



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

2021

* 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>

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of Applied Development Holdings Limited, I am pleased to present to all Shareholders the report and audited consolidated financial statements of the Company and its subsidiaries for the year ended 30 June 2021.

RESULTS

During FY2021, the Company recorded a loss of approximately HK\$60,227,000, which was mainly due to a net decrease in fair value of financial assets at FVPL of HK\$43,244,000 and a decrease in fair value of investment properties of HK\$27,200,000.

PROSPECT

We have faced great challenges since 2020. With the outbreak of COVID-19 during the year, the related work and progress of the Wuxi Property Project owned by the Group were impacted by the epidemic, which slowed down the progress of apartment sales and business planning. The Group strives to maintain normal operation on the premise of ensuring the health of its employees, which also brings challenges to corporate governance. The Group established an Independent Board Committee to upgrade the construction of its internal management system.

1. Property business: In the second half of 2020, upon the epidemic situation was effectively controlled, the resumption of work and production of Wuxi Property Project was gradually carried out. At present, while dealing with historical legacy issues, the completion acceptance work is being expedited, and the related commercial plans are also being actively formulated, advanced and implemented. The Group also plans to set up a new headquarter office in Lippo Centre in Hong Kong in 2021, thereby strengthening the leasing and sale management of the assets held by the Group in Lippo Centre.
2. Investment business: The year 2021 is fraught with volatility and difficulties for the investment market. Existing challenges and global uncertainties are likely to exacerbate market volatility. The Group is actively establishing and improving the system in relation to its investment business. While strengthening its investments, the Group will continue to adopt a prudent attitude by holding diversified securities and assets, and diversifying its investments to balance the risks and returns of its investment portfolio.

In the new financial year, the Group will focus on strengthening compliance control and strive to recover past investments. In view of the current situation of the Group, the Board and the management will continue to uphold the principles of risk control, increasing revenue and reducing expenditure and steady development, strive to actively expand the development model, seek opportunities amidst the challenges, and devote themselves to improving the quality and value of the Group's assets.

I would like to thank all the distinguished Shareholders, all the employees of the Group for their efforts to meet the challenge of the epidemic, as well as our partners and every friend who supported and helped us.

By order of the Board

Wu Zhanming

Chairman and Acting Chief Executive Officer

Hong Kong, 28 September 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's principal business is resort and property development, property investment and investment holding during FY2021.

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 Wuxi Property Project is expected to take place in the first quarter of 2022. Most of the apartment portion of first and second phase have been delivered to customers as at 30 June 2021. During FY2021, Wuxi Shengye delivered properties to customers and recognised a revenue of approximately HK\$243,327,000. As at 30 June 2021, the sale amounts with the contracts signed but properties not yet delivered were approximately HK\$121,365,000. Although outbreak of COVID-19 dealt a heavy blow and challenge to the global economy in 2020, the comprehensive and stringent pandemic prevention measures in the PRC brought the pandemic under control in months, and the economy recovered in 2020. With the rapid economic growth in the PRC in 2021, it is expected that the overall housing demand will remain strong this year.

PROPERTY INVESTMENT

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

During FY2021, three units of the Sub-division Properties with fair value of HK\$71,300,000 were transferred from investment properties to owner's occupation as properties, plant and equipment. The fair value of the Group's investment properties as at 30 June 2021 was HK\$316,700,000 (2020: HK\$415,200,000). The economy and properties market of Hong Kong were being hit by the social incidents and outbreak of the COVID-19 since 2019, and while the COVID-19 situation had been improving recently in Hong Kong, its impact on grade-A offices persisted. The fair value of the Group's investment properties decreased by HK\$27,200,000 for FY2021 (2020: HK\$74,992,000).

The Group's investment properties contributed rental income of HK\$6,245,000 in total for FY2021 (2020: HK\$6,324,000). The Sub-division Properties has contributed stable returns to the Group in both years.

INVESTMENT HOLDING

The Group's investment strategy for its investment holding business is mainly to diversify its investments in unlisted investment funds, listed equity securities and listed debt instruments. For FY2021, the Group recorded interest and dividend income from financial assets at FVPL of HK\$4,405,000 (2020: HK\$2,424,000), net loss on disposal of financial assets at FVPL of HK\$1,142,000 (2020: HK\$40,097,000) and a decrease in fair value of financial assets at FVPL of HK\$43,244,000 (2020: HK\$50,288,000). Details of the significant investments held by the Group for FY2021 are set out as follows:

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

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

The investment cost of such investments as at 30 June 2021 was HK\$173,797,000. As at 30 June 2021, the fair value of Group's investment in Green Asia Restructure SP and Green Asia Restructure SP II was HK\$104,986,000 and HK\$51,229,000 respectively. The aggregate fair value of such investments accounted for 9.4% of the Group's total assets. During FY2021, the fair value of such investments decreased by HK\$14,879,000. The Group made a partial redemption of such investments of HK\$7,166,000 during FY2021. There was no realised gain or loss with respect to such investments in FY2021 as the partial redemption was completed at its fair value.

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

As at 30 June 2021, the Group held 148,283,000 ordinary shares of Zall Smart, 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 (stock code: 2098). Zall Smart and its subsidiaries are principally engaged in the developing and operating of large-scale consumer product-focused wholesale shopping malls, and providing supply chain management and trading business, e-commerce services, financial services, warehousing and logistics services for online and offline customers in the PRC. The acquisition cost of Zall Smart's shares held by the Group as at 30 June 2021 was HK\$1.28 per share. As at 30 June 2021, the fair value of investment in Zall Smart was approximately HK\$78,590,000, which represented 4.8% of the Group's total assets. During FY2021, the fair value of the Group's investment in Zall Smart decreased by HK\$26,691,000. During FY2021, the Group had not received and recognised any dividend, investment income or realised gain or loss from its holding of Zall Smart's shares.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

REVENUE, COST OF SALES AND PROFIT MARGIN

The revenue of the Group increased by HK\$5,593,000, or 2%, from HK\$248,384,000 for FY2020 to HK\$253,977,000 for FY2021. The revenue generated for both years was mainly derived from resort and property development segment, the properties of Wuxi Shengye were delivered to customers and brought in revenue. During FY2021, the revenue recognised from properties sales was HK\$243,327,000, cost of sales after considering the fair value adjustment at acquisition was HK\$232,248,000 and gross profit margin was 5%. 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%.

NET LOSS ON DISPOSAL OF FINANCIAL ASSETS AT FVPL

Net loss on disposal of financial assets at FVPL of the Group decreased by HK\$38,955,000, or 97%, from HK\$40,097,000 for FY2020 to HK\$1,142,000 for FY2021. The net loss for FY2020 was mainly derived from the loss on disposal of the shares of Redsun Properties Group Limited (stock code: 1996) of HK\$39,934,000. No material disposal was noted for FY2021.

NET DECREASE IN FAIR VALUE OF FINANCIAL ASSETS AT FVPL

Net decrease in fair value of financial assets at FVPL of the Group decreased by HK\$7,044,000, or 14%, from HK\$50,288,000 for FY2020 to HK\$43,244,000 for FY2021. The net decrease in financial assets at FVPL for FY2021 was mainly derived from the decrease in the fair value of Zall Smart's shares held by the Group of HK\$26,291,000 (2020: HK\$34,476,000) and the Green Asia Fund of HK\$14,879,000 (2020: HK\$14,651,000).

NET DECREASE IN FAIR VALUE OF INVESTMENT PROPERTIES

The Group recognised a net decrease in fair value of investment properties of HK\$27,200,000 (2020: HK\$74,992,000) in FY2021. 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 continuously 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\$10,251,000 in FY2020. The write-down mainly related to the car parking spaces, the cost of which exceeded their net realisable value, which was based on the valuation reports of the properties under development as at 30 June 2020 prepared by AVISTA. The valuation has adopted the residual method, which was based on the completed gross development value after deducting development costs and the Group's return. There were no significant changes in the principal assumptions, inputs and the valuation methods adopted for the valuation of properties under development in FY2021 as compared with valuation in FY2020. No further write-down was noted for the FY2021.

REVERSAL (PROVISION) OF IMPAIRMENT LOSS ON LOANS AND INTEREST RECEIVABLES

The Group recognised a provision of impairment loss on loans and interest receivables of HK\$58,989,000 for FY2020 and a reversal of impairment loss on loans and interest receivables of HK\$17,362,000 for FY2021. As disclosed in the announcements of the Company dated 11 November 2020 and 8 September 2021, HK\$10,000,000 and HK\$7,000,000 partial repayments have been received from a debtor respectively, and the corresponding provision provided previously has been reversed for FY2021.

MANAGEMENT DISCUSSION AND ANALYSIS

The reversal/provision of impairment loss has been made by the Directors after taking into consideration the valuation report which was prepared by an independent professional valuer, APAC Appraisal and Consulting Limited ("APAC"). 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

APAC 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 before for extended periods of time with no certainty of future payments, the PD for the loans was considered to be 100%.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Although partial repayments were noted from the borrower, it remained unclear of borrowers' ability to further settle the remaining balance due to limited financial information provided by borrowers. After taking into account the subsequent settlement of HK\$7,000,000 in the assessment of LGD, the weighted average LGD was 87%.

There were no significant changes in the method adopted for the assessment of impairment loss in FY2021 as compared with the assessment made in FY2020. The reason of changes in the value of inputs and assumptions was mainly due to partial repayments received.

SELLING EXPENSES

Selling expenses of the Group decreased by HK\$6,006,000, or 58%, from HK\$10,322,000 for FY2020 to HK\$4,316,000 for FY2021. The selling expenses of FY2021 mainly comprised of sales commission and sales service fee. The decrease in selling expenses was mainly due to the reduction in commission expenses and advertising expenses incurred with less pre-sales activities in FY2021.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group decreased by HK\$6,692,000, or 25%, from HK\$26,596,000 for FY2020 to HK\$19,904,000 for FY2021. The administrative expenses of FY2021 mainly comprised of staff costs and legal and professional fees. The decrease in administrative expenses was mainly due to (i) one-off compensation expense of HK\$4,585,000 recognised for FY2020 and the amount recognised for FY2021 was immaterial; and (ii) the reduction in Directors' emoluments for FY2021.

FINANCE COSTS

Finance costs of the Group decreased by HK\$3,431,000, or 37%, from HK\$9,365,000 for FY2020 to HK\$5,934,000 for FY2021. The decrease in finance costs was because the effective interest rate reduced and 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 decreased by HK\$194,922,000, or 76%, from HK\$255,149,000 for FY2020 to HK\$60,227,000 for FY2021. The loss of the year for FY2021 mainly included (i) net decrease in fair value of financial assets at FVPL of HK\$43,244,000; and (ii) net decrease in fair value of investment properties of HK\$27,200,000. The Board would like to emphasize they were non-cash in nature. The reduction in loss were mainly contributed to, among others, (i) an impairment loss on loans receivables of HK\$58,989,000 was recorded for FY2020 while there was a reversal of impairment loss on loans receivables of approximately HK\$17,362,000 for FY2021; (ii) a decrease in the fair value loss of the Group's investment properties from HK\$74,992,000 for FY2020 to HK\$27,200,000 for FY2021; (iii) a decrease in a net loss on disposal of financial assets at FVPL from HK\$40,097,000 in FY2020 to HK\$1,142,000 for FY2021; and (iv) a decrease in overall expenses on administrative and selling and finance costs from HK\$46,283,000 for FY2020 to HK\$30,154,000 for FY2021.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2021, the Group had current assets of HK\$1,266,280,000 (2020: HK\$1,472,316,000) and current liabilities of HK\$503,956,000 (2020: HK\$720,403,000), representing a current ratio of 2.5 times (2020: 2.0 times). The Group's total equity and the total interest-bearing borrowings as at 30 June 2021 amounted to HK\$1,048,748,000 (2020: HK\$1,072,563,000) and HK\$292,956,000 (2020: HK\$272,190,000) respectively. All of the interest-bearing borrowings of the Group are repayable within one year. The gearing ratio of the Group as at 30 June 2021, calculated as a ratio of the total interest-bearing borrowings to total equity, was approximately 27.9% (2020: 25.4%). As at 30 June 2021, the Group had no significant contingent liabilities.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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\$, 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 securities brokers. The Group has monitored the credit risk from loans receivables on an ongoing basis. Although a credit impairment on loans receivables was noted for FY2020, subsequently, partial repayments of HK\$10,000,000 and HK\$7,000,000 have been received on 11 November 2020 and 8 September 2021 respectively. The Group would continue to take follow-up actions to recover the debts. The Group has sufficient level of cash and cash equivalents to finance the Group's operations and expected expansion, therefore, the liquidity risk is insignificant.

FOREIGN CURRENCY MANAGEMENT

The majority of the Group's assets and liabilities were denominated in RMB, HK\$ and US\$, 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 2021, the interest-bearing borrowings of approximately HK\$272,190,000 (2020: HK\$272,190,000) and HK\$20,766,000 (2020: nil) were denominated in HK\$ and RMB respectively. The balances of bank and other borrowings of approximately HK\$272,190,000 (2020: HK\$272,190,000) and HK\$20,766,000 (2020: nil) 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\$. 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 FY2021. 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 FY2021 are set out in note 7 to the consolidated financial statements of this annual report.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed elsewhere in this annual report, during FY2021, the Group did not have any significant investments, nor material acquisitions or disposals of subsidiaries, associates and joint ventures.

There was no formal plan authorised by the Board for any significant investments, nor material acquisitions or disposals of subsidiaries, associates and joint ventures as at 30 June 2021 and up to the date of this annual report.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have other future plans for material investments or capital assets during FY2021.

MANAGEMENT DISCUSSION AND ANALYSIS

COMMITMENTS

Details of the commitments of the Group as at 30 June 2021 are set out in note 30 to the consolidated financial statements of this annual report.

PLEDGE OF ASSETS

As at 30 June 2021, the Group had provided the following securities for banking facilities granted to the Group:

- (i) pledge of leasehold land and buildings under investment properties and properties, plant and equipment of the Group with carrying amount of HK\$316,700,000 and HK\$70,366,000 respectively (*30 June 2020: investment properties of HK\$415,200,000*);
- (ii) assignment agreements in respect of rental income of the Group's investment properties duly executed by the Group in favour of the bank; and
- (iii) assignment agreements in respect of insurance compensation of the Group's investment properties and leasehold land and building duly executed by the Group in favour of the bank.

As at 30 June 2021, the carrying value of the financial assets at FVPL of approximately HK\$164,533,000 (*2020: HK\$35,329,000*) was pledged as collateral to the margin loan facilities granted to the Group with corporate guarantee provided by the Company. No margin loan facilities were utilised as at 30 June 2021 (*30 June 2020: Nil*).

LITIGATION

As at 30 June 2021, the Group has no material litigation against it which had to be disclosed.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2021, the Group employed a total of 28 (*2020: 28*) full-time employees and executive Director. The Group's total staff costs including Directors' emoluments amounted to HK\$7,691,000 for FY2021 (*2020: HK\$9,815,000*). 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

The Group has no material events subsequent to 30 June 2021 required to be disclosed as at the date of this annual report.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR

Mr. Wu Zhanming, aged 57, 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 52, a Non-executive Director 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 22 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 50, a Non-executive Director. 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 21 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 (中信證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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Chi Keung (“**Mr. Lau**”), aged 72, an Independent Non-executive Director. He joined the Group in September 2016. Mr. Lau has over 40 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 (a company listed on the Stock Exchange, stock code: 607) since December 2013.

Mr. Yu Tat Chi, Michael (“**Mr. Yu**”), aged 56, an Independent Non-executive Director. 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), 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 Harbour Digital Asset Capital Limited (formerly known as Unity Investments Holdings Limited, a company listed on the Stock Exchange, stock code: 913), respectively. He was appointed as an independent non-executive director of WT Group Holdings Limited (a company listed on the Stock Exchange, stock code: 8422) on 20 September 2021. Mr. Yu was an independent non-executive director of EVOG Intelligent Technology Company Limited (a company listed on the Stock Exchange, stock code: 2308) from 30 May 2016 to 21 May 2021.

Mr. Chiu Kit Man, Calvin (“**Mr. Chiu**”), aged 44, an Independent Non-executive Director. 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 the former 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 (a company listed on the Stock Exchange, stock code: 1539). 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, executive president of Doumen Clan’s Association, managing director of Sai Kung District Industries and Commerce Association Ltd., an executive committee member of VQ Foundation Limited and a member of the Youth Committee of New Territories General Chamber of Commerce.

DIRECTORS' REPORT

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Company for FY2021.

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 11 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 FY2021 are set out in the consolidated statement of comprehensive income on page 65 of this annual report.

FINAL DIVIDEND

The Board has resolved not to recommend a final dividend for FY2021 (2020: Nil). The Company is not aware of any arrangements under which any Shareholder has waived or agreed to waive any dividends.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the holders of the securities of the Company by reason of their holding of the Company's securities.

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 137 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 FY2021 are set out in note 14 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during FY2021 are set out in note 13 to the consolidated financial statements. Details of the investment properties of the Group as at 30 June 2021 are set out on page 138 of this annual report.

SHARE CAPITAL

Details of movements in the Company's share capital during FY2021 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 the 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 FY2021.

RESERVES

Details of movements in the reserves of the Company and of the Group during FY2021 are set out in note 32(b) to the consolidated financial statements and in the consolidated statement of changes in equity on pages 67 to 68 of this annual report, respectively.

DISTRIBUTABLE RESERVES

As at 30 June 2021, the Company had reserves (including capital reserve and accumulated losses) totaling approximately HK\$61,012,000 (2020: HK\$51,199,000) available for distribution to the Shareholders.

MAJOR SUPPLIERS AND CUSTOMERS

During FY2021, purchases from the Group's five largest suppliers and the largest supplier were 52% and 15% arising from the resort and property development segment respectively. During FY2021, the aggregate revenue attributable to the five largest customers was less than 30% of the Group's revenue. The major customers are independent third parties of the Company during FY2021.

To the knowledge of the Directors, none of the Directors, their associates nor any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any beneficial interest in the Group's five largest customers or five largest suppliers during FY2021.

DIRECTORS

The Directors during FY2021 and up to the date of this annual report were:

EXECUTIVE DIRECTORS:

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

Mr. Yuen Chi Ping (*suspension of duties on 10 June 2020 and resigned on 19 August 2020*)

NON-EXECUTIVE DIRECTORS:

Mr. Wu Tao

Mr. Yao Wei Rong

DIRECTORS' REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

The Company had received the resignation letter from Mr. Yuen Chi Ping confirming that he had no disagreement with the Board and there was nothing relating to his resignation that was 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-law 87(1) of the Bye-laws, Mr. Lau Chi Keung and Mr. Chiu Kit Man, Calvin will retire by rotation at the forthcoming AGM.

PERMITTED INDEMNITY PROVISIONS

During FY2021 and up to the date of this annual report, the Company has maintained directors' and officers' liability insurance coverage for the Directors and officers of the Company to provide protection against claims arising from lawful discharge of duties by the Directors and officers.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

Details of the Directors' remuneration for FY2021 are set out in note 11(a) to the consolidated financial statements.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

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

Mr. Yu Tat Chi, Michael has been appointed as an independent non-executive director of WT Group Holdings Limited (a company listed on the Stock Exchange, stock code: 8422) with effect from 20 September 2021. He also resigned as an independent non-executive director of EVOG Intelligent Technology Company Limited (a company listed on the Stock Exchange, stock code: 2308) with effect from 21 May 2021.

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 2021, the interests and short positions 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 OF THE COMPANY

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

Save as disclosed above, as at 30 June 2021, none of the Directors nor chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered into the register to be kept by the Company pursuant to section 352 of the SFO.

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 FY2021 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 FY2021.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

To the best knowledge of the Directors and the chief executive of the Company, as at 30 June 2021, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares, underlying Shares and debentures of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

LONG POSITION IN THE 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 2021, 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

During FY2021, the Company had no 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 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 the related party 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 FY2021 or at any time during the FY2021.

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 FY2021 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 FY2021.

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 FY2021.

SUFFICIENCY OF PUBLIC FLOAT

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

DONATIONS

Charitable donations made by the Group during FY2021 amounted to HK\$22,000 (2020: Nil).

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for FY2021 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 FY2021 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 2021

CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining high standard of corporate governance practices at all times. The Board believes that good corporate governance helps the Company to safeguard the interests of the Shareholders and to enhance the performance of the Group. The Company has adopted the CG Code set out in Appendix 14 to 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 to the Listing Rules throughout FY2021, save for 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.

The reason for retaining this Bye-law is for the purpose of compliance with paragraph 4(2) of Appendix 3 to 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 AGMs, 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 21 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 FY2021, Mr. Wu Zhanming was the Chairman and Acting CEO of the Company. The Board is 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 to the Listing Rules as its own code of conduct regarding securities transaction by Directors. Having made specific enquiries with the Directors, all Directors have confirmed that they had complied with the required standards set out in the Model Code during FY2021.

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 FY2021 and up to the date of this annual report were:

EXECUTIVE DIRECTORS:

Mr. Wu Zhanming (*Chairman and Acting CEO*)

Mr. Yuen Chi Ping (*suspension of duties on 10 June 2020 and resigned on 19 August 2020*)

NON-EXECUTIVE DIRECTORS:

Mr. Wu Tao

Mr. Yao Wei Rong

CORPORATE GOVERNANCE REPORT

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 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 12 to 13 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 FY2021, 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 with copies circulated to all Directors for information and records.

CORPORATE GOVERNANCE REPORT

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 FY2021, 7 Board meetings and 1 general meeting were held and the attendance of each Director is set out as follows:

	Number of attendance	
	Board meetings	General meeting
Executive Directors		
Mr. Wu Zhanming (<i>Chairman and Acting CEO</i>)	7/7	1/1
Mr. Yuen Chi Ping (<i>suspension of duties on 10 June 2020 and resigned on 19 August 2020</i>)	0/0	0/0
Non-executive Directors		
Mr. Wu Tao	7/7	1/1
Mr. Yao Wei Rong	7/7	1/1
Independent Non-executive Directors		
Mr. Lau Chi Keung	6/7	1/1
Mr. Yu Tat Chi, Michael	7/7	1/1
Mr. Chiu Kit Man, Calvin	7/7	1/1

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.

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. 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.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee met 2 times during FY2021 to review the remuneration of the Directors. The attendance of each member is set out as follows:

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

NOMINATION COMMITTEE

The Nomination Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Nomination Committee comprises three members, including two Independent Non-executive Directors, namely Mr. Lau Chi Keung and Mr. Chiu Kit Man, Calvin, and one Executive Director, namely Mr. Wu Zhanming. 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 once during FY2021 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	1/1
Mr. Lau Chi Keung	1/1
Mr. Chiu Kit Man, Calvin	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.

CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

As regards selection and appointment of new Director:

- The Nomination Committee and/or the Board should, upon receipt of a proposal on the appointment of a new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- The Nomination Committee should then recommend the Board to appoint the most appropriate candidate for directorship, as applicable.
- For any person that is nominated by a Shareholder for election as a Director at a general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

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

As regards re-election of Director at general meeting:

- The Nomination Committee and/or the Board should review the overall contribution and service to the Company of each Director and his/her level of participation and performance on the Board.
- The Nomination Committee and/or the Board should also review and determine whether the Director continues to meet the criteria as set out 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 FY2021 is set out in the "Independent Auditor's Report" on pages 58 to 64 of this annual report.

For FY2021, remuneration payable to the Company's auditor, Mazars CPA Limited, for the provision of audit services was HK\$850,000. During FY2021, HK\$88,000 was paid as remuneration to Mazars CPA Limited for the provision of non-audit related services including professional services for announcement of interim results.

AUDIT COMMITTEE

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

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

The Audit Committee met 2 times during FY2021 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 FY2021:

1. reviewed and discussed the audited financial statements of the Group for the year ended 30 June 2020 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 2020 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.

CORPORATE GOVERNANCE REPORT

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 FY2021.

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

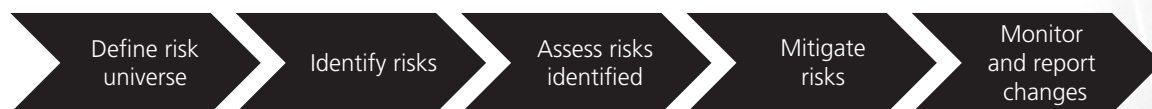
The management is responsible for identifying and monitoring the risks from the daily operations of the Group. The management reports to the Board and Audit Committee on the risks identified including strategic, operational, financial, reporting and compliance risks and its changes. The management is 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 FY2021, 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 FY2021. 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.

CORPORATE GOVERNANCE REPORT

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 FY2021, 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 review¹ during FY2021, and the review covered the period from 1 July 2020 to 30 June 2021. 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.

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.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

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

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

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

- a) the Company's actual and expected financial performance;
- b) the Group's liquidity position;
- c) retained earnings and distributable reserves of the Company and each of the members of the Group;
- d) the level of the Group's debts to equity ratio, return on equity and the relevant financial ratios;
- e) any restrictions on payment of dividends that may be imposed by the Group's lenders;
- f) the Group's expected working capital requirements and future expansion plans;
- g) general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- h) any other factors that the Board deem appropriate.

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

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

During FY2021, there was no significant change in constitutional documents of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

REPORTING SCOPE AND REPORTING PERIOD

Applied Development Holdings Limited (“Applied Development” or the “Company”, together with its subsidiaries collectively referred to as the “Group” or “We”) is pleased to present its 5th Environmental, Social and Governance (“ESG”) Report (the “ESG Report”), covering the period from 1 July 2020 to 30 June 2021 (the “Reporting Period”). This ESG Report highlights our commitment and approach in creating value for the environment, our employees, our clients and the community. Unless otherwise stated, this ESG Report focuses on the sustainability performance of our head office and property investment business in Hong Kong as well as our property developments business in Wuxi.

REPORTING STANDARDS

This ESG Report has been prepared in accordance with the “mandatory disclosure requirements” and “comply or explain” provisions of the latest disclosure requirements of the Environmental, Social and Governance Reporting Guide under the Appendix 27 to the Listing Rules (the “ESG Reporting Guide”) published in 2019.

REPORTING PRINCIPLES

The ESG Report has been prepared based on the following reporting principles.

Materiality	Through engagement with stakeholders as well as considering the Group’s business nature and development, material sustainability issues are being identified. Please refer to Materiality Assessment section for more information.
Quantitative	The Group discloses the standards and methodologies employed to calculate their environmental and social performance indicators when appropriate. Please refer to Key Performance Data on pages 48 to 50 for more information.
Balance	This ESG Report covers both positive and negative impacts of our performance to provide an unbiased picture of our overall performance.
Consistency	Reporting standards and principles are substantially consistent with those of the prior year. Changes will be explained to facilitate information interpretation.

FEEDBACK

We welcome stakeholders’ feedback on this ESG Report and other sustainability-related matters. Please share your views with us at info@applieddev.com.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE COMPANY

Applied Development Holdings Limited, headquartered in Hong Kong, has been listed on the Main Board of the Stock Exchange since 1986, with (i) resort and property development, (ii) property investment and (iii) investment holdings as our core business.

By maintaining an ardent belief in our vision “Artists Create Beautiful Things, We Create Value”, the Group devotes continuous efforts in creating value for various stakeholders. This belief has laid the foundation for our sustainable growth and development. To realize our vision, we have established the following missions:

- 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

Sustainable development is the foundation for the Group’s long-standing belief in creating value for our stakeholders. The concept of sustainability is integrated into our decision-making process and day-to-day operation as to maximize value creation. We are committed to enhancing our sustainability governance strategies and policies to optimize the value creation process. In addition to our internal practices, we value feedback from our various stakeholder groups and always maintain an open communication channel to allow for mutual understanding.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUSTAINABILITY GOVERNANCE AND BOARD'S OVERSIGHT

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board provides oversight of ESG issues with an emphasis on the Group's long-term development and positioning. Delegated by the Board, we have set up an ESG Working Group (the "Working Group") to drive the planning and implementation of the Group's ESG-related matters during the Reporting Period. Led by the Company Secretary, the Working Group is constituted by representatives from across the Group's business units. The Working Group oversees ESG management approach and advises the Board on matters including the below on a regular basis:

- development and review of the sustainability vision, strategies, priorities, goals and targets of the Group;
- identification, review and management of material ESG-related trends, risks and opportunities;
- reviewing and monitoring the implementation of ESG-related policies and practices to ensure compliance with laws and regulations;
- monitoring and reviewing the Group's ESG performance and progress against any targets, goals and metrics;
- reviewing and monitoring the Group's stakeholder engagement channels to ensure effective communication with key stakeholders; and
- preparing an annual ESG report on its activities for Board's approval.

ESG Management Approach and Strategy

Sustainability is integral to our business and is integrated into all aspects of our operations. With the aim of pursuing the sustainable development, the Board approves the ESG Framework including sustainability priorities, as well as the sustainability goals for each of the sustainability priorities as set out below.

- Creating value for the environment
- Creating value for our employees
- Creating value for our customers
- Creating value for the community

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our ESG Framework



ESG-related risks are identified, evaluated, prioritized and managed by the Working Group. The Working Group submits an ESG risk assessment report to the Board periodically to identify the likelihood and significance of potential risks to the Group and the Board retains ultimate responsibility for oversight of the Group's risk management activities. ESG-related controls have been formulated to mitigate significant ESG risks of which the control measures are operated effectively at corresponding business levels. Further details of our risk management approach and practices are provided under the Corporate Governance Report in this Annual Report.

Review of Progress and Relevance to Business

The ESG Framework, sustainability priorities goals and targets are set with reference to the Group's core business. The Board reviews progress made against sustainability goals and targets principally through regular reporting of the Working Group to the Board.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER GROUPS AND ENGAGEMENT CHANNELS

Our approach to stakeholder engagement is to ensure we maintain a dynamic and ongoing communication with our stakeholders to gather views, opinions and expectations from them. Grouped into eight categories, stakeholders are engaged through different channels to help us identify possible emerging risks and opportunities to our business operations. Regular communication channels deployed, the key concerns and our responses are set out as below:

Stakeholder Groups	Engagement Channels	Frequency	Key Concerns	Our Responses
Employees	<ul style="list-style-type: none"> - Online Questionnaire - Meeting - Interview - Staff Mailbox - Training - Intranet 	<ul style="list-style-type: none"> - Annually (performance appraisal) - On-going (day-to-day communication) 	<ul style="list-style-type: none"> - Sound welfare - Training and development - Workplace health and safety 	<ul style="list-style-type: none"> - Provide competitive remuneration package - Provide training
Customers	<ul style="list-style-type: none"> - Social Media (e.g. WeChat) - Daily Operation - E-mails - Customer services - Customer satisfaction survey 	<ul style="list-style-type: none"> - Periodically 	<ul style="list-style-type: none"> - Design and quality - Customer service - Health and Safety 	<ul style="list-style-type: none"> - Ensure product and service quality
Government Authorities	<ul style="list-style-type: none"> - Online Questionnaire - Interview - Visit - Site Visit - Consultation 	<ul style="list-style-type: none"> - Periodically 	<ul style="list-style-type: none"> - Compliance with regulatory requirements 	<ul style="list-style-type: none"> - Maintain compliance with laws and regulations
Shareholders and Investors	<ul style="list-style-type: none"> - Online Questionnaire - General Meeting - Telephone Interview - Company Website - Announcement - Financial Report 	<ul style="list-style-type: none"> - Annually (General Meeting) - When necessary (for other meetings) 	<ul style="list-style-type: none"> - Financial performance - Corporate governance - Risk management - Compliance with regulatory requirements 	<ul style="list-style-type: none"> - Maintain sound corporate governance - Factual and sufficient disclosure
Business Partners	<ul style="list-style-type: none"> - Online Questionnaire - Cooperation Meeting - Visit - Site Visit 	<ul style="list-style-type: none"> - Periodically 	<ul style="list-style-type: none"> - Design and quality - Compliance with regulatory requirements 	<ul style="list-style-type: none"> - Abide the contract - Stay open and transparent
Non-Governmental Organisations/ Environmental Departments	<ul style="list-style-type: none"> - Online Questionnaire - Interview - Visit - Site Visit 	<ul style="list-style-type: none"> - Periodically 	<ul style="list-style-type: none"> - Social inclusion - Environmental protection 	<ul style="list-style-type: none"> - Promote environmental protection - Factual and sufficient disclosure
Suppliers	<ul style="list-style-type: none"> - Online Questionnaire - Interview - Site Visit - e-mail 	<ul style="list-style-type: none"> - Periodically 	<ul style="list-style-type: none"> - Fair operating practices - Fair competition 	<ul style="list-style-type: none"> - Abide the contract - Stay open and transparent
Media and Public	<ul style="list-style-type: none"> - Social Media (e.g. WeChat) - Site Visit - Interview 	<ul style="list-style-type: none"> - Periodically 	<ul style="list-style-type: none"> - Business ethics - Financial performance 	<ul style="list-style-type: none"> - Factual and sufficient disclosure - Invest into local community

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

An independent consultant was engaged to conduct an assessment on topics that may impose material economic, environmental and social impacts on the Group. Various groups of stakeholders were invited to rank the importance of each topic and provide their views on the Group's sustainability performance. Our approach to the assessment is as follows:

1. Identification of Material Topics

Based on industry research and communication results with our stakeholders, we have identified a variety of sustainability issues related to our daily operations and development.

2. Establishment of Materiality Matrix

Stakeholders are invited to rank the sustainability issues identified at stage 1 based on their perceptions of the importance of the topics to themselves and to the Group. The result would be analysed in form of materiality matrix, measuring the degree of importance to stakeholders and the significance of the impact to the Group's business continuity.

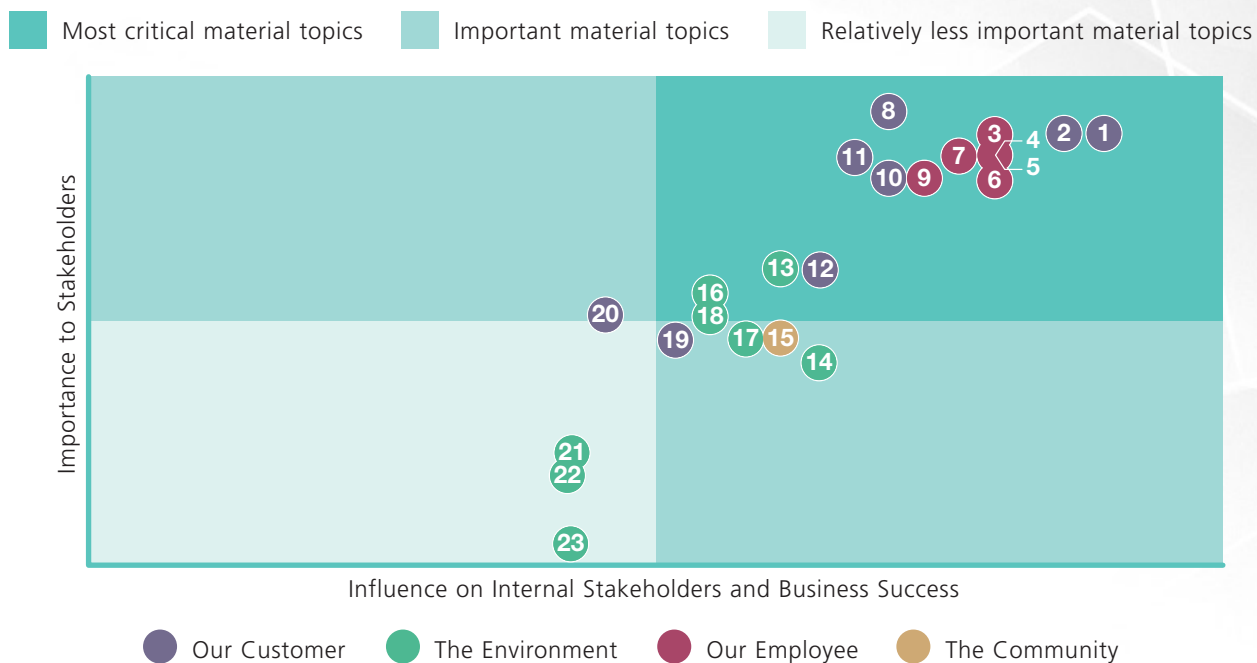
3. Review of Material Topics and Data Analysis

The prioritised material topics and boundaries would be reviewed by the management to ensure the reasonableness, balance and completeness of the Report. Topics with the highest importance will be the focus of disclosure of this Report. Future report topics will be regularly reviewed by the Group by gathering stakeholder feedback and ensuring that the topics are aligned with our organisational strategy.

During the Reporting Period, a total of 23 ESG topics were identified for this year's materiality assessment. Based on results from last year, we have updated our materiality matrix with input from the external consultant and our senior management. 20 topics are identified and prioritized within the most critical importance for this year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY MATRIX



Material Topics

1	Customer's Satisfaction	2	Anti-Fraud and Corruption
3	Occupational Health and Safety	4	Employee Benefits
5	Training and Development	6	Employment Compliance
7	Diversity and Equal Opportunities (age, sex, disability, etc.)	8	Data Protection and Cybersecurity
9	Labour Relations and Communication	10	Marketing and Advertising
11	Customer's Health and Safety	12	Supply Chain Social Risks
13	Hazardous Waste Treatment	14	Water Resources
15	Social Investment	16	Greenhouse Gas Emissions and Energy Conservation
17	Impact on Surrounding Environment	18	Wastewater Management
19	Supply Chain Environmental Risks	20	Green Procurement
21	Air Emissions Management	22	Climate Risks
23	Non-Hazardous Waste Treatment		

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CREATING VALUE FOR OUR CUSTOMERS

We are committed to designing, constructing and creating quality products and services for our customers. The Group believes that implementing sustainable practices into every property investment and development project will be the key to deliver long-term value to our customers.

GOAL:

We are committed to providing products and services with excellent quality.

MATERIAL TOPICS COVERED IN THIS CHAPTER:

- Customer's Satisfaction
- Anti-Fraud and Corruption
- Data Protection and Cybersecurity
- Marketing and Advertising
- Customer's Health and Safety
- Supply Chain Social Risk
- Supply Chain Environmental Risk
- Green Procurement

PREMIUM PROPERTY

The Group attaches great importance to deliver quality products and services to our customers. To ensure that our development projects in Wuxi will always meet our standard, we have implemented a series of policies to monitor every stage, including early planning and design, construction, acceptance, handover and after-sale. Whenever a stage of the project fails to meet the legal and internal standard, the responsible personnel must revise it before moving on to the next stage.

For leasing business in Hong Kong, we strive to create comfortable workplace for our tenants. Before office handover, a thorough site inspection would be conducted together with the tenants to identify and address their concerns about the office immediately. During the Reporting Period, the Group was not aware of any material non-compliance with Landlord and Tenant (Consolidation) Ordinance (Cap 7, the Laws of Hong Kong) and other relevant laws and regulations relating to our operation.

CUSTOMER SATISFACTION

We value every piece of opinion from our customer regardless of the nature of the feedback. Different communication channels have been established to facilitate the collection of customer's feedbacks. Complaints would be addressed by responsible divisions within a reasonable time frame. During the Reporting Period, the Group was not aware of any reported customer complaints regarding material defects in quality of properties and services.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CUSTOMER DATA PROTECTION

Our business involves a number of transactions with our tenants and customers. To protect customer data, we only collect necessary information from customers. The Group abides by the requirements of Personal Data (Privacy) Ordinance (Cap. 486, the Laws of Hong Kong) and other relevant laws and regulations to limit the access to sensitive data. It is strictly prohibited to disclose data without proper authorisation, and violators may subject to internal disciplinary procedure. During the Reporting Period, the Group was not aware of any substantiated incidents regarding leakage of customer data privacy.

RESPONSIBLE PROCUREMENT

As a property developer, we work with a wide range of raw material suppliers. To promote sustainability along the supply chain, we seek to purchase environmentally friendly materials and engage with local suppliers to reduce the emission brought by transportation.

To further enhance supply chain continuity, we prefer suppliers who integrate social and environmental factors into their decision-making process. In addition to traditional selection criteria, we included criteria related to energy efficiency and environmental protection when assessing suppliers. Supplier assessment is an on-going process and regular review process would be conducted to ensure existing suppliers meet our requirements. A timely correction of any detected problem will be requested, along with a follow-up assessment.

SUPPLIER INTEGRITY

We are committed to operating in accordance with local laws and regulations. Similarly, we expect our suppliers to operate with integrity. An Anti-Corruption Agreement would be signed with our major partners to prohibit any form of unlawful behaviours, including bribery, extortion, fraud and money laundering. In the event of any inappropriate activity detected, a comprehensive investigation would be performed and remedial action would be taken to protect the Group and its stakeholders.

During the Reporting Period, the Group was not aware of any material non-compliance 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》), the Criminal Law of the PRC (《中華人民共和國刑法》) and other applicable laws and regulations regarding anti-corruption and competition.

MARKETING STRATEGY

In accordance with the Advertising Law of the PRC (《中華人民共和國廣告法》), 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》) and others relevant laws and regulations, all of the marketing materials would be verified by responsible staff to ensure accuracy. During the Reporting Period, the Group was not aware of any material non-compliance regarding advertising.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CREATING VALUE FOR THE ENVIRONMENT

We are committed to minimizing pollution and contributing positively to the mother nature in every aspect of our operations. We strive to promote sustainable living among our stakeholders and the broader community.

GOAL:

We pursue a sustainable operation pattern by reducing our ecological footprints.

MATERIAL TOPICS COVERED IN THIS CHAPTER:

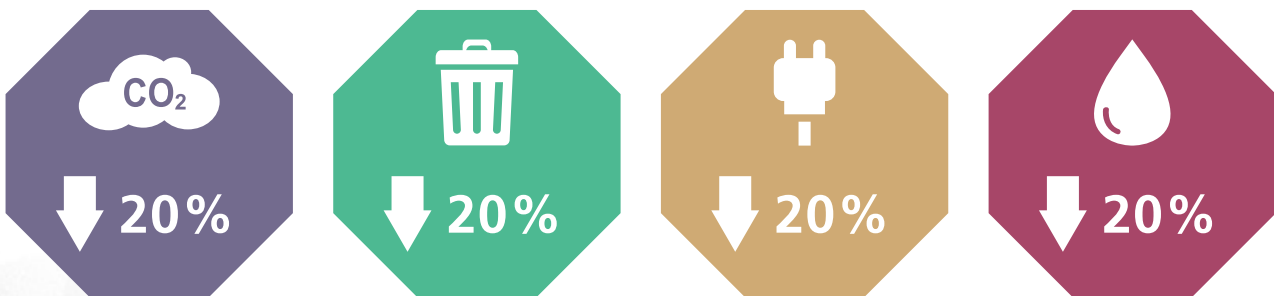
- Hazardous Waste Treatment
- Air Emissions Management
- Water Resources
- Climate Risks
- GHG Emissions and Energy Conservation
- Non-hazardous Waste Treatment
- Impact on Surrounding Environment
- Wastewater Management

RESPONSE TO CLIMATE CHANGE

According to the World Economic Forum's Global Risk Report, environmental risks are among the top three risks both in terms of likelihood and impact. The effects of climate change are not only visible in the sea levels and at the ice caps, but also much closer to our daily lives. Recognizing that investors are reallocating capital to low-carbon businesses and that other stakeholders (regulators, media, communities) expectations continue to rise, the Group have been actively responding to the climate change by setting our environmental targets for FY2025¹ and evaluating our climate-risk exposure.

ENVIRONMENTAL TARGETS FOR FY2025

We are committed to playing a vital role in combating climate change and transforming into a low-carbon economy. This year, the Group announced its environmental targets for FY2025. Using FY2020 as the baseline year for our environmental key performance indicators ("KPIs"), we plan to cut GHG emission by 20%, waste generation by 20%, energy use by 20% and water consumption by 20% across the Group within 5 years. The status of progress will be monitored closely and reported regularly.



For GHG emission and energy consumption, employees are reminded of turning off all unnecessary electric equipment and maintaining a room temperature of no less than 25°C. For waste reduction, we are actively encouraging paperless offices and recycling paper. To reduce construction waste production, site planning will be reviewed. Last but not least, for water consumption, all employees and workers will be reminded to save water and avoid unnecessary use.

¹ The Group's environmental targets for FY2025 covers the following segments: (i) resort and property development, (ii) property investment and (iii) investment holdings.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CLIMATE RESILIENCE STRATEGY

Recognizing the direct and indirect effects of climate change on our business operations, we have planned and developed resilience strategies to improve our climate-risk management capabilities. With reference to the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”), the Group has applied the following mitigation measures in response to the climate-related risk identified below:

Climate-related Risks

Physical Risk	Impact to the Group	Mitigation Measures
Extreme weather events (e.g. floods and storms)	– Employee safety issues caused by extreme weather	– Codes of Practice on extreme weather events have been well established in Hong Kong
	– Property under construction may be severely damaged by extreme weather events	– The safety design of the projects in Wuxi has taken the impact of extreme weather like flooding and typhoon into consideration
		– Enhance flood control methods such as sandbag stacking and regular water removal
		– Monitoring weather forecasts for safety measures in advance
Transition Risk	Impact to the Group	Mitigation Measures
Policy and legal risk	– Fail to meet the latest emission requirement may subject to legal liability	– Monitor the emerging market and regulatory trends and ensure the Group’s emission meet the latest legal requirement

SUSTAINABLE PROPERTIES

We are devoted to improving our properties’ sustainability. As such, we have incorporated sustainable design features and cost saving measures for our property projects in Wuxi.

- To maximize the use of solar energy, we have installed a solar power system and solar heating system on the rooftop of our properties to supply the building with no less than 0.2% of the actual electricity consumption and no less than 30% of the actual hot water consumption.
- A rainwater harvest system capable of holding 150 tons of rainwater has been developed to collect and sanitize rainwater for use in road cleaning and irrigation.
- Improve the efficiency of energy use in buildings by introducing Smart Building concepts. For example, lighting at the staircases that reacts to sound, a monitoring system that monitors electricity usage etc.
- Car parks, equipment rooms, and boiler rooms are equipped with mechanical ventilation systems that ensure indoor air quality meets standards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

AIR AND GHG EMISSIONS REDUCTION

The major contribution of our air and GHG emissions is from purchased electricity. To mitigate our impact on the environment, staff members are encouraged to use public transportation instead of their own vehicles. Furthermore, video conferencing is recommended in order to reduce our carbon footprint by replacing business travel.

During the Report Period, the Group was not aware of any material non-compliance with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》), 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 other relevant laws and regulations relating to environmental protection and pollution.

WASTE MANAGEMENT

The majority of the Group's waste generation comes from construction projects and general waste produced by our offices. There is no hazardous waste and packaging materials generated in our operation. We support the idea of source reduction and different measures were adopted to limit the generation of waste. In an effort to minimize the use of paper, most of our corporate communication is now electronic. Towards transforming into a paperless office, our employees are encouraged to reduce paper consumption by double-sided printing and using recycled paper. In the future, we aim to completely eliminate the use of paper for unnecessary tasks.

During the Reporting Period, the Group was not aware of any material non-compliance with Hong Kong Waste Disposal Ordinance, 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》) and other relevant laws and regulations relating to waste disposal.

CONSERVING RESOURCES

Although our business is not energy and water intensive, we aim to continually improving the environmental performance of our operations. Given that electricity purchased is the main source of energy consumption in the Group, we ask our employees to turn off the lights and air conditioning before they leave to reduce electricity consumption. For water consumption, we remind all of our employees of saving water whenever possible. As our water is directly supplied by local water supply companies, the Group does not encounter any problems in sourcing water during the Report Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CREATING VALUE FOR OUR EMPLOYEES

We are committed to providing our employees with a supportive and nurturing working environment. The Group continues to invest in our employees and provide them with rewarding career path so as to build an effective and productive team.

GOAL:

We provide nurturing and fulfilling working environments to our employees.

MATERIAL TOPICS COVERED IN THIS CHAPTER:

- Occupational Health and Safety
- Employee Benefits
- Training and Development
- Employment Compliance
- Diversity and Equal Opportunities (age, sex, disability, etc.)
- Labour Relations and Communication
- Anti-Fraud and Corruption

TALENT ATTRACTION AND RETENTION

One of the keys to sustainable business development is the ability to attract and retain talents. The Group has multiple recruitment channels, including internal referral, career fairs, job advertisement etc. Candidates from all backgrounds are given equal opportunity in the recruitment process. We appoint people by merit, regardless of their gender, age, marital status, family status, pregnancy, disability, race or religion. Our policies explicitly prohibit any form of harassment and discrimination in the working environment.

To retain our valuable human capital, we offer competitive compensation and benefits packages to our employees. We provide all of our employees with parental leave, health checks, and hospital benefits as well as a variety of allowances. The Group strictly adheres to 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》) to contribute Mandatory Provident Fund and social insurance and housing provident fund for employees in Hong Kong and PRC respectively. The remuneration package will be benchmarked regularly against the industry to ensure it remains competitive.

During the Reporting Period, the Group was not aware of any material non-compliance with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and other relevant laws and regulations relating to employment and labour standards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

FOSTERING AN IDEAL ENVIRONMENT

To recognize exceptional performance among employees, formal appraisals will be conducted periodically, with the result reflected in the annual compensation adjustment and promotion review. As a responsible employer, the wellness of our employees is of paramount importance, and we seek to provide employees with enough resting time. Prior to working overtime, permission from department head would be required, and overtime pay or compensation leave will be arranged afterward. Our employees are encouraged to report issues of potential misconduct to the senior management in case of dissent at work. In addition, upon resignation, an exit interview would be conducted to collect employees' opinions about the Group.

Business integrity is the foundation of our business, we adopt a "zero-tolerance" approach towards all forms of forced labour and the use of child labour. We strictly abide by the Employment Ordinance (Cap. 57, the Laws of Hong Kong) and the Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》). During the preliminary stage, our Human Resources Department will verify the eligibility of each candidate by scanning the personal documents submitted. Labour would be removed from the position instantly to secure its safety once it is discovered.

During the Reporting Period, the Group was not aware of any material violations of laws and regulations related to the prohibition of the use of child labour or forced labour.

CARING FOR HEALTH AND SAFETY

Safeguarding our people and creating a safety workplace remain our top priority. We have set out all the required safety precautions in the construction site to ensure the safety of workers. Furthermore, fire drills would be held regularly to ensure employees are prepared for emergencies.

During the outbreak of COVID-19, we follow the prevention measures announced by the government and the World Health Organization. Face masks and sanitisers would be distributed to our employees so they would have adequate protective gear. In addition, flexible working hours and work from home policy have been implemented to protect our employees from the threat.

PROFESSIONAL DEVELOPMENT

We regularly review the learning and development needs of our employees and provide diverse internal and external training and development opportunities for our employees to acquire the latest knowledge and skills. Our Human Resources Department will work with other departments to develop the annual training plan each year to ensure our internal capacity meets the development needs of the Group.

Internal trainings include theoretical and hands-on training covering relevant technical, safety and integrity topics to ensure employees are familiarized with their responsibilities inside the Company and meet the requirements of their positions. For external training, we encourage our employees to pursue professional certifications. Sponsorship would be provided once certification has been obtained.

ETHICAL WORKPLACE

We uphold the highest ethical and governance standards in our business operations. All employees of the Group must strictly obey the integrity pledge, code of conduct, and anti-corruption policies. To strengthen the awareness towards misconduct and fraudulent activities, the Group would organise regular training to promote the ethical climate. New joiners will be provided with an induction training to introduce them to the Group's ethical standards.

During the Reporting Period, the Group was not aware of any material non-compliance with the Prevention of Bribery Ordinance (Cap. 201, the Laws of Hong Kong), the Criminal Law of the PRC (《中華人民共和國刑法》) and other relevant laws and regulations relating to bribery, extortion, fraud and money laundering.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CREATING VALUE FOR THE COMMUNITY

We are committed to impacting the community positively by leveraging our advantage. We support many charity events throughout the year, sharing our love with the less fortunate in the community.

GOAL:

We deliver positive impacts and build bonds with all around us.

MATERIAL TOPICS COVERED IN THIS CHAPTER:

- Social Investment

CARE FOR COMMUNITY

Embracing our philosophy and the core value of “We Create Value”, the Group has been proactively responding to the needs of the community. During the Reporting Period, the Group’s community projects mainly focused on underprivileged groups in our society. As part of our volunteering culture, we encourage employees at all levels across different business units to serve the community with their skills and expertise.



DONATIONS TO ELDERLY HOME

The Group is committed to giving back to the community of which operate in. In May 2021, we have visited the elderly in the Yanqiao Apartment for the Elderly. The Group has donated washing machines and nutrition supplies to ease the financial burden of the elderly home.

SUPPORT TO THE LESS FORTUNE

We believe that every action contributes to a better world. The Group has made a donation to the Jiangsu Foundation for Disabled Persons to support the operation of the organisation. In the future, we will continue to participate in activities that foster a thriving local community.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KEY PERFORMANCE DATA

ENVIRONMENTAL

Indicator	Unit	2020	2021 ¹
Greenhouse Gas Emission			
Total GHG Emission (Scope 1 & Scope 2) ^{2,3,4}	Tonnes CO ₂ e	468.38	280.22
Direct Emission (Scope 1)	Tonnes CO ₂ e	14.04	–
Indirect Emission (Scope 2) ^{2,3}	Tonnes CO ₂ e	454.34	280.22
Intensity of Total GHG Emissions (Scope 1 and 2) ^{2,3}	Tonnes CO ₂ e/m ²	0.18	0.11
Air Emission			
Nitrogen Oxides (NO _x)	Kg	1.48	–
Sulphur Oxides (SO _x)	Kg	0.07	–
Particular Matters (PM)	Kg	0.10	–
Energy			
Total Energy Consumption ^{2,3}	MWh	694.73	457.99
Purchased Electricity ^{2,3}	MWh	644.64	457.99
Unleaded Petrol	MWh	40.56	–
LPG	MWh	9.53	–
Energy Consumption Intensity ^{2,3}	MWh/m ²	0.26	0.17
Non-Hazardous Waste			
Total Non-Hazardous Waste ⁵	Tonnes	70.05	70.07
Non-Hazardous Waste Generation Intensity	Tonnes	26.51	26.51
Water			
Total Water Consumption ⁶	m ³	1,080.00	576.00
Water Consumption Intensity	m ³ /m ²	0.41	0.22

¹ The considerable decreases in FY2021 environmental KPIs were mainly attributed to the completion of majority of our development project in Wuxi.

² Since the energy supplier could not provide the provision of electricity supply and sub-meter for individual occupant, the electricity consumption in Wuxi office was estimated based on the amount of electricity consumption per person from the design of property. We will optimize the method of data collection and disclose relevant data in the future.

³ The assumption of electricity consumption has been changed from calculating office area to calculating per person consumption based on the design of the property during this Reporting Period to provide a more accurate view of the data.

⁴ Our reporting on air and greenhouse gases (GHG) emissions mainly base on the requirements in “How to prepare an ESG report” published by HKEx and “GHG Protocol Corporate Accounting and Reporting Standard (revised edition)” published by the World Business Council for Sustainable Development and World Resources Institute. Operational control approach is adopted when defining organisational boundary for the purpose of GHG accounting and reporting.

Our 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.

⁵ The amount of non-hazardous waste produced is calculated by estimating the waste produced per day.

⁶ 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 supplier 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL

Indicator	Unit	2020	2021
Workforce			
Total Workforce ¹	Number of People	N/A	28
Male	Number of People	N/A	16
Female	Number of People	N/A	12
Workforce by Employment Type			
Full-Time	Number of People	N/A	28
Part-Time	Number of People	N/A	–
Workforce by Age Group			
30 or below	Number of People	N/A	1
31-40	Number of People	N/A	16
41-50	Number of People	N/A	8
51 or above	Number of People	N/A	3
Workforce by Geographical Region			
Hong Kong	Number of People	N/A	4
China	Number of People	N/A	24
Employee Turnover²			
Total Turnover	Number of People	N/A	5
Male	%	N/A	6
Female	%	N/A	33
Employee Turnover by Age Group			
30 or below	%	N/A	200
31-40	%	N/A	13
41-50	%	N/A	–
51 or above	%	N/A	33
Employee Turnover by Geographical Region			
Hong Kong	%	N/A	–
China	%	N/A	21
Health and Safety			
Work-Related Fatality	Number	N/A	–
Lost Day due to Work Injury	Day(s)	N/A	–

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator	Unit	2020	2021
Employee Training^{3,4}			
Total Training Hours	Hour(s)	N/A	100
Average Training Hours of Employees	Hour(s)	N/A	3.57
Percentage of Employees Trained	%	N/A	82
Average Training Hour by Gender			
Male	Hour(s)	N/A	2.44
Female	Hour(s)	N/A	5.08
Average Training Hour by Employee Categories			
Senior Management	Hour(s)	N/A	3
Middle-level Management	Hour(s)	N/A	3.25
General and Technical Staff	Hour(s)	N/A	3.93
Percentage of Employees Trained by Gender			
Male	%	N/A	52
Female	%	N/A	48
Percentage of Employees Trained by Employee Categories			
Senior Management	%	N/A	9
Middle-level Management	%	N/A	30
General and Technical Staff	%	N/A	61
Suppliers			
Hong Kong	Number of Suppliers	N/A	14
China	Number of Suppliers	N/A	44
Product Responsibility			
Products and Service-Related Complaints	Number	N/A	17
Community Investment			
Resources Contributed	RMB	N/A	18,178

¹ Boundary of the total workforce reported is in line with the scope of the Human Resources and Remuneration Policy under the section "Management Discussion and Analysis" of this Annual Report.

² Employee turnover rate refers to total number of employee turnover of particular categories (i.e. gender, age group and geographical region) per the total number of employees of the corresponding category.

³ Average training hour refers to total training hour of particular categories (i.e. gender and employee categories) per the total number of employees of the corresponding category.

⁴ Percentage of employee trained refers to total number of employee trained of particular categories (i.e. gender and employee categorie) per the total number of employees of the corresponding category.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG REPORTING GUIDE CONTENT INDEX

Indicator

Mandatory Disclosure Requirements

Governance Structure

A statement from the board containing the following elements:

- (i) a disclosure of the board's oversight of ESG issues;
- (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and
- (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.

Reporting Principles

A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report:

Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.

Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.

Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.

Reporting Boundary

A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.

Chapter/Disclosure

Page

OUR APPROACH TO SUSTAINABILITY

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Reporting Principles

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Reporting Scope and Reporting Period

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator	Chapter/Disclosure	Page
"Comply or explain" Provisions		
A. Environmental		
Aspect A1: Emissions		
General Disclosure	CREATING VALUE FOR THE ENVIRONMENT	42-44
Information on:		
(a) the policies; and		
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		
KPI A1.1 The types of emissions and respective emissions data.	KEY PERFORMANCE DATA – Environmental	48
KPI A1.2 Greenhouse gas emissions in total (in tonnes) and intensity.	KEY PERFORMANCE DATA – Environmental	48
KPI A1.3 Total hazardous waste produced (in tonnes) and intensity.	KEY PERFORMANCE DATA – Environmental	48
KPI A1.4 Total non-hazardous waste produced (in tonnes) and intensity.	KEY PERFORMANCE DATA – Environmental	48
KPI A1.5 Description of emissions target(s) set and steps taken to achieve them	Environmental Targets For FY2025	42
KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste Management	44

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator	Chapter/Disclosure	Page
Aspect A2: Use of Resources		
General Disclosure	CREATING VALUE FOR THE ENVIRONMENT	42-44
Policies on the efficient use of resources, including energy, water and other raw materials		
KPI A2.1 Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity.	KEY PERFORMANCE DATA – Environmental	48
KPI A2.2 Water consumption in total and intensity.	KEY PERFORMANCE DATA – Environmental	48
KPI A2.3 Description of energy use efficiency target and steps taken to achieve them.	Environmental Targets For FY2025	42
KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Conserving Resources	42, 44
KPI A2.5 Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced.	Environmental Targets For FY2025	
	The use of packaging material for finished products is not applicable to the Group's business.	–
Aspect A3: The Environment and Natural Resources		
General Disclosure	CREATING VALUE FOR THE ENVIRONMENT	42-44
Policies on minimizing the issuer's significant impact on the environment and natural resources.		
KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	CREATING VALUE FOR THE ENVIRONMENT	42-44
Aspect A4: Climate Change		
General Disclosure	Climate Resilience Strategy	43
Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		
KPI A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Resilience Strategy	43

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator	Chapter/Disclosure	Page
B. Social		
<i>Employment and Labour Practices</i>		
Aspect B1: Employment		
General Disclosure	Talent Attraction and Retention	45
Information on:		
(a) the policies; and		
(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.		
KPI B1.1 Total workforce by gender, employment type, age group and geographical region.	KEY PERFORMANCE DATA – Social	49-50
KPI B1.2 Employee turnover rate by gender, age group and geographical region.	KEY PERFORMANCE DATA – Social	49-50
Aspect B2: Health and Safety		
General Disclosure	Caring for Health and Safety	46
Information on:		
(a) the policies; and		
(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.		
KPI B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	KEY PERFORMANCE DATA – Social	49-50
KPI B2.2 Lost days due to work injury.	KEY PERFORMANCE DATA – Social	49-50
KPI B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	Caring for Health and Safety	46

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator	Chapter/Disclosure	Page
Aspect B3: Development and Training		
General Disclosure	Professional Development	46
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		
KPI B3.1	The percentage of employees trained by gender and employee category.	KEY PERFORMANCE DATA – Social
KPI B3.2	The average training hours completed per employee by gender and employee category.	KEY PERFORMANCE DATA – Social
Aspect B4: Labour Standards		
General Disclosure	Fostering an Ideal Environment	46
Information on:		
(a) the policies; and		
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Fostering an Ideal Environment
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Fostering an Ideal Environment
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Responsible Procurement	41
Policies on managing environmental and social risks of the supply chain.		
KPI B5.1	Number of suppliers by geographical region.	KEY PERFORMANCE DATA – Social
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.	Responsible Procurement
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Responsible Procurement
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Responsible Procurement

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator	Chapter/Disclosure	Page	
Aspect B6: Product Responsibility General Disclosure Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. 	CREATING VALUE FOR OUR CUSTOMERS	40-41	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	There were no recalls concerning the provision and use of the Group's products and services that have a significant impact on our operations.	–
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	There were no substantiated complaints received during the Reporting Period.	–
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual property rights are not material to the Group's operations.	–
KPI B6.4	Description of quality assurance process and recall procedures.	Recall procedures are non-material to the Group's operations.	–
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Customer Data Protection	41

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator	Chapter/Disclosure	Page
Aspect B7: Anti-corruption		
General Disclosure	Supplier Integrity Ethical Workplace	41
Information on:		
(a) the policies; and		
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		
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.	There was no material noncompliance with anti-corruption practice in the reporting period.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Fostering an Ideal Environment
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Ethical Workplace
		46
		46
Community		
Aspect B8: Community Investment		
General Disclosure	CREATING VALUE FOR THE COMMUNITY	47
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.		
KPI B8.1	Focus areas of contribution.	Care For Community
KPI B8.2	Resources contributed to the focus area.	KEY PERFORMANCE DATA – Social
		47
		49-50

INDEPENDENT AUDITOR'S REPORT

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 65 to 136, which comprise the consolidated statement of financial position as at 30 June 2021, 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 2021, 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 ("HKSA") 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 2021. 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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of investment properties</i> <i>Refer to significant accounting policies in note 2 and the disclosure of investment properties in notes 13 to the consolidated financial statements.</i></p> <p>The Group's investment properties measured at fair value amounted to HK\$316,700,000 as at 30 June 2021. The fair values were determined by the Group with reference to the valuations carried out by an independent professional valuer engaged by the Group.</p> <p>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 used in the valuation models.</p>	<p>Our audit procedures, among others, included:</p> <ul style="list-style-type: none">– Obtaining and reviewing the valuation report prepared by the independent professional valuer engaged by the management and on which the management's assessment of the valuation of investment properties was based;– Evaluating the competence, capabilities and objectivity of the independent professional valuer;– Discussing with the independent professional valuer to understand the valuation process and methodologies, the performance of the property market, significant assumptions adopted, critical judgements used in the valuation of investment properties;– Assessing the reasonableness of the significant assumptions adopted in the valuation;– Checking the accuracy and relevance of the key inputs adopted in the valuation of investment properties; and– Challenging the judgement and estimates made by management and the valuer regarding the factors considered during the assessment.

INDEPENDENT AUDITOR'S REPORT

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")

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 2021, the Group had PUD and PHS amounting to approximately HK\$599,599,000 and HK\$128,711,000 respectively, which accounted for 36% and 8% 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").

The NRV of PUD and PHS is assessed with reference to valuations carried out by an independent professional valuer engaged by the Group.

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:

- 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;
- 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;
- Evaluating the competence, capabilities and objectivity of the independent professional valuer;
- Discussing with the independent professional valuer their valuation methodology and the key estimates and assumptions adopted in their valuation;
- Assessing the management's process in estimating, if applicable, the future costs to completion and estimated selling expenses for the PUD and PHS, on a sample basis, by comparing them to the actual cost and comparing the adjustments made by the management in the future costs to completion to current market data; and
- Challenging the judgement and estimates made by management and the valuer regarding the factors considered during the assessment.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of unlisted investment funds</p> <p><i>Refer to significant accounting policies in note 2 and the disclosure of unlisted investment funds in note 17 to the consolidated financial statements.</i></p>	
<p>As at 30 June 2021, the Group's unlisted investment funds with a carrying value of approximately HK\$231,079,000 are carried at fair value through profit or loss.</p>	<p>Our audit procedures, among others, included:</p> <ul style="list-style-type: none">– Obtaining audit confirmation from the fund manager of the underlying funds to confirm the valuation of the Group's investment in unlisted investment funds;
<p>The fair value of the unlisted investment funds is assessed with reference to valuations carried out by independent professional valuers engaged by the Group.</p>	<ul style="list-style-type: none">– Evaluating the competence, capabilities and objectivity of the independent professional valuers;
<p>We identified assessing the fair value of this unlisted investment funds as a key audit matter because the amount is significant and the valuation of unlisted investment funds involved significant judgement and estimates including the determination of valuation techniques and inputs used in the valuation models.</p>	<ul style="list-style-type: none">– Obtaining the independent valuation report and discussing with management and the Group's independent professional valuers about the valuation of the unlisted investment funds;<ul style="list-style-type: none">(i) assessing the appropriateness of the valuation technique and key assumptions adopted on valuation of the unlisted investment funds based on nature of the investment;(ii) testing the appropriateness of the key inputs by checking to the relevant market data/information and/or recent transactions; and(iii) inquiring and assessing the rationale of the management's selection of the key inputs and obtaining the supporting evidence.– Challenging the judgement and estimates made by management and the valuers regarding the factors considered during the assessment.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2021 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.

INDEPENDENT AUDITOR'S REPORT

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

As part of an audit in accordance with HKSAAs, 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.

INDEPENDENT AUDITOR'S REPORT

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, actions taken to eliminate threats or safeguards applied.

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 2021

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 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	5	253,977	248,384
Cost of sales	9	(232,248)	(223,313)
Gross profit		21,729	25,071
Other revenue	5	1,351	3,175
Other income	6	1,733	745
Net loss on disposal of financial assets at fair value through profit or loss ("FVPL")		(1,142)	(40,097)
Net decrease in fair value of financial assets at FVPL		(43,244)	(50,288)
Net decrease in fair value of investment properties	13	(27,200)	(74,992)
Write-down of properties under development		–	(10,251)
Reversal (Provision) of impairment loss on loans and interest receivables	20(b)	17,362	(58,989)
Impairment loss on other receivables	20(b)	–	(4,995)
Selling expenses		(4,316)	(10,322)
Administrative expenses		(19,904)	(26,596)
Finance costs	8	(5,934)	(9,365)
Loss before taxation	9	(59,565)	(256,904)
Taxation	10	(662)	1,755
Loss for the year		(60,227)	(255,149)
Other comprehensive income (loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
– Exchange differences arising on translation of foreign operations		36,370	(15,476)
<i>Items that will not be reclassified to profit or loss</i>			
– Change in fair value of financial assets at fair value through other comprehensive income ("Designated FVOCI")		42	(20)
Total other comprehensive income (loss) for the year, net of tax		36,412	(15,496)
Total comprehensive loss for the year		(23,815)	(270,645)
Loss per share	12		
Basic		(2.40) HK cents	(10.19) HK cents
Diluted		(2.40) HK cents	(10.19) HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Investment properties	13	316,700	415,200
Property, plant and equipment	14	70,759	533
Right-of-use assets	15	285	1,068
Designated FVOCI	16	197	155
		387,941	416,956
Current assets			
Properties under development	18	599,599	514,891
Properties held for sales	19	128,711	315,304
Financial assets at FVPL	17	425,889	332,291
Other receivables	20	20,825	23,252
Tax recoverable		–	8
Restricted bank deposits	21	19,234	15,899
Cash and cash equivalents	21	72,022	270,671
		1,266,280	1,472,316
Current liabilities			
Accounts and other payables	22	208,740	447,422
Interest-bearing borrowings	23	292,956	272,190
Tax payables		1,963	–
Lease liabilities	24	297	791
		503,956	720,403
Net current assets		762,324	751,913
Total assets less current liabilities		1,150,265	1,168,869
Non-current liabilities			
Deferred tax liabilities	28	101,517	96,009
Lease liabilities	24	–	297
		101,517	96,306
Net assets		1,048,748	1,072,563
Capital and reserves			
Share capital	25	25,051	25,051
Reserves		1,023,697	1,047,512
Total equity		1,048,748	1,072,563

The consolidated financial statements on pages 65 to 136 were approved and authorised for issue by the Board of Directors on 28 September 2021 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 2021

	Reserves							Total reserves	Total
	Share capital	Share premium	Investment revaluation reserve (non-recycling)	Capital redemption reserve	Capital reserve	Translation reserve	Accumulated profits		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note 26(a))	(Note 26(b))	(Note 26(c))	(Note 26(d))	(Note 26(e))			
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									
<i>Items that may be reclassified subsequently to profit or loss</i>									
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(15,476)	-	(15,476)	(15,476)
<i>Items that will not be reclassified to profit or loss</i>									
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 CHANGES IN EQUITY

For the year ended 30 June 2021

	Reserves								Total HK\$'000
	Share capital HK\$'000 <i>(Note 26(a))</i>	Share premium HK\$'000 <i>(Note 26(b))</i>	Investment revaluation reserve (non- recycling) HK\$'000 <i>(Note 26(b))</i>	Capital redemption reserve HK\$'000 <i>(Note 26(c))</i>	Capital reserve HK\$'000 <i>(Note 26(d))</i>	Translation reserve HK\$'000 <i>(Note 26(e))</i>	Accumulated profits HK\$'000	Total reserves HK\$'000	
At 1 July 2020	25,051	406,743	(417)	11,931	204,610	(18,439)	443,084	1,047,512	1,072,563
Loss for the year	-	-	-	-	-	-	(60,227)	(60,227)	(60,227)
Other comprehensive income									
<i>Items that may be reclassified subsequently to profit or loss</i>									
Exchange differences arising on translation of foreign operations	-	-	-	-	-	36,370	-	36,370	36,370
<i>Items that will not be reclassified to profit or loss</i>									
Change in fair value of Designated FVOCI	-	-	42	-	-	-	-	42	42
Total other comprehensive income for the year	-	-	42	-	-	36,370	-	36,412	36,412
Total comprehensive income (loss) for the year	-	-	42	-	-	36,370	(60,227)	(23,815)	(23,815)
At 30 June 2021	25,051	406,743	(375)	11,931	204,610	17,931	382,857	1,023,697	1,048,748

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Notes	2021 HK\$'000	2020 HK\$'000
OPERATING ACTIVITIES			
Loss before taxation		(59,565)	(256,904)
Adjustments for:			
Depreciation of property, plant and equipment	14	1,097	173
Depreciation of right-of-use assets	15	783	780
Finance costs	8	5,934	9,365
Interest income		(1,351)	(3,175)
Interest income from financial assets at FVPL	5	(2,330)	(802)
Dividend income from financial assets at FVPL	5	(2,075)	(1,622)
Net loss on disposal of financial assets at FVPL		1,142	40,097
Net decrease in fair value of financial assets at FVPL		43,244	50,288
Net decrease in fair value of investment properties	13	27,200	74,992
Write-down of properties under development		–	10,251
Reversal (provision) of impairment loss on loans and interest receivables	20(b)	(17,362)	58,989
Impairment loss on other receivables		–	4,995
Write-off of property, plant and equipment		2	–
Operating cash flows before changes in working capital		(3,281)	(12,573)
Changes in working capital:			
Properties under development		(31,329)	354,421
Properties held for sales		219,280	(315,304)
Other receivables		11,937	1,619
Restricted bank deposits		(3,335)	6,399
Accounts and other payables		(276,457)	(44,330)
Net cash used in operations		(83,185)	(9,768)
Interest paid		(5,912)	(12,010)
Tax paid		(2,837)	(4,831)
Net cash used in operating activities		(91,934)	(26,609)
INVESTING ACTIVITIES			
Dividend received		1,945	14,079
Interest received		3,066	3,821
Purchase of financial assets at FVPL		(174,661)	(59,574)
Purchase of property, plant and equipment	14	(15)	(25)
Additions to investment properties		–	(460)
Net proceeds from disposal of financial assets at FVPL		35,925	354,876
Repayment from other borrowers		10,264	6,842
Net cash (used in) from investing activities		(123,476)	319,559

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	2021	2020
	HK\$'000	HK\$'000
Notes		
29(a)		
FINANCING ACTIVITIES		
Interest paid	(22)	(36)
New loans raised	11,736	–
Repayment of other borrowings	–	(117,789)
Repayment of lease liabilities	(791)	(760)
Net cash from (used in) financing activities	10,923	(118,585)
Net (decrease) increase in cash and cash equivalents	(204,487)	174,365
Cash and cash equivalents at the beginning of the reporting period	270,671	98,413
Effect on exchange rate changes	5,838	(2,107)
Cash and cash equivalents at the end of the reporting period	72,022	270,671
Analysis of the balances of cash and cash equivalents		
Cash at banks and on hand	44,979	135,674
Cash at securities brokers	16,781	124,760
Short-term time deposits	10,262	10,237
	72,022	270,671

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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 2021 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 2020 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year.

ADOPTION OF NEW/REVISED HKFRSS

Amendments to HKASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across HKFRSs.

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

Amendments to HKFRS 3: Definition of a Business

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

ADOPTION OF NEW/REVISED HKFRSS *(continued)*

Amendments to HKFRS 16: COVID-19-Related Rent Concessions

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Coronavirus disease 2019 (“COVID-19”) pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021. The amendments do not affect lessors.

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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BASIS OF CONSOLIDATION *(continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INVESTMENT PROPERTIES *(continued)*

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.

If an item of investment property becomes owner-occupied property for the Group's own use, the Group accounts for such property in accordance with the accounting policy stated under "Investment properties" up to the date of change in use. At the date of transfer, the properties are stated at fair value with difference recognised in the profit or loss and are subsequently stated at cost less accumulated depreciation and accumulated impairment losses under property, plant and equipment.

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.

Land and buildings	Over the lease term
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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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. For classification in the statement of financial position, cash equivalents represent assets similar in nature to cash and which are not restricted as to use.

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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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 LIABILITIES

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

LEASES *(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
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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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

LEASES *(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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 and/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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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 loans 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 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 respectively.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FUTURE CHANGES IN HKFRSS

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

Amendments to HKAS 39, HKFRSS 4, 7, 9 and 16	Interest Rate Benchmark Reform – Phase 2 ^[1]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions Beyond 30 June 2021 ^[2]
Amendments to HKAS 16	Proceeds before Intended Use ^[3]
Amendments to HKAS 37	Cost of Fulfilling a Contract ^[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework ^[3]
Annual Improvements to HKFRSS	2018–2020 Cycle ^[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ^[4]
Amendments to HKAS 1	Disclosure of Accounting Policies ^[4]
Amendments to HKAS 8	Definition of Accounting Estimates ^[4]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ^[4]
HKFRS 17	Insurance Contracts ^[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ^[5]

^[1] Effective for annual periods beginning on or after 1 January 2021

^[2] Effective for annual periods beginning on or after 1 April 2021

^[3] Effective for annual periods beginning on or after 1 January 2022

^[4] Effective for annual periods beginning on or after 1 January 2023

^[5] The effective date to be determined

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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 100 basis points (2020: 200 basis points) higher/lower and all other variables were held constant, the Group's net loss would increase/decrease by approximately HK\$2,273,000 (2020: HK\$4,546,000), but there would be no impact on the other equity reserves.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the secured bank borrowings in existence at that date. The 100 basis points (2020: 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 and listed debt instruments 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% (2020: 15%) higher/lower while all other variables were held constant, the Group's net loss would decrease/increase by approximately HK\$24,400,000 (2020: HK\$17,611,000) due to change in the fair value of investments. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the next annual end of the reporting period. The analysis is performed on the same basis for 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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 90% (2020: 42%) and 100% (2020: 94%) 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. No impairment loss (2020: impairment loss of HK\$4,995,000) has been provided during the year.

At 30 June 2021

Internal credit rating	Gross carrying amount	ECL	Loss allowance	Net carrying amount
	HK\$'000		HK\$'000	HK\$'000
Performing <i>(note (i))</i>	772	12-month	–	772
Underperforming <i>(note (ii))</i>	–	Lifetime	–	–
Not performing <i>(note (iii))</i>	5,413	Lifetime	5,413	–
Write-off	–	n/a	–	–
	6,185		5,413	772

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

3. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk *(continued)*

Credit risk arising from other receivables (continued)

At 30 June 2020

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

3. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk *(continued)*

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 three categories of internal credit rating. The information about the ECL for loans and interest receivables as at 30 June 2021 is summarised below. After considering the above factors, a reversal of impairment loss of HK\$17,362,000 (2020: provision of impairment loss of HK\$58,989,000) (note 20(b)) was recognised to profit or loss during the year.

At 30 June 2021

Internal credit rating	Gross carrying amount	ECL	Loss allowances	Net carrying amount
	HK\$'000		HK\$'000	HK\$'000
Performing <i>(note (i))</i>	–	12-month	–	–
Underperforming <i>(note (ii))</i>	–	Lifetime	–	–
Not performing <i>(note (iii))</i>	53,462	Lifetime	46,462	7,000
	53,462		46,462	7,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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	ECL	Loss allowances	Net carrying amount
	HK\$'000		HK\$'000	HK\$'000
Performing <i>(note (i))</i>	–	12-month	–	–
Underperforming <i>(note (ii))</i>	–	Lifetime	–	–
Not performing <i>(note (iii))</i>	63,824	Lifetime	63,824	–
	63,824		63,824	–

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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 2021, the Group recognised loss allowances of HK\$46,462,000 (2020: HK\$63,824,000) on its loans and interest receivables. The movement in the loss allowance for loans and interest receivables during the year is summarised below.

	2021			Total HK\$'000
	12-month ECL	Lifetime ECL		
	Performing HK\$'000	Under performing	Not performing	
		HK\$'000	HK\$'000	
At the beginning of the reporting period	–	–	63,824	63,824
Decrease in loss allowances	–	–	(17,362)	(17,362)
At the end of the reporting period	–	–	46,462	46,462

	2020			Total HK\$'000
	12-month ECL	Lifetime ECL		
	Performing HK\$'000	Under performing	Not performing	
		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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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:

	2021			
	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	126,045	–	126,045	126,045
Interest-bearing borrowings	292,956	–	292,956	292,956
Lease liabilities	299	–	299	297
	419,300	–	419,300	419,298

	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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*

		2021			
Notes		Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<i>Designated FVOCI:</i>					
Listed in Hong Kong					
– equity securities	16	197	197	–	–
<i>Financial assets at FVPL:</i>					
Unlisted investment funds					
Listed equity securities					
– Hong Kong	17(b)	149,359	149,359	–	–
– the PRC	17(b)	12,884	12,884	–	–
– Overseas	17(b)	3,400	3,400	–	–
Listed debt instruments					
– Hong Kong	17(c)	26,339	26,339	–	–
– Overseas	17(c)	2,828	2,828	–	–
		425,889	194,810	156,215	74,864

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

3. FINANCIAL INSTRUMENTS (continued)

(b) FAIR VALUE MEASUREMENTS (continued)

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

	Notes	2020			
		Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<i>Designated FVOCI:</i>					
Listed in Hong Kong					
– equity securities	16	155	155	–	–
<i>Financial assets at FVPL:</i>					
Unlisted investment funds	17(a)	178,260	–	178,260	–
Listed equity securities					
– 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

During the years ended 30 June 2021 and 2020, 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 of HK\$74,070,000 and disposals of HK\$5,560,000 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 2021 and 2020 are as follows:

Movements in Level 3 fair value measurements

	Financial assets at FVPL	
	2021 HK\$'000	2020 HK\$'000
At the beginning of the reporting period	5,560	–
Additions	74,070	5,560
Increase in fair value	794	–
Disposal	(5,560)	–
At the end of the reporting period	74,864	5,560

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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:

Description	Fair value at 30 June		Valuation techniques	Unobservable input	Sensitivity of fair value to changes in unobservable inputs
	2021 HK\$'000	2020 HK\$'000			
Financial assets at FVPL					
– Listed equity securities	–	5,560	Discounted cash flow method and binomial tree model	Risky rate Volatility	If the risky rate increased/decreased, the fair value of the listed equity securities would decrease/increase. If the volatility increased/decreased, the fair value of the listed equity securities would increase/decrease.
Financial assets at FVPL					
– Unlisted investment funds	74,864	–	Trending analysis	Market capitalisation/ Market indices	If the market capitalisation/market indices increased/decreased by 3%, the fair value of the unlisted investment funds would increase/decrease by HK\$2,246,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

3. FINANCIAL INSTRUMENTS (continued)

(b) FAIR VALUE MEASUREMENTS (continued)

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

The carrying amounts of the financial assets and liabilities of the Group carried at amounts other than fair values are not materially different from their fair values at 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:

	2021 HK\$'000	2020 HK\$'000
<i>Financial assets measured at amortised cost:</i>		
Other receivables (excluding prepayments)	14,233	14,361
Restricted deposits	19,234	15,899
Cash and cash equivalents	72,022	270,671
	105,489	300,931
<i>Financial liabilities measured at amortised cost:</i>		
Accounts and other payables (excluding deposits received and contract liabilities)	126,045	173,605
Interest-bearing borrowings	292,956	272,190
Lease liabilities	297	1,088
	419,298	446,883

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 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

5. REVENUE

Revenue

Revenue from contracts with customers within HKFRS 15:

Sales of properties in the PRC – at a point in time

Revenue from other sources:

Gross rental income from investment properties

Interest income from financial assets at FVPL

Dividend income from financial assets at FVPL

Other revenue

Bank interest income

Loan interest income

Other

	2021 HK\$'000	2020 HK\$'000
	243,327	239,636
	6,245	6,324
	2,330	802
	2,075	1,622
	10,650	8,748
	253,977	248,384
	125	492
	1,224	2,681
	2	2
	1,351	3,175
	255,328	251,559

6. OTHER INCOME

Management fee income

Sundry income

	2021 HK\$'000	2020 HK\$'000
	1,281	558
	452	187
	1,733	745

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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 and 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 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 2021 are presented below:

	Resort and property development	Property investment	Investment holding	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	243,327	6,245	4,405	253,977
Other revenue and income	271	1,015	81	1,367
	243,598	7,260	4,486	255,344
Results				
Segment results	2,185	(23,094)	(40,985)	(61,894)
Unallocated corporate income				19,079
Unallocated corporate expenses				(10,816)
Finance costs				(5,934)
Loss before taxation				(59,565)
Taxation				(662)
Loss for the year				(60,227)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

7. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities as at 30 June 2021 and other segment information for the year ended 30 June 2021 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	763,203	325,477	463,971	1,552,651	101,570	1,654,221
Liabilities	(318,145)	(276,500)	(189)	(594,834)	(10,639)	(605,473)
Other segment information:						
Additions to property, plant and equipment	15	-	-	15	-	15
Depreciation						
- Property, plant and equipment	(45)	-	(118)	(163)	(934)	(1,097)
- Right-of-use assets	-	-	-	-	(783)	(783)
Net loss on disposal of financial assets at FVPL	-	-	(1,142)	(1,142)	-	(1,142)
Net decrease in fair value of financial assets at FVPL	-	-	(43,244)	(43,244)	-	(43,244)
Net decrease in fair value of investment properties	-	(27,200)	-	(27,200)	-	(27,200)
Reversal of impairment loss on loans and interest receivables	-	-	-	-	17,362	17,362
Write-off of property, plant and equipment	(2)	-	-	(2)	-	(2)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

7. SEGMENT INFORMATION *(continued)*

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
	<u>239,873</u>	<u>6,611</u>	<u>3,175</u>	<u>249,659</u>
Results				
Segment results	<u>(18,728)</u>	<u>(70,525)</u>	<u>(87,837)</u>	(177,090)
Unallocated corporate income				2,645
Unallocated corporate expenses				(73,094)
Finance costs				<u>(9,365)</u>
Loss before taxation				(256,904)
Taxation				<u>1,755</u>
Loss for the year				<u><u>(255,149)</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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						
– Property, plant and equipment	(55)	–	(118)	(173)	–	(173)
– 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)
Provision for impairment loss on loans and interest receivables	–	–	–	–	(58,989)	(58,989)
Provision for impairment loss on other receivables	(4,995)	–	–	(4,995)	–	(4,995)

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. Revenue from the property investment segment reported above represents rental income earned from external customers. Segment results represent profit or loss attributable to each segment without allocation of corporate income, central administration expenses, finance costs and income tax 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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	
	2021 HK\$'000	2020 HK\$'000
Hong Kong	10,440	8,611
The PRC	243,350	239,636
Others	187	137
	253,977	248,384

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	
	2021 HK\$'000	2020 HK\$'000
Hong Kong	387,641	416,678
The PRC	103	123
	387,744	416,801

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 (2020: none) of external customers contributed 10% or more of the revenue of the Group for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

8. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest expenses on bank and other borrowings	5,912	12,132
Less: Interest capitalised into properties under development	–	(2,803)
	5,912	9,329
Interest expenses on lease liabilities	22	36
	5,934	9,365

9. LOSS BEFORE TAXATION

This is stated after charging:

	2021 HK\$'000	2020 HK\$'000
Staff costs, including directors' emoluments		
Salaries and other benefits	7,395	9,503
Retirement benefit scheme contributions	296	312
	7,691	9,815
Other items		
Auditor's remuneration		
– Audit service	850	850
– Non-audit related service	88	218
Cost of inventories	232,248	223,313
Depreciation		
– Property, plant and equipment	1,097	173
– Right-of-use assets	783	780
Direct operating expenses relating to investment properties that did not generate rental income	103	507
Exchange loss, net	283	138
Short-term lease expenses	122	188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

10. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for tax purpose for the year ended 30 June 2021. Hong Kong Profits Tax had not been provided as the Group's estimated assessable profits for the year ended 30 June 2020 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% (2020: 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.

The net tax comprises:

Current year

	2021 HK\$'000	2020 HK\$'000
EIT	–	6,405
LAT	4,759	4,072
	4,759	10,477
Deferred taxation		
Reversal of temporary differences (<i>note 28</i>)	(4,097)	(12,232)
Tax expenses (credit) during the year	662	(1,755)

Reconciliation of taxation

	2021 HK\$'000	2020 HK\$'000
Loss before taxation	(59,565)	(256,904)
Income tax at application tax rate	(16,216)	(49,775)
Tax effect of expenses not deductible in determining taxable profit	5,906	44,029
Tax effect of income not taxable in determining taxable profit	(5,607)	(475)
Unrecognised tax losses	2,445	2,307
Unrecognised temporary differences	9,780	3
Utilisation of previously unrecognised tax losses	–	(898)
Utilisation of previously unrecognised temporary differences	(5)	–
LAT	4,759	4,072
EIT effect of LAT	(1,190)	(1,018)
Others	790	–
Tax expenses (credit) for the year	662	(1,755)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) DIRECTORS' EMOLUMENTS

For the years ended 30 June 2021 and 2020, the emoluments paid or payable to each director were as follows:

	Wu Zhanming HK\$'000 (Note i)	Wu Tao HK\$'000 (Note ii)	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 2021									
Fees	240	240	240	-	92	360	360	360	1,892
Other emoluments									
Salaries and other benefits	1,034	2	2	-	614	2	2	2	1,658
Retirement benefit scheme contributions	-	-	-	-	3	-	-	-	3
Total emoluments	1,274	242	242	-	709	362	362	362	3,553
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) DIRECTORS' EMOLUMENTS (continued)

Notes:

- (i) On 21 August 2019, Mr. Wu Zhanming was 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 was appointed as a 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.

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 30 June 2021 and 2020. 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 2021 and 2020.

(b) EMPLOYEES' EMOLUMENTS

The five highest paid individuals included two* (2020: two) directors of the Company, details of whose emoluments are set out in (a) above. The emoluments of the remaining three (2020: three) individuals are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries and other benefits	2,022	1,891
Retirement benefits scheme contributions	46	82
	2,068	1,973

The three (2020: three) highest paid individuals' remuneration falls within the following band:

	Number of employees	
	2021	2020
Nil to HK\$1,000,000	2	3
HK\$1,000,001 to HK\$1,500,000	1	–

During the years ended 30 June 2021 and 2020, 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 2021 and 2020, no such highest paid individuals waived or agreed to waive any emoluments.

* The two directors include a director who resigned as an executive director of the Company during the year ended 30 June 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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:

	2021	2020
	HK\$'000	HK\$'000
Loss for the year for the purposes of calculating basic loss per share	(60,227)	(255,149)

	2021	2020
	No. of shares	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 2021 and 2020, 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 2021 and 2020.

13. INVESTMENT PROPERTIES

	2021	2020
	HK\$'000	HK\$'000
Fair value		
At the beginning of the reporting period	415,200	454,000
Additions	–	460
Transfer from assets classified as held for sale	–	35,732
Transfer to property, plant and equipment (<i>note 14</i>)	(71,300)	–
Decrease in fair value	(27,200)	(74,992)
At the end of the reporting period	316,700	415,200

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

13. INVESTMENT PROPERTIES (continued)

Notes:

- (a) At the end of the reporting period, the Group's investment properties with a carrying value of HK\$316,700,000 (2020: HK\$415,200,000) 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 (2020: 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 2021 and 2020 are classified as Level 2 fair value measurement, which uses significant observable inputs in arriving at fair value. During the years ended 30 June 2021 and 2020, except for the transfer of investment properties to land and buildings under property, plant and equipment, 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 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 38 years.

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 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.

	2021 HK\$'000	2020 HK\$'000
Year 1	3,268	5,186
Year 2	1,048	778
	4,316	5,964

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
Cost				
At 1 July 2019	–	512	591	1,103
Additions	–	–	25	25
Exchange realignment	–	–	(15)	(15)
At 30 June 2020 and 1 July 2020	–	512	601	1,113
Additions	–	–	15	15
Transfer from investment properties (note)	71,300	–	–	71,300
Write-off	–	–	(46)	(46)
Exchange realignment	–	–	33	33
At 30 June 2021	71,300	512	603	72,415
Accumulated depreciation				
At 1 July 2019	–	52	363	415
Charge for the year	–	102	71	173
Exchange realignment	–	–	(8)	(8)
At 30 June 2020 and 1 July 2020	–	154	426	580
Charge for the year	934	102	61	1,097
Write-off	–	–	(44)	(44)
Exchange realignment	–	–	23	23
At 30 June 2021	934	256	466	1,656
Net carrying values				
At 30 June 2021	70,366	256	137	70,759
At 1 July 2020	–	358	175	533

Note:

At 31 December 2020, the Group transferred investment properties with fair value of HK\$71,300,000 (note 13) to land and buildings under property, plant and equipment for self-occupied as its office premises. The land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over its remaining lease term of 38 years, using straight-line method.

At the end of the reporting period, the Group's land and buildings with carrying value of HK\$70,366,000 (2020: HK\$Nil) were pledged to secure its bank loans (note 23(a)) and bank facilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

15. RIGHT-OF-USE ASSETS

The movements of right-of-use assets within HKFRS 16 are set out below:

	Office premise HK\$'000
Reconciliation of carrying amount – year ended 30 June 2020	
At the beginning of the reporting period upon adoption of HKFRS 16	1,061
Additions	787
Depreciation	<u>(780)</u>
At the end of the reporting period	<u>1,068</u>
Reconciliation of carrying amount – year ended 30 June 2021	
At the beginning of the reporting period	1,068
Depreciation	<u>(783)</u>
At the end of the reporting period	<u>285</u>
At 1 July 2020	
Cost	1,848
Accumulated depreciation	<u>(780)</u>
Net carrying amount	<u>1,068</u>
At 30 June 2021	
Cost	1,848
Accumulated depreciation	<u>(1,563)</u>
Net carrying amount	<u>285</u>

At the end of the reporting period, the Group leased office premise in Hong Kong for its daily operations for a term of 2 to 3 years with fixed lease payments. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

The Group has recognised the following amounts for the year:

	2021 HK\$'000	2020 HK\$'000
Lease payments – Expenses recognised in profit or loss:		
Short-term leases expenses	122	188
Total cash outflow for leases	935	1,008

COMMITMENTS UNDER OPERATING LEASES

As at 30 June 2021, the Group is committed to HK\$41,000 (2020: HK\$112,000) for short-term leases.

16. DESIGNATED FVOCI

	2021 HK\$'000	2020 HK\$'000
At fair value		
Listed equity securities – Hong Kong	197	155

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	2021 HK\$'000	2020 HK\$'000
Unlisted investment funds	(a)	231,079	178,260
Listed equity securities			
– Hong Kong	(b)	149,359	146,170
– the PRC	(b)	12,884	–
– Overseas	(b)	3,400	–
Listed debt instruments			
– Hong Kong	(c)	26,339	7,861
– Overseas	(c)	2,828	–
		425,889	332,291

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

17. FINANCIAL ASSETS AT FVPL (continued)

Notes:

(a) The unlisted investment funds mainly comprise of:

- (i) 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\$104,986,000 and HK\$51,229,000 respectively (2020: HK\$120,581,000 and HK\$57,679,000 respectively). Green Asia Restructure SP and Green Asia Restructure SP II are segregated portfolios (the "Segregated Portfolios") held by a third party of the Group, Green Asia Restructure Fund SPC, an exempted company incorporated in the Cayman Islands with limited liability (the "Green Asia Fund"), which is managed by a third party of the Group, Long Asia Asset Management Limited, a company incorporated in the Cayman Islands with limited liability.

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

At the end of the reporting period, the fair value of the Group's investments in the Green Asia Fund amounted to approximately HK\$156,215,000 (2020: HK\$178,260,000), 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.

- (ii) In April 2021, the Group subscribed 5,000,000 participating and non-voting shares of Jinshan Portfolio (the "Jinshan Portfolios") at a total subscription amount of US\$5,000,000, which represented approximately 16.67% of Jinshan Portfolios under Huangpu River Capital SPC (the "Huangpu River Fund").

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

At the end of the reporting period, the fair value of the Group's investments in the Huangpu River Fund amounted to approximately HK\$39,000,000 (2020: HK\$Nil), which was based on the trending analysis method evaluated by an independent professional valuer, AVISTA Valuation Advisory Limited, at the end of the reporting period.

(b) The fair value of listed equity securities is mainly based on quoted market prices in active market in both years.

At the end of the reporting period, included in financial assets at FVPL with carrying amount of approximately HK\$164,533,000 (2020: HK\$35,329,000) are pledged as collateral to the margin loan facilities granted to the Group with corporate guarantee provided by the Company. No (2020: No) margin loan facilities have been utilised and outstanding at the end of the reporting period.

(c) At the end of the reporting period, the Group held debt instruments listed in Hong Kong and overseas amounting to approximately HK\$26,339,000 (2020: HK\$7,861,000) and HK\$2,828,000 (2020: HK\$Nil) respectively, which bear fixed annual interest rate ranging from 7.25% to 12% (2020: 4.75%) and at 7.25% (2020: Nil) respectively. The fair value of these debt instruments at the end of the reporting period was determined on the basis of quoted market price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

18. PROPERTIES UNDER DEVELOPMENT

	2021 HK\$'000	2020 HK\$'000
Properties under development ("PUD")	679,307	587,112
Write-down to net realisable value	(79,708)	(72,221)
	599,599	514,891

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 (2020: none) of the PUD is expected to be completed after more than one year.

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 was based on the completed gross development value after deducting the estimated costs of completion and the estimated costs necessary to make the sale. During the year, no write-down of PUD was recognised by the Group based on the valuation report of the PUD (2020: the Group had recognised write-down of PUD of approximately HK\$10,251,000 as a result of the cost of which exceeded their net realisable value based on the valuation report of the PUD).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

19. PROPERTIES HELD FOR SALES

	2021	2020
	HK\$'000	HK\$'000
Properties held for sales ("PHS")	128,711	315,304

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

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 was based on the completed gross development value after deducting the estimated costs of completion and the estimated costs necessary to make the sale.

20. OTHER RECEIVABLES

	Notes	2021	2020
		HK\$'000	HK\$'000
Loans and interest receivables	(a)	53,462	63,824
Loss allowances	(b)	(46,462)	(63,824)
		7,000	–
Other receivables		6,185	6,138
Loss allowances	(b)	(5,413)	(4,905)
		772	1,233
Deposits and prepayments		11,301	20,397
Dividend receivables		1,752	1,622
		13,053	22,019
		20,825	23,252

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

20. OTHER RECEIVABLES (continued)

Notes:

- (a) As at the end of the reporting period, the loan with principal amount of HK\$15,500,000 (2020: HK\$15,500,000) granted to a third party borrower is unsecured, bearing fixed interest rates at 4% (2020: 4%) per annum. The loans are overdue for more than 12 months (2020: 3 months).

The remaining loans with principal amount of HK\$37,744,000 (2020: HK\$48,008,000) granted to another third party borrower, in which the spouse of Mr. Yuen Chi Ping, the Company's former 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% (2020: 4%) per annum. As at 30 June 2020, the loan was overdue for more than 3 months. Pursuant to partial repayment and extension of loan agreement dated 11 November 2020, the Group received a partial repayment of HK\$10,000,000 from the borrower and agreed to extend the repayment date to 15 July 2021.

Subsequent to the end of the reporting period, pursuant to partial repayment and extension of loan agreement dated 8 September 2021, the Group received a partial repayment of HK\$7,000,000 and agreed to further extend the repayment date in following manner: (i) HK\$3,000,000 on or before 31 January 2022; and (ii) the remaining balance on or before 30 September 2022.

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

	2021 HK\$'000	2020 HK\$'000
Loss allowances for loans and interest receivables		
At the beginning of the reporting period	63,824	4,835
(Decrease) Increase in allowances	(17,362)	58,989
At the end of the reporting period (note 3(a))	46,462	63,824

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

	2021 HK\$'000	2020 HK\$'000
Loss allowances for other receivables		
At the beginning of the reporting period	4,905	–
Increase in allowances	–	4,995
Exchange realignment	508	(90)
At the end of the reporting period (note 3(a))	5,413	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

21. RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	Notes	2021 HK\$'000	2020 HK\$'000
Cash at banks and on hand	(a)	64,213	151,573
Cash at securities brokers	(b)	16,781	124,760
		80,994	276,333
Less: Restricted bank deposits under			
– Pre-sales of PUD	(c)	(17,718)	(15,899)
– Arbitration proceedings	(e)	(1,516)	–
		(19,234)	(15,899)
		61,760	260,434
Short-term time deposits	(d)	10,262	10,237
		72,022	270,671
As per consolidated statement of cash flows			

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.
- (e) Bank deposits of RMB1,260,000 (equivalent to HK\$1,516,000) (2020: HK\$Nil) have been attached, seized and frozen in pending the resolution of arbitration proceedings due to the legal disputes on the fees relating to the provision of construction and other services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

22. ACCOUNTS AND OTHER PAYABLES

	Notes	2021 HK\$'000	2020 HK\$'000
Accounts payables			
To third parties	(a)	89,788	131,173
Other payables			
Accrued charges and other creditors		13,400	9,745
Deposits received	(b)	3,337	14,595
Contract liabilities	(c)	79,358	259,222
Provision for land transfer fees	(d)	22,857	20,710
Interest payables – other borrowings	(e)	–	11,977
		118,952	316,249
		208,740	447,422

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:

	2021 HK\$'000	2020 HK\$'000
0 – 180 days	13,410	16,942
181 – 365 days	28,791	105,304
Over 365 days	47,587	8,927
	89,788	131,173

- (b) Deposits received represent intention deposits received from potential customers for purchase of PUD and PHS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

22. ACCOUNTS AND OTHER PAYABLES (continued)

Notes: (continued)

(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:

	2021 HK\$'000	2020 HK\$'000
At the beginning of the reporting period	259,222	349,897
Receipt in advance	28,059	147,134
Recognised as revenue	(229,743)	(223,845)
Exchange realignment	21,820	(13,964)
	79,358	259,222

At the end of the reporting period, none (2020: none) of the contract liabilities that are expected to be settled after more than 12 months. HK\$121,365,000 (2020: HK\$310,575,000) are expected to be recognised as revenue within 12 months.

(d) The amount is-unsecured, interest-free and repayable on demand.

(e) As at 30 June 2020, the Group's interest payables in respect of other borrowings were unsecured and bearing fixed interest rates ranging from 10% to 24% per annum and repayable on demand.

23. INTEREST-BEARING BORROWINGS

	Notes	2021 HK\$'000	2020 HK\$'000
Current portion			
Bank borrowings, secured	(a)	272,190	272,190
Other borrowings, unsecured	(b)	20,766	–
		292,956	272,190

Notes:

(a) At the end of the reporting period, the Group's bank borrowings carry interest rates at 2% above Hong Kong Interbank Offered Rate (2020: 2% below Hong Kong Dollar Prime Rate) and are repayable in lump sum in November 2021. The effective interest rate during the year was 2.16% (2020: 2.96%) 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 and property, plant and equipment of the Group with carrying amounts of approximately HK\$316,700,000 and HK\$70,366,000 respectively (2020: pledge of investment properties of the Group with a carrying amount of approximately HK\$415,200,000);

(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 2021, rental income of approximately HK\$6,245,000 (2020: approximately HK\$6,324,000) generated from the investment properties; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

23. INTEREST-BEARING BORROWINGS (continued)

Notes: (continued)

(a) (continued)

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

(b) At the end of the reporting period, the Group's other borrowings are unsecured and bearing fixed interest rate ranging from 6.5% to 10% per annum (2020: Nil) and repayable within twelve months or on demand. Included in the other borrowings of HK\$5,233,000 are borrowed from a director of a subsidiary of the Company, which are unsecured and bearing fixed interest rate at 6.5% per annum (2020: Nil) and repayable in August 2021.

24. LEASE LIABILITIES

	Lease liabilities	
	2021	2020
	HK\$'000	HK\$'000
Reconciliation of carrying amount		
At the beginning of the reporting period	1,088	–
Upon adoption of HKFRS 16	–	1,061
Additions	–	787
Interest expenses on lease liabilities	22	36
Lease payments	(813)	(796)
At the end of the reporting period	297	1,088
Current portion	297	791
Non-current portion	–	297
	297	1,088

25. SHARE CAPITAL

	2021		2020	
	Number of shares	HK\$'000	Number of shares	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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 40 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\$61,012,000 (2020: *approximately HK\$51,199,000*) available for distribution to shareholders at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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 16 November 2017, 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 250,510,574 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 2021, the total number of shares available for issue under the Scheme was 250,510,574 (2020: 250,510,574) shares, which represented approximately 10% (2020: 10%) of the Company's issued share capital.

During the years ended 30 June 2021 and 2020, no share options had been granted. There were no share options outstanding as at 30 June 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

28. DEFERRED TAXATION

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

	2021 HK\$'000	2020 HK\$'000
At the beginning of the reporting period	96,009	112,975
Credit to profit or loss (<i>note 10</i>)	(4,097)	(12,232)
Exchange realignment	9,605	(4,734)
At the end of the reporting period	101,517	96,009

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

	Assets		Liabilities	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Depreciation allowances	–	–	(2,624)	(2,598)
Fair value adjustment arising from the transfer of investment properties to land and buildings under property, plant and equipment	–	–	(9,780)	–
Fair value adjustment on PUD and PHS	–	–	(91,737)	(96,009)
Tax losses	2,624	2,598	–	–
Deferred tax assets (liabilities)	2,624	2,598	(104,141)	(98,607)
Offsetting	(2,624)	(2,598)	2,624	2,598
Net deferred tax liabilities	–	–	(101,517)	(96,009)
Amount expected to be recovered/ settled after 12 months	–	–	(101,517)	(96,009)

The balances represent deferred tax on the fair value adjustment on the PUD and PHS arising from the acquisition of a subsidiary, fair value adjustment arising from transfer of investment properties to land and buildings under property, plant and equipment for self-occupied and accelerated tax depreciation offsetting against unused tax losses recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

28. DEFERRED TAXATION (continued)

UNRECOGNISED DEFERRED TAX ASSETS

	2021 HK\$'000	2020 HK\$'000
Depreciation allowances	100	34
Tax losses arising in Hong Kong	268,985	284,842
Tax losses arising in the PRC	3,746	–
Deemed profit for pre-sales of PUD in the PRC	–	3,593
	272,831	288,469

At the end of the reporting period, the Group had unused tax losses and deductible temporary differences of approximately HK\$268,985,000 and HK\$100,000 (2020: HK\$284,842,000 and HK\$34,000) 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:

	2021 HK\$'000	2020 HK\$'000
Year of expiry 2025	3,746	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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
2021			
At the beginning of the reporting period	272,190	1,088	273,278
Interest expenses	–	22	22
Transfer to principal portion	8,736	–	8,736
Exchange realignment	294	–	294
Cash inflow (outflow) in financing activities:			
Interest paid	–	(22)	(22)
New loans raised	11,736	–	11,736
Repayment of lease liabilities	–	(791)	(791)
At the end of the reporting period	292,956	297	293,253

	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

(b) MAJOR NON-CASH TRANSACTIONS

Other than notes 13 and 14 disclosed in the consolidated financial statements, there was no major non-cash transaction during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

30. COMMITMENTS

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

	2021 HK\$'000	2020 HK\$'000
Expenditure in respect of the properties under development contracted but not provided for	82,414	124,641

31. RELATED PARTY 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	2021 HK\$'000	2020 HK\$'000
Related company with a common director, Mr. Wu Tao	Consultancy fee	770	385

(b) REMUNERATION TO KEY MANAGEMENT PERSONNEL

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Interests in subsidiaries	(a)	748,587	694,063
Current assets			
Other receivables		7,509	448
Bank balances and cash		21,155	72,946
		28,664	73,394
Current liabilities			
Other payables		324	343
Interest-bearing borrowings		272,190	272,190
		272,514	272,533
Net current liabilities		(243,850)	(199,139)
Net assets		504,737	494,924
Capital and reserves			
Share capital	25	25,051	25,051
Reserves	(b)	479,686	469,873
Total equity		504,737	494,924

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

(a) INTERESTS IN SUBSIDIARIES

	2021 HK\$'000	2020 HK\$'000
Unlisted shares, at cost	89,046	89,046
Amounts due from subsidiaries	772,134	777,242
	861,180	866,288
Allowance for impairment losses	(66,302)	(66,302)
	794,878	799,986
Amounts due to a subsidiary	(46,291)	(105,923)
	748,587	694,063

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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/kind of legal entity	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	Hong Kong/limited liability company	Ordinary HK\$574,630,911	100%	–	Investing in securities
Applied Hong Kong Properties Limited	Hong Kong/limited liability company	Ordinary HK\$500,000	–	100%	Investing in equity securities and property investment
Applied Talent Management Limited	Hong Kong/limited liability company	Ordinary HK\$1	–	100%	Provision of administrative and secretarial services
Dragon Gainer Investment Limited	Hong Kong/limited liability company	Ordinary HK\$1	–	100%	Provision of administrative and secretarial services
Dragon Bell Group Limited	British Virgin Islands/ limited liability company	Ordinary US\$1	100%	–	Investing in securities
Superform Investment Limited	Hong Kong/limited liability company	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/wholly foreign owned enterprise	Registered capital RMB440,000,000 (2020: RMB180,000,000) (note)	–	100%	Property development

* For identification purpose only.

Note:

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. On 14 January 2021, the MQSC approved the Company to further increase the registered capital from RMB410,000,000 to RMB440,000,000. The Group completed the capital injection in July 2020, September 2020 and January 2021 respectively.

On 5 August 2021, the MQSC approved the Group to increase the registered capital of Wuxi Shengye from RMB440,000,000 to RMB460,000,000.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

(b) MOVEMENTS OF RESERVES OF THE COMPANY

	Share premium HK\$'000 <i>(Note 26(a))</i>	Capital redemption reserve HK\$'000 <i>(Note 26(c))</i>	Capital reserve HK\$'000 <i>(Note 26(d))</i>	Accumulated losses HK\$'000	Total HK\$'000
At 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 and 1 July 2020	406,743	11,931	204,610	(153,411)	469,873
Profit for the year and total comprehensive income for the year	–	–	–	9,813	9,813
At 30 June 2021	406,743	11,931	204,610	(143,598)	479,686

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.

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.

No forfeited contribution is available to reduce the contributions payable in future years.

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 2021 (2020: HK\$ Nil).

FIVE-YEAR FINANCIAL SUMMARY

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

RESULTS

	For the year ended 30 June				2021 HK\$'000
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	
Revenue	14,293	3,743	17,011	248,384	253,977
Profit (Loss) before income tax	290,949	8,796	(78,215)	(256,904)	(59,565)
Tax (expense) credit	31	1,842	464	1,755	(662)
Profit (Loss) for the year	290,980	10,638	(77,751)	(255,149)	(60,227)
Attributable to equity holders of the Company	290,980	10,638	(77,751)	(255,149)	(60,227)

ASSETS AND LIABILITIES

	At 30 June				2021 HK\$'000
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	
Total assets	1,958,302	2,185,923	2,359,681	1,889,272	1,654,221
Total liabilities	(711,156)	(758,026)	(1,016,473)	(816,709)	(605,473)
	1,247,146	1,427,897	1,343,208	1,072,563	1,048,748
Equity attributable to equity holders of the Company	1,247,146	1,427,897	1,343,208	1,072,563	1,048,748

PARTICULARS OF INVESTMENT PROPERTIES, LAND AND BUILDINGS UNDER PROPERTY, PLANT AND EQUIPMENT, PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALES

Particulars of investment properties held by the Group as at 30 June 2021 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 2407A, 2407B, 2408A, 2410A, 2410B, 2411A and 2411B)	11,686 sq.ft.	2059	Commercial	100%

Particulars of land and buildings under property, plant and equipment held by the Group as at 30 June 2021 are as follows:

Name/location	Approximate gross floor area	Lease expiry	Type	Effective % held
Hong Kong				
Units 2407A, 2407B and 2408A on 24th Floor, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong	2,696 sq.ft.	2059	Commercial	100%

Particulars of properties under development and properties held for sales held by the Group as at 30 June 2021 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	First quarter 2022	29,326 sq.m.	112,180 sq.m.	12,587 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
“FY2020”	the financial year ended 30 June 2020
“FY2021”	the financial year ended 30 June 2021
“Group” or “We”	the Company and its subsidiaries
“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
“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
“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\$”	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