the emoluments paid or payable to each director were as follows:

| | Wu Zhanming HK$'000 (Note i) | Wu Tao HK$'000 (Note ii) | Ng Kit Ling HK$'000 (Note iv) | Yao Wei Rong HK$'000 (Note ii) | Guo Shun Gen HK$'000 (Note ii) | Yuen Chi Ping HK$'000 (Note iii) | Lau Chi Keung HK$'000 | Yu Tat Chi, Michael HK$'000 | Chiu Kit Man, Calvin HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Year ended 30 June 2020** | | | | | | | | | | |
| Fees | **207** | **207** | **–** | **240** | **34** | **240** | **240** | **240** | **240** | **1,648** |
| Other emoluments | | | | | | | | | | |
| Salaries and other benefits | **894** | **10** | **–** | **152** | **–** | **1,420** | **5** | **5** | **5** | **2,491** |
| Retirement benefit scheme contributions | **–** | **–** | **–** | **3** | **–** | **18** | **–** | **–** | **–** | **21** |
| Discretionary bonus | **36** | **–** | **–** | **–** | **–** | **752** | **–** | **–** | **–** | **788** |
| **Total emoluments** | **1,137** | **217** | **–** | **395** | **34** | **2,430** | **245** | **245** | **245** | **4,948** |
| Year ended 30 June 2019 | | | | | | | | | | |
| Fees | – | – | 86 | 240 | 240 | 240 | 240 | 240 | 240 | 1,526 |
| Other emoluments | | | | | | | | | | |
| Salaries and other benefits | – | – | 299 | 989 | – | 810 | – | – | – | 2,098 |
| Retirement benefit scheme contributions | – | – | 6 | 18 | – | 18 | – | – | – | 42 |
| Discretionary bonus | – | – | – | 80 | – | 62 | – | – | – | 142 |
| Total emoluments | – | – | 391 | 1,327 | 240 | 1,130 | 240 | 240 | 240 | 3,808 |

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

### (a) DIRECTORS' EMOLUMENTS *(continued)*

Notes:

(i) On 21 August 2019, Mr. Wu Zhanming appointed as the Chairman and an executive director of the Company.

(ii) On 21 August 2019, Mr. Yao Wei Rong was re-designated from Chairman and executive director to non-executive director of the Company. On the same date, Mr. Guo Shun Gen resigned and Mr. Wu Tao appointed as non-executive director of the Company.

(iii) On 10 June 2020, Mr. Yuen Chi Ping was suspended the duties as an executive director of the Company and resigned on 19 August 2020.

(iv) 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 2020 and 2019. 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 2020 and 2019.

### (b) EMPLOYEES' EMOLUMENTS

The five highest paid individuals included two *(2019: three*)* directors of the Company, details of whose emoluments are set out in (a) above. The emoluments of the remaining three *(2019: three*)* individuals are as follows:

| | **2020**<br>**HK$'000** | 2019<br>HK$'000 |
|---|---|---|
| Salaries and other benefits | **1,891** | 1,596 |
| Retirement benefits scheme contributions | **82** | 46 |
| | **1,973** | 1,642 |

The three *(2019: three*)* highest paid individuals' remuneration falls within the following band:

| | **Number of employees** | |
|---|---|---|
| | **2020** | 2019 |
| Nil to HK$1,000,000 | **3** | 3 |

During the years ended 30 June 2020 and 2019, 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 2020 and 2019, 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 PER SHARE

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

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Loss for the year for the purposes of calculating basic loss per share | **(255,149)** | (77,751) |

| | 2020<br>No. of shares | 2019<br>No. of shares |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of calculating basic loss per share | **2,505,105,739** | 2,505,105,739 |

For the years ended 30 June 2020 and 2019, diluted loss per share is the same as basic loss per share. The Company did not have any dilutive potential ordinary shares during the years ended 30 June 2020 and 2019.

## 13. INVESTMENT PROPERTIES

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

## 13. INVESTMENT PROPERTIES *(continued)*

Notes:

(a) At the end of the reporting period, the Company's investment properties with a carrying value of HK$415,200,000 *(2019: HK$454,000,000)* were pledged to secure its bank loans (note 23(a)) and bank facilities.

(b) 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 *(2019: AVISTA Valuation Advisory Limited)*, an independent professional valuer. 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 2020 and 2019 are classified as Level 2 fair value measurement, which uses significant observable inputs in arriving at fair value. During the years ended 30 June 2020 and 2019, 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.

(c) The investment properties of the Group are situated in Hong Kong. The remaining unexpired lease term of investment properties is 39 years.

(d) In May 2019, the Group entered into a sale and purchase agreement with a third-party (the "Purchaser"), to dispose of an investment property at a cash consideration of HK$35,732,000. The disposal transaction was expected to be completed within one year. The investment property was classified as non-current asset held for sale as at 30 June 2019. On 7 February 2020, the Group entered into a cancellation agreement with the Purchaser that the Group agreed to terminate the sales and purchase agreement for the disposal of investment property originally entered into on 7 May 2019 without penalty and the deposit of HK$3,573,000 received and kept by the lawyer on behalf of the Group was fully refunded to the Purchaser on signing of cancellation agreement. In June 2020, the property was transferred from assets classified as held for sale to investment property upon the management passed the resolution that the property is held for capital appreciation and earning rental income.

## 13. INVESTMENT PROPERTIES *(continued)*

### LEASING ARRANGEMENT – AS LESSOR

Certain investment properties are leased to tenants for a term ranging from 1 to 2 years. The leases provide the lessees with option to renew the lease upon expiry. Monthly rental charges consist of fixed payments. The tenants also bear the management fee.

The lease income from operating leases are set out in note 5 to the consolidated financial statements.

Properties under operating leases are subject to residual value risk. The lease contracts, as a result, include a provision based on which the Group has the right to charge the tenants for any damage to the investment properties at the end of the lease. Besides, the Group has purchased insurance to protect certain investment properties against any loss that may arise from accidents or physical damages of the properties.

Below is a maturity analysis of undiscounted lease payments to be received from the investment properties under operating leases.

**At 30 June 2020**

| | **HK$'000** |
|---|---|
| Year 1 | **5,186** |
| Year 2 | **778** |
| | **5,964** |

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

At 30 June 2019

| | **HK$'000** |
|---|---|
| Within one year | **5,065** |
| In the second to fifth years inclusive | **2,760** |
| | **7,825** |

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements | Furniture, fixtures and equipment | Total |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| **Cost** | | | |
| At 1 July 2018 | – | 436 | 436 |
| Additions | 512 | 160 | 672 |
| Exchange realignment | – | (5) | (5) |
| At 30 June 2019 and 1 July 2019 | 512 | 591 | 1,103 |
| Additions | – | 25 | 25 |
| Exchange realignment | – | (15) | (15) |
| **At 30 June 2020** | **512** | **601** | **1,113** |
| **Accumulated depreciation** | | | |
| At 1 July 2018 | – | 310 | 310 |
| Charge for the year | 52 | 56 | 108 |
| Exchange realignment | – | (3) | (3) |
| At 30 June 2019 and 1 July 2019 | 52 | 363 | 415 |
| Charge for the year | 102 | 71 | 173 |
| Exchange realignment | – | (8) | (8) |
| **At 30 June 2020** | **154** | **426** | **580** |
| **Net carrying values** | | | |
| **At 30 June 2020** | **358** | **175** | **533** |
| At 1 July 2019 | 460 | 228 | 688 |

## 15. RIGHT-OF-USE ASSETS

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

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

At the end of the reporting period, the Group leased office premise in Hong Kong for its daily operations for a term of 2 to 3 years with fixed lease payments. In November 2019, the Group entered into an agreement to renew the lease for one year of period from 12 November 2020 to 19 November 2021 and therefore right-of-use assets and lease liabilities (note 24) have been recognised during the year. The lease of office premises imposes a restriction that, unless approval is obtained from the lessor, the right-of-use asset can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets. In addition, the Group is also required to keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

The Group has recognised the following amounts for the year:

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

## 15. RIGHT-OF-USE ASSETS *(continued)*

### COMMITMENTS UNDER OPERATING LEASES

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

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

| | **HK$'000** |
|---|---|
| Within one year | **796** |
| In the second to fifth years inclusive | **356** |
| | **1,152** |

## 16. DESIGNATED FVOCI

| | **2020**<br>**HK$'000** | 2019<br>HK$'000 |
|---|---|---|
| **Designated FVOCI** | | |
| Listed equity securities at fair value | | |
| – Hong Kong | **155** | 175 |

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

## 17. FINANCIAL ASSETS AT FVPL

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

## 17. FINANCIAL ASSETS AT FVPL *(continued)*

Notes:

(a) At the end of the reporting period, the unlisted investment funds represented 100% Class A participating, redeemable, non-voting shares of Green Asia Restructure SP and 100% Class A participating, redeemable, non-voting shares of Green Asia Restructure SP II with carrying amount of approximately HK$120,581,000 and HK$57,679,000 respectively *(2019: HK$138,898,000 and HK$61,099,000)*. Green Asia Restructure SP and Green Asia Restructure SP II are segregated portfolios (the "Segregated Portfolios") managed by Green Asia Restructure Fund SPC (the "Fund").

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

At the end of the reporting period, the fair value of the Group's investments in the Fund amounted to approximately HK$178,260,000 *(2019: HK$199,997,000)*, which was based on the prices evaluated by an independent professional valuer, APAC Appraisal and Consulting Limited, with reference to the net assets value of the Segregated Portfolios at the end of the reporting period.

(b) The listed equity securities mainly comprise of:

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

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

(ii) At the end of the reporting period, the Group held 148,283,000 *(2019: 140,000,000)* ordinary shares of Zall Smart Commerce Group Limited ("Zall Smart") (stock code: 2098), representing approximately 1.26% *(2019:1.19%)* of the issued share capital of Zall Smart. At the end of the reporting period, the carrying amount of investment in Zall Smart amounted to HK$105,281,000 *(2019: HK$147,000,000)*. The fair value of listed equity securities are based on quoted market prices in active market.

(iii) On 10 March 2020, the Group entered into an investment agreement with United Zone Investment Limited ("United Zone") for the acquisition of approximately 13,510,000 ordinary shares of CTR Holdings Limited (stock code: 1416) ("CTR") with consideration of HK$5,000,000 for an investment period of 6 months.

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

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

(c) At the end of the reporting period, the Group held debt instruments listed in Hong Kong amounting to approximately HK$7,861,000 *(2019: HK$15,930,000)*, which bore fixed interest rate at 4.75% *(2019: 4.75% to 6.25%)* per annum. The fair value of these debt instruments at the end of the reporting period was determined on the basis of quoted market price.

## 18. PROPERTIES UNDER DEVELOPMENT

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Properties under development ("PUD") | **587,112** | 982,112 |
| Write-down of PUD to net realisable value | **(72,221)** | (65,005) |
| | **514,891** | 917,107 |

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

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| At the beginning of the reporting period | **65,005** | – |
| Increase in the write-down | **10,251** | 65,576 |
| Exchange realignment | **(3,035)** | (571) |
| **At the end of the reporting period** | **72,221** | 65,005 |

The PUD are located in the PRC held under lease term of 40 years from 2014 to 2053.

At the end of the reporting period, none *(2019: HK$549,107,000)* of the PUD is expected to be completed after more than one year.

The Group estimated the net realisable value with no significant change in key assumption and the net realisable value was determined by the management with reference to the valuation performed by AVISTA Valuation Advisory Limited. The valuation adopted the residual method, which is based on the completed gross development value after deducting development costs, estimated selling expenses and the Group's return. During the year, the Group has recognised write down of PUD of approximately HK$10,251,000 *(2019: HK$65,576,000)* to net realisable value as a result of the cost of which exceeded their net realisable value based on the valuation report of the PUD at the end of the reporting period.

## 19. PROPERTIES HELD FOR SALES

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Properties held for sales ("PHS") | **315,304** | – |

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

The Group estimated the net realisable value of PHS was determined by the management with reference to the valuation performed by AVISTA Valuation Advisory Limited. The valuation adopted the residual method, which is based on the completed gross development value after deducting estimated selling expenses and the Group's return.

## 20. OTHER RECEIVABLES

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

## 20. OTHER RECEIVABLES *(continued)*

Notes:

(a) As at the end of the reporting period, the loan with principal amount of HK$15,500,000 *(2019: HK$22,000,000)* granted to a third party borrower is unsecured, bearing fixed interest rates at 4% *(2019: 4%)* per annum. The remaining loans with principal amount of HK$48,008,000 *(2019: HK$48,350,000)* granted to another third party borrower, in which the spouse of a Company's then director has 20% equity interest and had been a director until she resigned on 14 December 2019, are also unsecured, bearing fixed interest rates at 4% *(2019: 4%)* per annum. These loans are overdue for more than 90 days.

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

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Loss allowance for the loans and interest receivables** | | |
| At the beginning of the reporting period | **4,835** | – |
| Increase in allowances | **58,989** | 4,835 |
| At the end of the reporting period (note 3(a)) | **63,824** | 4,835 |

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

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Loss allowance for the other receivables** | | |
| At the beginning of the reporting period | **–** | – |
| Increase in allowances | **4,995** | – |
| Exchange realignment | **(90)** | – |
| At the end of the reporting period (note 3(a)) | **4,905** | – |

Information about the Group's exposure to credit risks and loss allowances on loans and interest receivables and other receivables is included in note 3(a) to the consolidated financial statements.

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

## 21. RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

| | Notes | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|
| Cash at banks and on hand | (a) | **151,573** | 110,616 |
| Cash at securities brokers | (b) | **124,760** | – |
| Less: Restricted bank deposits under pre-sales of PUD | (c) | **(15,899)** | (22,298) |
| | | **260,434** | 88,318 |
| Short-term time deposits | (d) | **10,237** | 10,095 |
| As per consolidated statement of cash flows | | **270,671** | 98,413 |

Notes:

(a) Cash at banks and on hand comprise bank balances held by the Group that bear interest at prevailing market interest rates.

(b) Cash at securities brokers comprise cash balances held by the Group that bear interest at prevailing market interest rates.

(c) 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.

(d) 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.

## 22. ACCOUNTS AND OTHER PAYABLES

| | Notes | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|
| **Accounts payables** | | | |
| To third parties | (a) | **131,173** | 100,670 |
| **Other payables** | | | |
| Accrued charges and other creditors | | **9,745** | 6,816 |
| Deposits received | (b) | **14,595** | 21,178 |
| Contract liabilities | (c) | **259,222** | 349,897 |
| Provision for land transfer fees | | **20,710** | 21,660 |
| Interest payables – other borrowings | (d) | **11,977** | 12,482 |
| | | **316,249** | 412,033 |
| | | **447,422** | 512,703 |

## 22. ACCOUNTS AND OTHER PAYABLES *(continued)*

Notes:

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

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 – 180 days | **16,942** | 66,584 |
| 181 – 365 days | **105,304** | 179 |
| Over 365 days | **8,927** | 33,907 |
| | **131,173** | 100,670 |

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

(c) Contract liabilities

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the year are as follows:

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

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

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

## 23. INTEREST-BEARING BORROWINGS

| | Notes | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|---|
| **Current portion** | | | |
| Bank borrowings, secured | (a) | **272,190** | 272,190 |
| Other borrowings, secured | (b) | **–** | 100,000 |
| Other borrowings, unsecured | | **–** | 18,605 |
| | | **272,190** | 390,795 |

Notes:

(a) At the end of the reporting period, the Group's bank borrowings carry interest rates at 2% below Hong Kong Dollar Prime Rate *(2019: 2% below Hong Kong Dollar Prime Rate)* and are repayable in lump sum in November 2021 *(2019: in November 2019)*. The effective interest rate during the year was 2.96% *(2019: 3.01%)* per annum. As the bank borrowings contain a clause in their terms that gives the bank an overriding rights to demand for repayment without notice at its sole discretion, this is classified as current liabilities even though the directors do not expect that the bank would exercise its rights to demand repayment. The bank borrowings are secured by the assets of the Group as follows:

(i) pledge of investment properties of the Group with a carrying amount of approximately HK$415,200,000 *(2019: pledge of investment properties and assets classified as held for sale with a carrying amount of approximately HK$489,732,000)*;

(ii) assignment agreements in respect of rental income of the Group's investment properties duly executed by the Group in favour of the bank. During the year ended 30 June 2020, rental income of approximately HK$6,324,000 *(2019: approximately HK$457,000)* was generated from the investment properties;

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

(iv) no corporate guarantee provided *(2019: corporate guarantee provided by the Company)*.

(b) At the end of the reporting period, the carrying amount of financial assets at FVPL of approximately HK$35,329,000 *(2019: HK$351,313,000)* was pledged as collateral to the margin loan facilities granted to the Group with corporate guarantee provided by the Company. No *(2019: HK$100,000,000)* margin loan facilities has been utilised at the end of the reporting period.

## 24. LEASE LIABILITIES

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

## 25. SHARE CAPITAL

| | **2020** Number of shares | **2020** HK$'000 | 2019 Number of shares | 2019 HK$'000 |
|---|---|---|---|---|
| **Authorised:** | | | | |
| At the beginning and the 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 and the end of the reporting period, ordinary shares of HK$0.01 each | **2,505,105,739** | **25,051** | 2,505,105,739 | 25,051 |

## 26. 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.

(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.

(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$51,199,000 *(2019: approximately HK$125,753,000)* available for distribution to shareholders at the end of the reporting period.

## 27. 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.

The directors and employees of the Company and its subsidiaries are entitled to participate in the Scheme. As at 30 June 2020, the total number of shares available for issue under the Scheme was 173,966,073 *(2019: 173,966,073)* shares, which represented approximately 7% *(2019: 7%)* of the Company's issued share capital.

During the years ended 30 June 2020 and 2019, no share options had been granted. There were no share options outstanding as at 30 June 2020 and 2019.

## 28. DEFERRED TAXATION

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

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| At the beginning of the reporting period | **112,975** | 115,421 |
| Credit to profit or loss (note 10) | **(12,232)** | (464) |
| Exchange realignment | **(4,734)** | (1,982) |
| At the end of the reporting period | **96,009** | 112,975 |

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

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2020 HK$'000 | 2019 HK$'000 | 2020 HK$'000 | 2019 HK$'000 |
| Depreciation allowances | **–** | – | **(2,598)** | (2,417) |
| Fair value adjustment on PUD and PHS | **–** | – | **(96,009)** | (112,975) |
| Tax losses | **2,598** | 2,417 | **–** | – |
| Deferred tax assets (liabilities) | **2,598** | 2,417 | **(98,607)** | (115,392) |
| Offsetting | **(2,598)** | (2,417) | **2,598** | 2,417 |
| Net deferred tax liabilities | **–** | – | **(96,009)** | (112,975) |
| Amount expected to be recovered/ settled after 12 months | **–** | – | **(96,009)** | (112,975) |

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

## 28. DEFERRED TAXATION *(continued)*

### UNRECOGNISED DEFERRED TAX ASSETS

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Depreciation allowances | **34** | 17 |
| Tax losses arising in Hong Kong | **284,842** | 243,796 |
| Deemed profit for pre-sales of PUD in the PRC | **3,593** | 11,139 |
| Tax losses arising in the PRC | **–** | 3,690 |
| | **288,469** | 258,642 |

At the end of the reporting period, the Group had unused tax losses and deductible temporary differences of approximately HK$284,842,000 and HK$34,000 *(2019: HK$243,796,000 and HK$17,000)* 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:

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Year of expiry | | |
| 2019 | **–** | – |
| 2020 | **–** | – |
| 2021 | **–** | – |
| 2022 | **–** | 3,690 |
| 2023 | **–** | – |
| | **–** | 3,690 |

## 29. OTHER CASH FLOW INFORMATION

### (a) 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 HK$'000 | Lease liabilities HK$'000 | Total HK$'000 |
|---|---|---|---|
| **2020** | | | |
| At the beginning of the reporting period | 390,795 | – | 390,795 |
| Adoption of HKFRS 16 | – | 1,061 | 1,061 |
| Additions | – | 787 | 787 |
| Interest expenses | – | 36 | 36 |
| Exchange realignment | (816) | – | (816) |
| **Cash outflow in financing activities:** | | | |
| Interest paid | – | (36) | (36) |
| Repayment of other borrowings | (117,789) | – | (117,789) |
| Repayment of lease liabilities | – | (760) | (760) |
| At the end of the reporting period | **272,190** | **1,088** | **273,278** |

| | Interest–bearing borrowings HK$'000 |
|---|---|
| **2019** | |
| At the beginning of the reporting period | 414,491 |
| New margin loan raised | 100,000 |
| Exchange realignment | (1,146) |
| **Cash outflow in financing activities:** | |
| Repayment of bank borrowing | (75,810) |
| Repayment of other borrowings | (46,740) |
| **At the end of the reporting period** | 390,795 |

### (b) MAJOR NON-CASH TRANSACTIONS

During the year, the Company entered into a bank loan agreement of HK$272,190,000, in which the bank loan of HK$272,190,000 granted to a subsidiary of the Group was assigned to the Group. Consequently, there is no cash inflow/outflow to/from the Group.

## 30. COMMITMENTS

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

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Expenditure in respect of the properties under development contracted but not provided for | **124,641** | 223,969 |

## 31. RELATED PARTY TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

**(a)** 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.

| Relationship | Nature of transactions | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|---|
| Related company with a common director, Mr. Wu Tao | Consultancy fee | **385** | – |

### (b) OUTSTANDING BALANCES WITH RELATED PARTIES

At the end of the reporting period, there was no balance with related parties *(2019: a rental deposit of HK$441,000 received from the then substantial shareholder of the Company included in other payable)*.

### (c) 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.

### (d) CONTINUING CONNECTED TRANSACTIONS

In June 2019, the Group leased an office property to the then substantial shareholder of the Company, Ruihua (International) Fund Limited ("Ruihua (International)") for a period of 18 months commencing from 1 July 2019 and ending on 31 December 2020 with a rent-free period of 15 days commencing from 1 July 2019 to 15 July 2019 (both days inclusive) at a total monthly rental and management fee and air conditioning charges of HK$98,368 and HK$10,759 respectively. On 5 August 2019, Ruihua (International) ceased to be a substantial shareholder of the Company. Consequently, the transactions constituted continuing connected transactions as defined in the Chapter 14A of the Listing Rules for the year ended 30 June 2020 and the relevant disclosure made in the directors' report in the Company's 2020 annual report.

## 32. 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 | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Interests in subsidiaries | (a) | **694,063** | 508,886 |
| **Current assets** | | | |
| Other receivables | | **448** | 43,943 |
| Bank balances and cash | | **72,946** | 17,131 |
| | | **73,394** | 61,074 |
| **Current liabilities** | | | |
| Other payables | | **343** | 482 |
| Interest-bearing borrowings | | **272,190** | – |
| | | **272,533** | 482 |
| **Net current (liabilities) assets** | | **(199,139)** | 60,592 |
| **Net assets** | | **494,924** | 569,478 |
| **Capital and reserves** | | | |
| Share capital | 25 | **25,051** | 25,051 |
| Reserves | (b) | **469,873** | 544,427 |
| **Total equity** | | **494,924** | 569,478 |

## 32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

### (a) INTERESTS IN SUBSIDIARIES

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Unlisted shares, at cost | **89,046** | 89,046 |
| Amounts due from subsidiaries | **777,242** | 646,141 |
| | **866,288** | 735,187 |
| Allowance for impairment losses | **(66,302)** | (37,179) |
| | **799,986** | 698,008 |
| Amounts due to a subsidiary | **(105,923)** | (189,122) |
| | **694,063** | 508,886 |

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.

## 32. 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 | British Virgin Islands | 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 Haigang Joint Stock Company Limited* ("Wuxi Shengye") | The PRC | Registered capital RMB180,000,000 | – | 100% | Property development |

* *For identification purpose only*

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

The above list includes the subsidiaries of the Group 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.

## 32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

### (b) MOVEMENTS OF RESERVES OF THE COMPANY

| | Share premium | Capital redemption reserve | Capital reserve | Accumulated losses | Total |
|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| | (Note 26(a)) | (Note 26(c)) | (Note 26(d)) | | |
| At 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 and 1 July 2019 | 406,743 | 11,931 | 204,610 | (78,857) | 544,427 |
| Loss for the year and total comprehensive loss for the year | – | – | – | (74,554) | (74,554) |
| **At 30 June 2020** | 406,743 | 11,931 | 204,610 | (153,411) | 469,873 |

## 33. 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.

## 34. DIVIDEND

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

## 35. EVENTS AFTER REPORTING PERIOD

As at the date of authorisation of these consolidated financial statements, in addition to those disclosed elsewhere in these consolidated financial statements, the Group has no significant subsequent event after the reporting period other than the followings:

(a) The COVID-19 outbreak has brought about additional uncertainties in the Group's operating environment in Hong Kong and the PRC. As far as the Group's businesses are concerned, the outbreak has so far caused certain operational inefficiency of the Group and delays in the project development. The Group has put in place contingency measures to lower the impact from this outbreak. However, the situation remains fluid at this stage. At the date of authorisation of these consolidated financial statements, the Group is not in a position to estimate the financial impact of these circumstances.

(b) In July 2020, a creditor as claimant, commenced an arbitration proceeding against a subsidiary of the Company, Wuxi Shengye, for the payment of a sum of RMB9,000,000 being fees for construction services rendered at Wuxi Arbitration Commission*（無錫仲裁委員會）. The claimant applied for property preservation measures*（財產保全）and as a result, approximately RMB1,752,000 of deposits in the bank account and approximately RMB7,248,000 of PHS of Wuxi Shengye have been attached, seized and frozen in pending the resolve of arbitration proceeding.

(c) On 20 July 2020, the Market and Quality Supervision Commission of Wuxi*（無錫市場監督管理局）(the "MQSC") in the PRC approved the Group to increase the registered capital of Wuxi Shengye from RMB180,000,000 to RMB380,000,000. On 28 July 2020, the MQSC approved the Group to further increase the registered capital of Wuxi Shengye from RMB380,000,000 to RMB410,000,000. The Group completed the capital injection in July 2020 and September 2020 respectively.

* *For identification purpose only*

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

## RESULTS

| | For the year ended 30 June | | | | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | **2020** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | **HK$'000** |
| Revenue | 7,622 | 14,293 | 3,743 | 17,011 | **248,384** |
| Profit (Loss) before taxation | 370,102 | 290,949 | 8,796 | (78,215) | **(256,904)** |
| Tax (charge) credit | (66) | 31 | 1,842 | 464 | **1,755** |
| Profit (Loss) for the year | 370,036 | 290,980 | 10,638 | (77,751) | **(255,149)** |
| Attributable to equity holders of the Company | 370,036 | 290,980 | 10,638 | (77,751) | **(255,149)** |

## ASSETS AND LIABILITIES

| | At 30 June | | | | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | **2020** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | **HK$'000** |
| Total assets | 961,450 | 1,958,302 | 2,185,923 | 2,359,681 | **1,889,272** |
| Total liabilities | (5,277) | (711,156) | (758,026) | (1,016,473) | **(816,709)** |
| | 956,173 | 1,247,146 | 1,427,897 | 1,343,208 | **1,072,563** |
| Equity attributable to equity holders of the Company | 956,173 | 1,247,146 | 1,427,897 | 1,343,208 | **1,072,563** |

# PARTICULARS OF INVESTMENT PROPERTIES, PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALES

Particulars of investment properties held by the Group at 30 June 2020 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 and properties held for sales held by the Group at 30 June 2020 are as follows:

| Name/Location | Construction progress of the properties | Expected completion date of construction | Approximate site area | Approximate gross floor area under construction | Approximate gross floor area completed | 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 | Fourth quarter 2021 | 29,326 sq.m. | 125,162 sq.m. | 40,593 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 |
| "COVID-19" | Coronavirus Disease 2019 |
| "Directors" | the directors of the Company |
| "FY2019" | the financial year ended 30 June 2019 |
| "FY2020" | the financial year ended 30 June 2020 |
| "Group" or "We" | 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) |
| "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 |

# 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 Haigang Joint Stock Company Limited*（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*