



實力建業
APPLIED DEVELOPMENT

APPLIED DEVELOPMENT HOLDINGS LIMITED

實力建業集團有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 519

Annual Report
2022



* For identification purpose only

CONTENTS

Corporate Information	2
Chairman’s Statement	3
Management Discussion and Analysis	4
Biographies of Directors and Senior Management	13
Directors’ Report	15
Corporate Governance Report	20
Environmental, Social and Governance Report	32
Independent Auditor’s Report	59
Consolidated Statement of Comprehensive Income	66
Consolidated Statement of Financial Position	67
Consolidated Statement of Changes in Equity	68
Consolidated Statement of Cash Flows	70
Notes to the Consolidated Financial Statements	72
Five-Year Financial Summary	141
Particulars of Investment Properties, Land and Buildings under Property, Plant and Equipment, Properties under Development and Properties Held for Sales	142
Definitions	143

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Tat Chi, Michael
Mr. Chiu Kit Man, Calvin
Mr. Zhu Xinhui

AUDIT COMMITTEE

Mr. Yu Tat Chi, Michael (*Chairman*)
Mr. Chiu Kit Man, Calvin
Mr. Zhu Xinhui

REMUNERATION COMMITTEE

Mr. Chiu Kit Man, Calvin (*Chairman*)
Mr. Yu Tat Chi, Michael
Mr. Wu Zhanming

NOMINATION COMMITTEE

Mr. Wu Zhanming (*Chairman*)
Mr. Chiu Kit Man, Calvin
Mr. Yu Tat Chi, Michael

COMPANY SECRETARY

Ms. Luk Shan

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2408A, 24th Floor
Tower 1, Lippo Centre
89 Queensway
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor
Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

SHARE REGISTRAR IN BERMUDA

MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
Hang Seng Bank Limited
Nanyang Commercial Bank, Limited

AUDITOR

Mazars CPA Limited
Certified Public Accountants

SOLICITORS

Miao & Co. (In Association with Han Kun Law Offices)
ONC Lawyers

STOCK CODE

HKEx: 519

WEBSITE

<http://www.applieddev.com>

Dear Shareholders,

On behalf of the Board 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 2022.

RESULTS

During FY2022, the Company recorded a loss of approximately HK\$162,877,000, which was mainly due to a net decrease in fair value of financial assets at FVPL of HK\$128,823,000 and a net decrease in fair value of investment properties of HK\$21,600,000.

PROSPECT

2021 was a difficult year with some uncertainties emerged in international landscape, causing the global supply chain tension and the growing recessionary trends in the worldwide. Due to the COVID-19 outbreaks in certain regions of China during the first half of 2022, the progress of the Wuxi Property Project of the Group was affected to a certain extent. Yet we overcame various challenges to push forward the relevant progress of the Wuxi Property Project as scheduled, thus allowing it to enter into a new stage of development.

1. Property business: In FY2022, the real estate industry of China was faced with unprecedented challenges while undergoing profound changes. The Group has experienced difficulties in implementing the property sales plan of the Wuxi Property Project. Nonetheless, we have been advancing various works with our full effort, while facing and dealing with historical legacy issues in a positive manner. The completion acceptance work is being orderly progressed, and the related commercial plans are also being actively formulated, advanced and implemented. During FY2022, the Group has relocated its headquarters to Lippo Centre in Hong Kong, achieving a smooth leasing and sale management of the assets held by the Group in Lippo Centre.
2. Investment business: In the first half of 2022, international turbulence posed a great challenge to the global economic recovery. Inflation hit record high across the globe and capital markets became more volatile, which was demanding for our investment business. The Group is improving the systems in relation to its investment business. While recovering some of its historical investments, the Group seeks for promising investments and diversifies its investment portfolio to cope with the risks and impacts of market fluctuations.

In the year to come, stability remains a keynote of the Group. To secure a progress while ensuring stability and quality, the Group will intensify internal management, optimize business structure and proactively meet challenges in all aspects. Amidst global unprecedented changes and accelerating industry developments, the Group will also explore new trends and opportunities to enhance its asset value.

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 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's principal business is resort and property development, property investment and investment holding during FY2022.

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, second and third phase of the apartment portion were completed in the third quarter of 2019, 2020 and 2022 respectively. The completion of the whole Wuxi Property Project is expected to take place in the fourth quarter of 2022. Most of the apartment portion of the first and second phase have been delivered to customers as at 30 June 2021. During FY2022, only several apartments were delivered to customers and recognised a revenue of HK\$4,705,000 with overall gross profit margin of 17% after excluding the revaluation consolidation adjustment. As at 30 June 2022, the sale amounts with the contracts signed but properties not yet delivered were approximately HK\$111,650,000. Although the impact of COVID-19 in the PRC has been controlled in months after the outbreak in 2020, the new coronavirus variants are still bringing unpredictable challenges to the PRC property market and global economy.

PROPERTY INVESTMENT

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

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 2022 was HK\$295,100,000 (*30 June 2021: HK\$316,700,000*). The economy and properties market of Hong Kong are being hit by the coronavirus variants. The fair value of the Group's investment properties decreased by HK\$21,600,000 for FY2022 (*2021: HK\$27,200,000*). It is emphasised that the fair value loss was non-cash in nature.

The Group's investment properties contributed rental income of HK\$4,406,000 in total for FY2022 (*2021: HK\$6,245,000*). Rental income dropped because the rent and occupancy rate decreased for FY2022.

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 FY2022, the Group recorded interest and dividend income from financial assets at FVPL of HK\$2,020,000 (2021: HK\$4,405,000), net gain on disposal of financial assets at FVPL of HK\$937,000 (2021: net loss of HK\$1,142,000) and a decrease in fair value of financial assets at FVPL of HK\$128,823,000 (2021: HK\$43,244,000). Details of the significant investments held by the Group for FY2022 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 (collectively, the "Green Asia Funds"), both of which are segregated portfolios of Green Asia Restructure Fund SPC ("Green Asia"). The investment objective of Green Asia 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.

During FY2022, the Group made a partial redemption and received the redemption amount of approximately HK\$5,657,000 in September 2021. On 18 January 2022, the Group further issued redemption notices for an aggregated redemption amount of approximately HK\$30,497,000. Green Asia failed to pay the redemption amount to the Group, and the Group filed petitions for applications for the appointment of receivers over the assets of the Green Asia Funds with the Grand Court of the Cayman Islands (the "Cayman Court") on 19 May 2022 (Cayman Islands time). At the hearing of the petitions on 6 July 2022, Mr. Lai Kar Yan and Mr. Chan Man Hoi of Deloitte Touche Tohmatsu and Mr. Michael Green of Deloitte & Touche LLP were appointed as Joint and Several Receivers over the assets of the Green Asia Funds (the "Green Asia Funds Receivers") by the order of the Cayman Court. As at the date of this annual report, the assets realization procedure is in progress. For details, please refer to the announcement of the Company dated 23 May 2022.

As at 30 June 2022, the fair value of the Group's investment in Green Asia Restructure SP and Green Asia Restructure SP II was HK\$21,394,000 and HK\$11,783,000 respectively. The aggregate fair value of the Group's investments in the Green Asia Funds accounted for 2.3% of the Group's total assets. During FY2022, the fair value of the Group's investment in the Green Asia Funds decreased by HK\$87,655,000. As at 30 June 2022, the investment cost in relation to the Green Asia Funds incurred by the Group was approximately HK\$134,503,000. During FY2022, the Group recognized a realised gain of HK\$771,000 and a receivable of HK\$30,497,000 from its investment in the Green Asia Funds.

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

As at 30 June 2022, the Group held 134,354,000 ordinary shares of Zall Smart, representing approximately 1.1% 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 2022 was HK\$1.28 per share. As at 30 June 2022, the fair value of the investment in Zall Smart was approximately HK\$68,521,000, which represented 4.8% of the Group's total assets. During FY2022, the Group disposed of 13,929,000 shares of Zall Smart and recognised a loss of disposal of HK\$790,000, the fair value of the Group's investment in Zall Smart decreased by HK\$2,687,000. Besides that, the Group had not received and recognised any dividend or other investment income from its holding of Zall Smart's shares.

The remaining investments held by the Group mainly included unlisted investment funds, listed equity securities and listed debt instruments, each of which represented less than 5% of the Group's total assets as at 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

REVENUE, COST OF SALES AND GROSS PROFIT MARGIN

The revenue of the Group decreased by HK\$242,846,000, or 96%, from HK\$253,977,000 for FY2021 to HK\$11,131,000 for FY2022. Most of the revenue generated during FY2021 was derived from resort and property development segment, as the properties of Wuxi Shengye were delivered to customers and brought in revenue. The revenue generated from resort and property development segment for FY2022 was HK\$4,705,000 (2021: HK\$243,327,000) and the gross profit margin was 17% (2021: 5%). There was a decrease in revenue because the properties were delivered to customers in bulk for FY2021, while no bulk delivery was arranged for FY2022.

NET GAIN (LOSS) ON DISPOSAL OF FINANCIAL ASSETS AT FVPL

Net gain on disposal of financial assets at FVPL of the Group was HK\$937,000 for FY2022 (2021: net loss of HK\$1,142,000). There was no material gain or loss from disposal of a single investment for both FY2021 and FY2022.

NET DECREASE IN FAIR VALUE OF FINANCIAL ASSETS AT FVPL

Net decrease in fair value of financial assets at FVPL of the Group increased by HK\$85,579,000, or 199%, from HK\$43,244,000 for FY2021 to HK\$128,823,000 for FY2022. The net decrease in financial assets at FVPL for FY2022 was mainly derived from the decrease in the fair value of the investment in the Green Asia Funds in the amount of HK\$87,655,000 and the fair value dropped by other listed securities investments.

The fair value of the Group's investments in the Green Asia Funds was determined by the Directors with reference to the valuation report (the "Valuation Report") on the investments in the Green Asia Funds issued by an independent professional valuer, APAC Appraisal and Consulting Limited ("APAC"), based on the net asset value of the Green Asia Funds at the end of FY2022.

In FY2021, the precedent transaction method had been adopted in the valuation of its fair value, that is, by referring to the information on the latest net asset value statements of the Green Asia Funds and redemption made by the Group regarding its investments in the Green Asia Funds as transaction reference.

However, as disclosed in the paragraphs under the headed "Investment Holding" in the "Management Discussion and Analysis" section in this annual report, in January 2022, despite the Group having issued redemption notices to Green Asia for an aggregate redemption amount of approximately HK\$30,497,000, Green Asia failed to pay the redemption amount to the Group. Subsequently, pursuant to the petitions filed by the Group with the Cayman Court, the assets of the Green Asia Funds were put under receivership. In addition, there was no recent redemption transaction available as at the valuation date. Therefore, instead of adopting the precedent transaction method, in the Valuation Report, APAC performed individual assessments on the cash flows receivables held by the Green Asia Funds based on information available.

MANAGEMENT DISCUSSION AND ANALYSIS

As the valuation of the Green Asia Funds are dependent on the cash flows from their underlying investments, the discounted cash flow method was adopted in the Valuation Report to derive the present value of cash flows based on the settlement schedule in relation to the underlying investments of the Green Asia Funds and a recoverability assessment on the expected cash flows. APAC is of the view that the discounted cash flow methods is appropriate to evaluate the fair value of a fund in the circumstances.

The key assumptions and inputs adopted by APAC in the Valuation Report were:

1. Bond yields of CCC grade companies to derive the discount rate ranging from 16% to 17% for the cash flows receivables from the outstanding underlying investment of the Green Asia Funds.
2. Regarding the portion of cash flows receivables whose settlement were made in full before the date of Valuation Report, the recovery rate was 100%.
3. Regarding the portion of cash flows receivables whose settlement were not made before the valuation date, the recovery rate was 40.09%, which in turn was determined with reference to Moody's Ultimate Recovery Database – Average debt recovery rates measured by ultimate recoveries, 1987-2021.

As at the date of this annual report, there are no subsequent changes to the valuation methods as referred to above following their adoption.

The Board wishes to emphasize that the fair value loss on the investment in the Green Asia Funds and other financial assets is non-cash in nature. The net proceeds that the Group will be able to receive from its redemption of its investments in the Green Asia Funds will ultimately be determined by the results of the asset realization procedures being undertaken by the Green Asia Funds Receivers.

NET DECREASE IN FAIR VALUE OF INVESTMENT PROPERTIES

The Group recognised a net decrease in fair value of investment properties of HK\$21,600,000 in FY2022 (2021: HK\$27,200,000). The fair value of investment properties of the Group was determined with reference to the valuation conducted by an independent professional valuer, AVISTA Valuation Advisory Limited. The valuer has adopted the direct comparison method for the valuation by comparing recent market evidence of similar properties located in the neighborhood area. The fair value of investment properties was affected by the economy and properties market of Hong Kong. The outbreak of the coronavirus variants continuously hit overall trading volume and price of grade-A offices in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

REVERSAL OF IMPAIRMENT LOSS ON LOANS AND INTEREST RECEIVABLES

The Group recognised a reversal of impairment loss on loans and interest receivables of HK\$18,618,000 for FY2022 (2021: HK\$17,362,000) which was mainly due to the partial repayments received from debtors in the corresponding periods. Besides the partial repayments, there were no significant changes in the principal assumptions and key inputs adopted by the Group for the assessment of impairment loss for FY2022 as compared with that of FY2021.

The reversal 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. 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 Group 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”).

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

Principal 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%.
2. Although partial repayments were noted from the borrowers, 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\$16,858,000 in the assessment of LGD, the weighted average LGD was 63%.

SELLING EXPENSES

Selling expenses of the Group increased by HK\$640,000, or 15%, from HK\$4,316,000 for FY2021 to HK\$4,956,000 for FY2022. The selling expenses of FY2022 mainly comprised of sales commission, sales service and consulting fee. The increase in selling expenses was mainly due to more consulting service incurred to improve overall sales strategy and planning for FY2022.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group increased by HK\$10,771,000, or 54%, from HK\$19,904,000 for FY2021 to HK\$30,675,000 for FY2022. The administrative expenses of FY2022 mainly comprised of staff costs and legal and professional fees. The increase in administrative expenses was mainly due to (i) increase in the number of staff for the future development of the Wuxi Property Project; (ii) increase in legal and professional fees for the newly invested funds; and (iii) one-off compensation provision recognized for FY2022.

FINANCE COSTS

Finance costs of the Group decreased by HK\$462,000, or 8%, from HK\$5,934,000 for FY2021 to HK\$5,472,000 for FY2022. The decrease in finance costs was because the partial bank loan was repaid during FY2022.

LOSS FOR THE YEAR

Loss for the year of the Group increased by HK\$102,650,000, or 170%, from HK\$60,227,000 for FY2021 to HK\$162,877,000 for FY2022. The loss for the year for FY2022 mainly included (i) net decrease in fair value of financial assets at FVPL of HK\$128,823,000; and (ii) net decrease in fair value of investment properties of HK\$21,600,000. The Board would like to emphasize they were non-cash in nature.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2022, the Group had current assets of HK\$1,070,444,000 (2021: HK\$1,266,280,000) and current liabilities of HK\$462,761,000 (2021: HK\$503,956,000), representing a current ratio of 2.3 times (2021: 2.5 times). The Group's total equity and the total bank and other borrowings as at 30 June 2022 amounted to HK\$872,987,000 (2021: HK\$1,048,748,000) and HK\$244,218,000 (2021: HK\$292,956,000) respectively. Among the bank and other borrowings, approximately HK\$42,028,000 are repayable within one year, approximately HK\$202,190,000 are repayable over one year but not exceeding two years (2021: all of the bank and other borrowings of the Group are repayable within one year). As the bank borrowings of HK\$202,190,000 which will be repayable in November 2023 contained a clause in its terms that gave the bank an overriding right to demand for repayment without notice at its sole discretion, the bank borrowing was classified as current liability. The gearing ratio of the Group as at 30 June 2022, calculated as a ratio of the bank and other borrowings to total equity, was approximately 28.0% (2021: 27.9%). As at 30 June 2022, 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 of HK\$58,989,000 was noted for FY2020, subsequently, partial repayments of HK\$10,000,000 and HK\$10,000,000 have been received in FY2021 and FY2022 respectively, and a further repayment of HK\$25,208,000 was received in July 2022. 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 2022, the bank and other borrowings of approximately HK\$232,190,000 (2021: HK\$272,190,000) and HK\$12,028,000 (2021: HK\$20,766,000) were denominated in HK\$ and RMB respectively. The balances of bank and other borrowings of approximately HK\$232,190,000 (2021: HK\$272,190,000) and HK\$12,028,000 (2021: HK\$20,766,000) were at variable interest rates and fixed interest rates respectively. Cash and cash equivalents held by the Group were mainly denominated in HK\$, RMB and US\$. 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 FY2022. 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 FY2022 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, the Group did not have any significant investments, nor material acquisitions or disposals of subsidiaries, associates and joint ventures during FY2022.

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 2022 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 FY2022.

MANAGEMENT DISCUSSION AND ANALYSIS

COMMITMENTS

Details of the commitments of the Group as at 30 June 2022 are set out in note 30 to the consolidated financial statements of this annual report.

PLEDGE OF ASSETS

As at 30 June 2022, 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\$295,100,000 and HK\$68,498,000 respectively (*30 June 2021: HK\$316,700,000 and HK\$70,366,000 respectively*);
- (ii) assignment agreements in respect of rental income of the Group's investment properties duly executed by the Group in favour of the bank; and
- (iii) assignment agreements in respect of insurance compensation of the Group's investment properties and leasehold land and building duly executed by the Group in favour of the bank.

As at 30 June 2022, the carrying value of the financial assets at FVPL of approximately HK\$21,052,000 (*2021: HK\$164,533,000*) 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 2022 (*30 June 2021: Nil*).

LITIGATION

Save as disclosed elsewhere in this annual report, as at 30 June 2022, the Group has no material litigation against it which had to be disclosed.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2022, the Group employed a total of 38 (*2021: 28*) full-time employees and executive Directors. The Group's total staff costs including Directors' emoluments amounted to HK\$10,776,000 for FY2022 (*2021: HK\$7,691,000*). 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 2022 required to be disclosed as at the date of this annual report.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wu Zhanming, aged 58, 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.

Mr. Wu Tao, aged 53, an Executive Director and a director of a subsidiary of the Company. He was appointed as a Non-executive Director on 21 August 2019 and re-designated as an Executive Director on 3 May 2022. 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 23 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.

* For identification purpose only

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Tat Chi, Michael (“Mr. Yu”), aged 57, 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), Harbour Digital Asset Capital Limited (formerly known as Unity Investments Holdings Limited, a company listed on the Stock Exchange, stock code: 913) and WT Group Holdings Limited (a company listed on the Stock Exchange, stock code: 8422), respectively. Mr. Yu was an independent non-executive director of EVOC 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 45, 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 standing committee member of the Chinese People’s Political Consultative Conference of Doumen District, Zhuhai City, an executive president of Doumen Clan’s Association and a counselor of VQ Foundation Limited.

Mr. Zhu Xinhui (“Mr. Zhu”), aged 53, an Independent Non-executive Director. He joined the Group in May 2022. Mr. Zhu received a Diploma of Economics, majoring in Finance from Nanjing Radio and Television University (南京廣播電視大學) in the PRC in July 1990 and a master’s degree of business administration from Hong Kong Baptist University (香港浸會大學) in November 2007. Mr. Zhu has over 30 years of experience in banking and finance industry. He worked at Agricultural Bank of China Limited, Bank of Nanjing Co., Ltd. and Ping An Bank Co., Ltd. as various positions including a senior management from 1990 to 2010. He served as the vice president at Zijin Trust Co., Ltd.* (紫金信託有限責任公司) from October 2010 to December 2012 and as the general manager at Nanjing Zijin Technology Small Loan Co., Ltd.* (南京市紫金科技小額貸款有限公司) from January 2013 to March 2021. Mr. Zhu was awarded the qualification of intermediate economist (finance) by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) in November 2001. Mr. Zhu has been served as the chairman of the board of Jiangsu Suhe Financial Technology Co., Ltd.* (江蘇蘇合金融科技有限公司) since March 2019. He has been a council member of Jiangsu Financial Planner Association* (江蘇省理財師協會) since March 2016.

* For identification purpose only

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Company for FY2022.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The Group is principally engaged in (i) resort and property development; (ii) property investment; and (iii) investment holding. Details of the principal activities of the principal subsidiaries are set out in note 32(a) to the consolidated financial statements.

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of likely future developments in the Group's business, can be found in the "Chairman's Statement" and "Management Discussion and Analysis" sections set out on pages 3 to 12 of this annual report. Further discussion on the Company's environmental policies and performance, and the discussion on the relationship between the Company and its employees, customers and suppliers are set out under the "Environmental, Social and Governance Report" in this annual report. These discussions form a part of this directors' report.

RESULTS

The results of the Group for FY2022 are set out in the consolidated statement of comprehensive income on page 66 of this annual report.

FINAL DIVIDEND

The Board has resolved not to recommend a final dividend for FY2022 (2021: 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 141 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 FY2022 are set out in note 14 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during FY2022 are set out in note 13 to the consolidated financial statements. Details of the investment properties of the Group as at 30 June 2022 are set out on page 142 of this annual report.

DIRECTORS' REPORT

SHARE CAPITAL

Details of movements in the Company's share capital during FY2022 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 FY2022.

RESERVES

Details of movements in the reserves of the Company and of the Group during FY2022 are set out in note 32(b) to the consolidated financial statements and in the consolidated statement of changes in equity on pages 68 to 69 of this annual report, respectively.

DISTRIBUTABLE RESERVES

As at 30 June 2022, the Company had reserves (including capital reserve and accumulated losses) totaling approximately HK\$73,390,000 (2021: HK\$61,012,000) available for distribution to the Shareholders.

MAJOR SUPPLIERS AND CUSTOMERS

During FY2022, purchases from the Group's five largest suppliers and the largest supplier were 56% and 20% arising from the resort and property development segment respectively. During FY2022, the aggregate revenue attributable to the five largest customers and the largest customer were 32% and 8% respectively of the Group's revenue. The major customers are independent third parties of the Company during FY2022.

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 suppliers or five largest customers during FY2022.

DIRECTORS

The Directors during FY2022 and up to the date of this annual report were:

EXECUTIVE DIRECTORS:

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

Mr. Wu Tao (*re-designated from Non-executive Director to Executive Director on 3 May 2022*)

NON-EXECUTIVE DIRECTOR:

Mr. Yao Wei Rong ("Mr. Yao") (*resigned on 3 May 2022*)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Lau Chi Keung ("Mr. Lau") (*retired on 7 December 2021*)

Mr. Yu Tat Chi, Michael

Mr. Chiu Kit Man, Calvin

Mr. Zhu Xinhui (*appointed on 3 May 2022*)

The Company had received the resignation letter from Mr. Yao and letter of retirement from Mr. Lau confirming that they had no disagreement with the Board and there was nothing relating to Mr. Yao's resignation and Mr. Lau's retirement 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 86(2) of the Bye-laws, Mr. Zhu will hold office until the forthcoming AGM and, being eligible, offer himself for re-election.

In accordance with Bye-law 87(1) of the Bye-Laws, Mr. Wu Zhanming and Mr. Wu Tao will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

PERMITTED INDEMNITY PROVISIONS

During FY2022 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 Group 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 FY2022 are set out in note 11(a) to the consolidated financial statements.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

There is no updated information of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during FY2022.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 30 June 2022, the interest and short position of the Directors or chief executive of the Company in shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered into the register to be kept by the Company pursuant to section 352 of the SFO were as follows:

LONG POSITION IN THE SHARES 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 2022, 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.

DIRECTORS' REPORT

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 27 to the consolidated financial statements. The share option scheme of the Company will expire on 14 November 2022.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share option scheme as mentioned above, at no time during FY2022 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 FY2022.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

To the best knowledge of the Directors, as at 30 June 2022, 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 OF THE COMPANY

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

Save as disclosed above, as at 30 June 2022, 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 FY2022, 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 FY2022 or at any time during the FY2022.

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 FY2022 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 FY2022.

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 FY2022.

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 FY2022 amounted to HK\$12,000 (2021: HK\$22,000).

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for FY2022 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 FY2022 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 2022

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 FY2022, save for Code Provisions B.2.2 and C.2.1. Details of the deviation with reasons are set out in the paragraphs below:

Under Code Provision B.2.2 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 (this part of the Code Provision was removed with effect from 1 January 2022). 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 C.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 C.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 FY2022, Mr. Wu Zhanming was the Chairman and Acting CEO of the Company. The Board believes that the holding of both positions of Chairman and CEO by the same individual will not impair the balance of power and authority between the Board and the management of the Group because the balance of power and authority is governed by the operations of the Board which comprises experienced and high caliber individuals with demonstrated integrity. The Board will review the current structure from time to time and shall make necessary changes when appropriate and inform Shareholders accordingly.

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 FY2022.

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 FY2022 and up to the date of this annual report were:

EXECUTIVE DIRECTORS:

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

Mr. Wu Tao (*re-designated from Non-executive Director to Executive Director on 3 May 2022*)

NON-EXECUTIVE DIRECTOR:

Mr. Yao Wei Rong (*resigned on 3 May 2022*)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Lau Chi Keung (*retired on 7 December 2021*)

Mr. Yu Tat Chi, Michael

Mr. Chiu Kit Man, Calvin

Mr. Zhu Xinhui (*appointed on 3 May 2022*)

CORPORATE GOVERNANCE REPORT

During FY2022, upon the retirement of Mr. Lau Chi Keung as an Independent Non-executive Director on 7 December 2021, the Company failed to meet the requirement of having at least three Independent Non-executive Directors on the Board as required under Rule 3.10(1) of the Listing Rules. Following the appointment of Mr. Zhu Xinhui as an Independent Non-executive Director with effect from 3 May 2022, the Company is in compliance with Rule 3.10(1) of the Listing Rules.

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 13 to 14 of this annual report.

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

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

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

During FY2022, 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.

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.

CORPORATE GOVERNANCE REPORT

During FY2022, 9 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>)	9/9	1/1
Mr. Wu Tao (<i>re-designated from Non-executive Director to Executive Director on 3 May 2022</i>)	9/9	1/1
Non-executive Director		
Mr. Yao Wei Rong (<i>resigned on 3 May 2022</i>)	4/7	1/1
Independent Non-executive Directors		
Mr. Lau Chi Keung (<i>retired on 7 December 2021</i>)	4/4	1/1
Mr. Yu Tat Chi, Michael	9/9	1/1
Mr. Chiu Kit Man, Calvin	9/9	1/1
Mr. Zhu Xinhui (<i>appointed on 3 May 2022</i>)	1/1	0/0

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

REMUNERATION COMMITTEE

The Remuneration Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Remuneration Committee comprises three members, including two Independent Non-executive Directors, namely Mr. Chiu Kit Man, Calvin, and Mr. Yu Tat Chi, Michael, and one Executive Director, namely Mr. Wu Zhanming. Mr. Chiu Kit Man, Calvin is the Chairman of the Remuneration Committee.

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

The Remuneration Committee met two times during FY2022 to review the remuneration of the Directors. The attendance of each member is set out as follows:

Members	Number of attendance
Mr. Chiu Kit Man, Calvin	2/2
Mr. Yu Tat Chi, Michael	2/2
Mr. Wu Zhanming (<i>appointed on 7 December 2021</i>)	2/2
Mr. Lau Chi Keung (<i>retired on 7 December 2021</i>)	0/0

CORPORATE GOVERNANCE REPORT

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. Chiu Kit Man, Calvin and Mr. Yu Tat Chi, Michael, 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 3 times during FY2022 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	3/3
Mr. Chiu Kit Man, Calvin	3/3
Mr. Yu Tat Chi, Michael (<i>appointed on 7 December 2021</i>)	1/1
Mr. Lau Chi Keung (<i>retired on 7 December 2021</i>)	2/2

BOARD DIVERSITY POLICY

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

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

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

- a) at least 1/3 of the members of the Board shall be Independent non-executive Directors; and
- b) at least one of the members of the Board shall have obtained accounting or relevant financial management professional qualifications.

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

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

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

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

DIRECTOR NOMINATION POLICY

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

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the board diversity policy of the Company that are relevant to the Company's business and corporate strategy.
- Any measurable objectives adopted for achieving diversity on the Board.
- Requirement for the Board to have Independent Non-executive Directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.
- Any potential contributions the candidate can bring to the Company and/or the Board in terms of qualifications, skills, experience, independence, gender and race diversity.
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for the nomination of the Directors and succession planning.

As regards selection and appointment of new Director:

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

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

CORPORATE GOVERNANCE REPORT

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 FY2022 is set out in the "Independent Auditor's Report" on pages 59 to 65 of this annual report.

For FY2022, remuneration payable to the Company's auditor, Mazars CPA Limited, for the provision of audit services was HK\$860,000. During FY2022, HK\$91,000 was paid as remuneration to Mazars CPA Limited for the provision of non-audit related services including professional services for the 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. Chiu Kit Man, Calvin, and Mr. Zhu Xinhui. Mr. Yu Tat Chi, Michael is the Chairman of the Audit Committee.

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

The Audit Committee met 3 times during FY2022 and the attendance of each member is set out as follows:

Members	Number of attendance
Mr. Yu Tat Chi, Michael	3/3
Mr. Chiu Kit Man, Calvin	3/3
Mr. Zhu Xinhui (<i>appointed on 3 May 2022</i>)	0/0
Mr. Wu Tao (<i>appointed on 7 December 2021 and ceased to be a member on 3 May 2022</i>)	1/1
Mr. Lau Chi Keung (<i>retired on 7 December 2021</i>)	2/2

CORPORATE GOVERNANCE REPORT

The following is a summary of work performed by the Audit Committee during FY2022:

1. reviewed and discussed the audited financial statements of the Group for the year ended 30 June 2021 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 2021 and recommended to the Board for approval;
3. reviewed and discussed with the management and auditor of the Company the accounting policies and practices which may affect the Group and the scope of the audit;
4. reviewed the effectiveness of risk management and the internal control systems of the Group; and
5. reviewed and approved the remuneration and the terms of engagement of the Company's auditor; and reviewed and made recommendations to the Board on the re-appointment of the Company's auditor.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for FY2022.

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.

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 D.2.5 of the CG code. During FY2022, 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 FY2022. The IC consultant reports directly to the Audit Committee on all internal audit matters. The Audit Committee is, therefore, able to monitor the internal control deficiencies and remediation of the internal control deficiencies effectively. The auditor is also able to communicate to the Audit Committee directly the internal control issues they noticed during their audit.

RISK MANAGEMENT PROCESS

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



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

MAIN FEATURES OF OUR RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

MAINTAIN AN EFFECTIVE INTERNAL CONTROL SYSTEM AT THE OPERATIONAL LEVEL

- Establish clear internal control policies and procedures, clearly define the responsibilities, authorities and accountabilities of each key positions;
- Establish a code of conduct, explain the Group's requirements on integrity and ethical value to all staffs;
- Establish a whistle-blowing mechanism, encourage employees to report incidents of misconduct or fraud;
- Establish an appropriate level of information technology access rights, avoid leakage of price sensitive information; and
- 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 FY2022, 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 FY2022, and the review covered the period from 1 July 2021 to 30 June 2022. 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

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

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

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

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

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

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

DIVIDEND POLICY

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

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

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

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

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

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

WORKFORCE DIVERSITY

The Company is committed to ensuring that gender diversity is achieved in the workforce. As at 30 June 2022, the Group's overall workforce comprises 58% males and 42% females.

Existing gender diversity in the Group's workforce is considered to be well-balanced and the Company anticipates this diverse workforce will be maintained going forward.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During FY2022, there was no significant change in constitutional documents of the Company.

Subsequent to the end of FY2022, on 28 September 2022, in order to comply with the amendments to Chapter 13 and Appendix 3 of the Listing Rules in relation to the enhanced listing regime for overseas issuers, the Board approved to amend the Bye-laws (the "Proposed Amendments") and will submit the Proposed Amendments to the Shareholders for approval in the AGM to be held on 15 December 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

REPORTING SCOPE AND REPORTING PERIOD

This is the 6th Environmental, Social and Governance (“ESG”) Report (the “ESG Report”) disclosing the ESG performance of Applied Development Holdings Limited (the “Company”, together with its subsidiaries collectively referred to as the “Group” or “We”) during the period from 1 July 2021 to 30 June 2022 (the “Reporting Period”). This ESG Report highlights our commitment and approach to creating value for the environment, our employees, our customers, 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 Wuxi Property Project.

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 (“ESG Reporting Guide”) to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the “HKEx”).

REPORTING PRINCIPLES

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

Materiality

ESG topics that are material to our business operations and key stakeholders are defined by considering the Group’s business development and the responses received from stakeholders. Please refer to “Materiality Assessment” on page 37 for more information.

Quantitative

The Group discloses the standards and methodologies used to calculate our environmental and social performance indicators when appropriate. Please refer to “Key Performance Data” from pages 49 to 51 for more information.

Balance

This ESG Report covers both challenges and achievements to provide an unbiased picture of our overall performance.

Consistency

Reporting standards and principles are substantially consistent with those of the prior year. Should there be any changes, footnotes and explanation will be given to facilitate information interpretation.

FEEDBACK

Every stakeholder’s feedback matters to the Group’s business and sustainable development. Should you have any opinions and comments on this ESG Report or our sustainable development strategy, please share your thoughts at info@applieddev.com.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT US

The Company headquartered in Hong Kong, has been listed on the Main Board of HKEx since 1986. Our core business consists of (i) resort and property development, (ii) property investment and (iii) investment holdings. Our vision and mission are as follows:

Our Vision

The Group believes in the vision of **“Artists Create Beautiful Things, We Create Value”** and devotes continuous efforts in creating value for various stakeholders.

Our Mission

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

OUR APPROACH TO SUSTAINABILITY

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 to maximize value creation. We are continuously optimizing the value creation process through our sustainability governance strategies and policies. In addition to our internal practices, we value feedback from our various stakeholder groups and always maintain an open communication channel to allow mutual understanding.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUSTAINABILITY GOVERNANCE AND BOARD'S OVERSIGHT

We have established an ESG governance structure to incorporate sustainability into our corporate decisions. The Board has the 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 plan and implement the Group's ESG-related matters during the Reporting Period. Led by the Company Secretary, the Working Group is constituted by senior representatives from across the Group's business units. The Working Group oversees and advises the Board on ESG matters on a regular basis.

The Board	<ul style="list-style-type: none">• Oversight of long-term ESG strategy and management approach, including material ESG risks• Reviewing the progress made against ESG goals and targets• Appointment of members for the ESG Working Group
------------------	--

Working Group	<ul style="list-style-type: none">• 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• Preparation of an annual ESG report on its activities for Board's approval
----------------------	--

ESG Management Approach and Strategy

Sustainability is integral to our business and all aspects of our operations. With the aim of pursuing the sustainable development, the Board approved the ESG Framework, which consists of our priority areas with a set of goals and environmental targets, as shown below:

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our ESG Framework

				<p>Target Using FY2020 as the baseline year, we target to achieve:</p> <ul style="list-style-type: none">  • 20% Reduction in greenhouse gas ("GHG") emissions  • 20% Reduction in energy use  • 20% Reduction in water use  • 20% Reduction in our waste generation <p>by the financial year ending 30 June 2025 ("FY2025").</p>
<p>Creating Value for the Community</p> <hr/> <p>Goal We deliver positive impacts and build bonds with all around us.</p>	<p>Creating Value for Our Customers</p> <hr/> <p>Goal We are committed to providing products and services with excellent quality.</p>	<p>Creating Value for Our Employees</p> <hr/> <p>Goal We provide nurturing and fulfilling working environments to our employees.</p>	<p>Creating Value for the Environment</p> <hr/> <p>Goal We pursue a sustainable operation pattern by reducing our ecological footprints.</p>	

ESG Risk Identification and Mitigation

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 the 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 in the Corporate Governance Report in this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER GROUPS AND ENGAGEMENT CHANNELS

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 summarized 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 on-going 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 - 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 by the contract - Stay open and transparent
Non-Governmental Organizations/ Environmental Bodies	<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 	<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 by 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

We engaged an independent consultant to conduct an assessment on topics that may impose material economic, environmental, and social impacts on the Group. The identified topics were ranked by various groups of stakeholders based on their importance. The stakeholders also provided their views on the Group's sustainability performance. Our approach to the assessment was as follows:

1. Identification of Material Topics

A total of 26 sustainability issues related to our business operations and development was identified based on industry research and communication results with our stakeholders.

2. Establishment of Materiality Matrix

Different stakeholder groups were 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 analyzed and presented 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 prioritized material topics and boundaries would be reviewed by the Board to ensure the reasonableness, balance, and completeness of the Report. Topics with the highest importance will be disclosed in detail in the ESG Report based on the identified ESG framework. By gathering stakeholder feedback, we ensure that the topics are aligned with our organisational strategy.

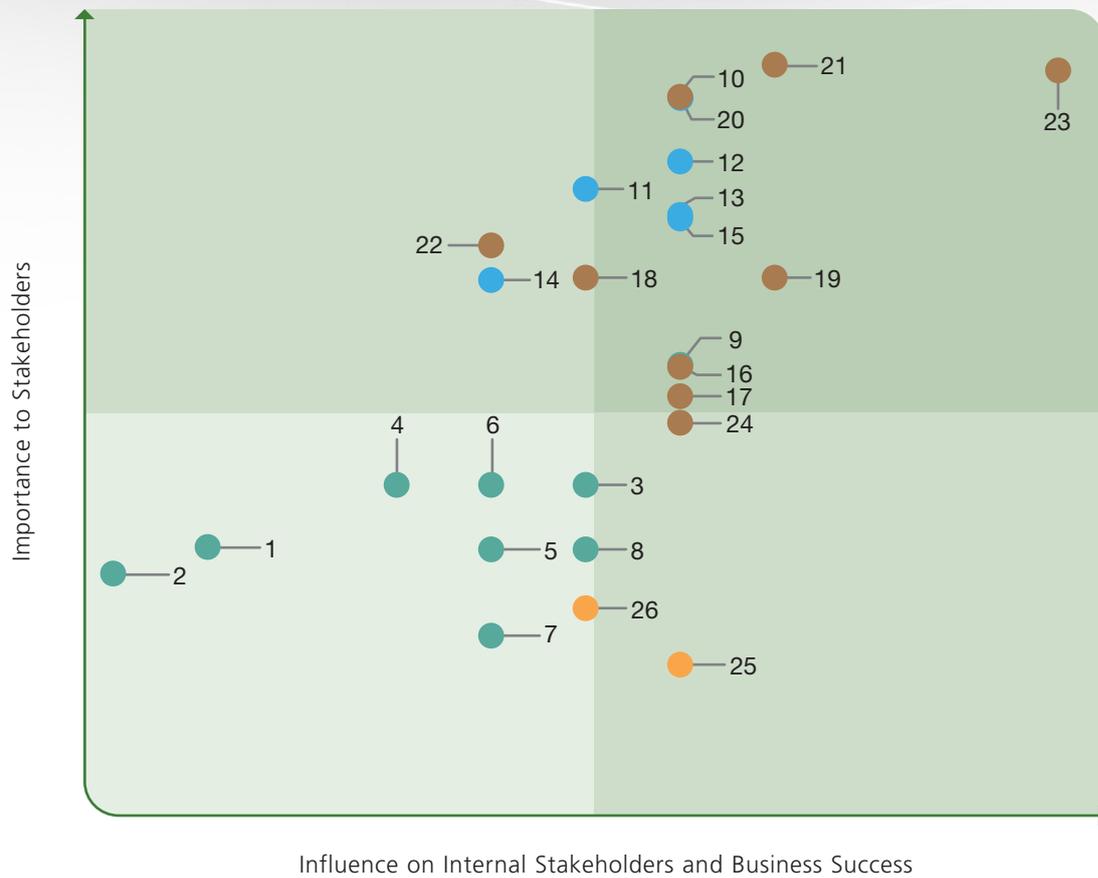
During the Reporting Period, a total of 26 ESG topics were identified for this year's materiality assessment. The findings were then summarized and analyzed by the consultant in form of materiality matrix based on two parameters: importance to the stakeholders and influence on internal stakeholders and business success. 11 topics were identified as material issues for this year and became the focus of this ESG Report.

LIST OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE TOPICS

The Environment	Our Employees	Our Customers	The Community
1. Air Emissions Management	10. Employee Benefits	16. Green Procurement	25. Social Investment
2. Non-Hazardous Waste Treatment	11. Diversity and Equal Opportunities (age, sex, disability, etc.)	17. Supply Chain Environmental Risks	26. Community Engagement
3. Hazardous Waste Treatment	12. Occupational Health and Safety	18. Supply Chain Social Risks	
4. Wastewater Management	13. Training and Development	19. Customer's Health and Safety	
5. Greenhouse Gas Emissions and Energy Conservation	14. Labour Relations and Communication	20. Customer's Satisfaction	
6. Water Resources	15. Employment Compliance	21. Quality Products and Services	
7. Climate Risks		22. Marketing and Advertising	
8. Impact on Surrounding Environment		23. Anti-Fraud and Corruption	
9. Sustainable Property		24. Data Protection and Cybersecurity	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY MATRIX



Most critical material topics
 Important material topics
 Relatively less important material topics

List of Material Issues Identified

Material Issues	Relevant Chapters
● Anti-Fraud and Corruption	Anti-corruption
● Quality Products and Services	Premium Property
● Customer’s Health and Safety	Premium Property
● Employee Benefits	Talent Attraction and Retention
● Customer’s Satisfaction	Customer Satisfaction
● Occupational Health and Safety	Caring for Health and Safety
● Training and Development	Professional Development
● Employment Compliance	Ethical Workplace
● Sustainable Property	Sustainable Properties
● Green Procurement	Responsible Procurement
● Supply Chain Environmental Risks	Responsible Procurement

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL TARGETS FOR FY2025

The Group recognized that a comprehensive sustainability governance requires well developed goals, targets and Key Performance Indicators (“KPIs”). As such, we have formulated a set of environmental targets for FY2025. Using FY2020 as the baseline year, we aim to reduce greenhouse gas, waste generation, energy use and water consumption. Our progress towards the targets will be regularly monitored and reported.

Metric	Target	FY2020 Baseline Year Performance	FY2022 Performance	Progress
 GHG	Reduce greenhouse gas emissions by 20% on or before FY2025	468.38 tCO ₂ e	261.80 tCO ₂ e	 Achieved
 Waste	Reduce waste generation by 20% on or before FY2025	70.05 Tonnes	44.19 Tonnes	 Achieved
 Energy	Reduce energy consumption by 20% on or before FY2025	694.73 MWh	427.83 MWh	 Achieved
 Water	Reduce water use by 20% on or before FY2025	1,080 m ³	360 m ³	 Achieved

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CREATING VALUE FOR OUR CUSTOMERS

We are committed to designing, constructing and creating quality development for our customers. The Group believes that implementing sustainable practices into our projects will be the key to delivering long-term value to our customers.

GOAL:

We are committed to providing products and services with excellent quality to create value for our customers.

MATERIAL TOPICS COVERED IN THIS CHAPTER:

- Customer's Satisfaction
- Anti-Fraud and Corruption
- Customer's Health and Safety
- Quality Products and Services
- Supply Chain Environmental Risk
- Green Procurement

PREMIUM PROPERTY

The Group believes that delivering high quality products and services to our customer is the crucial part of our business. To ensure that our Wuxi Property Project 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. The development project was approved under local Department of Development and Reform.

For leasing business in Hong Kong, we strive to provide safe and quality 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

Customers feedback is of great importance to our business improvement and success. Thus, we value every piece of opinion from our customers by collecting their feedbacks from different communication channels. Complaints received are addressed by responsible departments within a reasonable time frame. During the Reporting Period, we received 42 complaints regarding the property handover process, which were resolved by relevant departments according to internal procedure.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CUSTOMER DATA PROTECTION

Customer data security has always been one of our focuses since our business involves various 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 authorization, and violators may subject to internal penalties. During the Reporting Period, the Group was not aware of any substantiated incidents regarding leakage of customer data privacy.

RESPONSIBLE PROCUREMENT

With the raising concerns over environmental issue from customers, the Group promotes sustainable values to our supply chain partners. We will make our best effort to purchase environmentally friendly raw materials and engage with local suppliers to reduce the emission brought by transportation whenever applicable.

The Group also integrates social and environmental factors into our supplier selection process. In addition to the traditional selection criteria, we have 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.

ANTI-CORRUPTION

The Group has zero tolerance for bribery, extortion, fraud, and money laundering. 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 behaviors, 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 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 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 contribute 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:

- Sustainable Property

HIGHLIGHTS



GHG Emission

Our **total Scope 1&2 GHG emissions** in FY2022 was **44%** below our FY2020 baseline



Energy Use

Our **total electricity consumption** in FY2022 was **38%** below our FY2020 baseline



Water Consumption

Our **total water consumption** in FY2022 was **67%** below our FY2020 baseline



Waste Generation

Our **total waste generation consumption** in FY2022 was **37%** below our FY2020 baseline

RESPONSE TO CLIMATE CHANGE

The financial impact caused by climate change may pose a serious concern for the Group. To become more capable to manage our climate-related risks, both physical and transition risks, the Group has been actively responding to the climate change by setting our environmental targets for FY2025 during FY2021 and has kept evaluating our climate-risk exposure.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CLIMATE RESILIENCE STRATEGY

With reference to the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”), the Group identified the direct and indirect effects of climate change on our business operations and applied the following mitigation measures in response to the climate-related risk identified below.

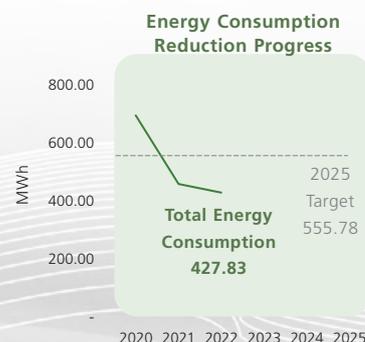
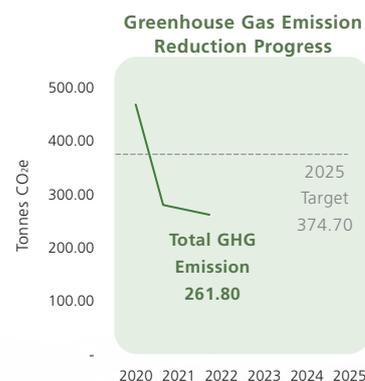
Physical Risk	Impact on the Group	Mitigation Measures
Extreme Weather Events	– Employee safety issues caused by extreme weather	– Codes of Practice on extreme weather events have been well established in Hong Kong
	– Invested property may be severely damaged by extreme weather events	– The safety design of the Wuxi Property Project has been taken the impact of extreme weather like flooding and typhoon into consideration
		– Materials with high resistance against wind, water and heat are selected to provide better resilience against extreme weather
		– Monitoring weather forecasts for safety measures in advance
Transition Risk	Impact on the Group	Mitigation Measures
Tightened Climate-related Policy	– Failure to meet the latest emission requirement may subject to legal liability.	– Monitoring the regulatory trends to ensure the Group’s emissions meet the latest legal requirement.

GREENHOUSE GAS REDUCTION AND ENERGY CONSERVATION

Our GHG emission primarily came from electricity consumption from our offices and construction development. Since our business operation did not consume any fuel during the Reporting Period, there were no air pollutant and scope 1 emissions during the Reporting Period.

To reduce our impact on the environment, we have implemented a series of measures to raise the energy saving awareness of our employees. Staff members are encouraged to turn off all unnecessary electric equipment when leaving the office and maintain a room temperature of no less than 25°C. Furthermore, video conferencing is recommended to reduce our carbon footprint by replacing business travel.

During the Reporting 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.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

WASTE MANAGEMENT

The Group's major source of waste generation came from construction projects and general waste produced by our offices. No hazardous waste and packaging materials were generated in our operation during this Reporting Period. We will keep putting more effort on reducing the waste generated from our business operation to achieve the waste reduction target set for FY2025. With the aim of minimizing the paper usage, most of our corporate communication is now in form of electronic copies. Towards transforming into a paperless office, our employees are encouraged to use both sides of paper and to recycle scrap paper.

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 WATER RESOURCES

The water consumption of our business was mainly from the project development and office operations in Wuxi. The Group strives to reduce the consumption by 20% compared to the baseline year, and therefore we regularly remind all employees to save water whenever possible. As our water was directly supplied from local water supply companies, the Group did not encounter any problems in sourcing water during the Reporting Period.

SUSTAINABLE PROPERTIES

In view of better climate risk resilience and lower cost on electricity, green buildings are gaining more popularity in the Chinese property market. Therefore, our Wuxi Property Project had incorporated sustainability elements by implementing sustainable designs.

Sustainable Design Features for Wuxi Property Project

Installation of renewable energy system	Solar power and heating systems were installed on the rooftop of our property project 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 respectively.
Reuse of rainwater	A rainwater harvest system capable of holding 150 tons of rainwater was applied in the property project to reuse the rainwater collected for the use of cleaning and irrigation.
Smart building technology	Smart building sensors and management systems were installed in the property project to monitor and control the building energy consumption. For instance, sound activated lighting systems at the staircases, and electricity usage monitoring system, etc.
Indoor air quality	Mechanical ventilation systems in car parks, equipment rooms, and boiler rooms were tested to ensure sufficient flow rate are provided to meet the good indoor air quality standards.



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 in order to build an effective and productive team.

GOAL:

We provide nurturing and fulfilling environments to create value for our employees.

MATERIAL TOPICS COVERED IN THIS CHAPTER:

- Occupational Health and Safety
- Employee Benefits
- Training and Development
- Employment Compliance
- Anti-Fraud and Corruption

HIGHLIGHTS

Workforce

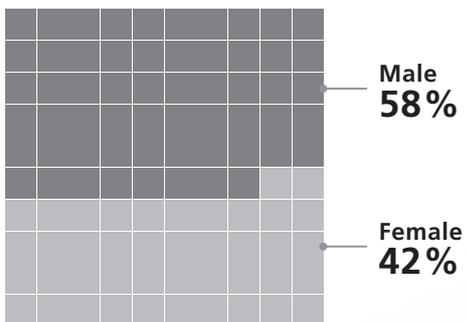
We have a total of **38 employees** in FY2022

Employee Training

Our average training hours in FY2022 was **5.71 hours** per employee

Employee Diversity

Percentage of staff by gender in FY2022:



Our percentage of employees trained in FY2022 was **97%**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

TALENT ATTRACTION AND RETENTION

Attracting and retaining talent is one of the most important issues in our business development as employees are the ones who help us to create value. The Group has multiple recruitment channels, including internal referrals, job advertisements, 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 benefit packages to our employees. Compensation and non-statutory holidays are given to our staff upon festival, birthday, and meals. Besides, we provide our employees with comprehensive welfare packages including 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, the Laws of Hong Kong) 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 PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) and other relevant laws and regulations relating to employment and labour standards.

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 address issues of potential misconduct to the Chairman of Audit Committee 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 "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 document 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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. Workers would also receive training regard on the health and safety measures.

The concern and impact posed by COVID-19 continues in this Reporting Period. We have implemented a series of precautionary measures to safeguard the health of our staff following guidelines and suggestions from the government. Protective gear such as face masks, sanitizers, and rapid antigen testing kits were distributed to our employees. We also encourage our employees to conduct COVID-19 testing twice every week. In addition, we have implemented flexible working hours, work from home policy, and video conference arrangements to reduce face-to-face contacts.

During the Reporting Period, there were no lost days due to work injury and absence of any work-related casualties. Also, there were no work-related fatalities in the past three years. The Group was not aware of any non-compliance with laws and regulations regarding occupational health and safety.

PROFESSIONAL DEVELOPMENT

Training is essential to create value to our staff, which further help create value to our business. We regularly review the learning and development needs of our employees and provide comprehensive internal and external training and development opportunities for our employees to acquire the latest knowledge and skills. Our managers/department heads will regularly review employees skills and performance to ensure sufficient and effective trainings are provided.

Internal training includes 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 trainings, we encourage our employees to pursue professional certifications, and offer disbursements once the certification has been achieved.

ETHICAL WORKPLACE

We prohibit all forms of corruption, bribery, extortion, fraud, money laundering and other illegal and unethical business practices and integrity violations. Every employee must agree to sign the integrity pledge and abide by the code of conduct and policies pertaining to anti-corruption. New joiners are provided with an induction training that introduces the Group's ethical standards. To further strengthen the awareness towards misconduct and fraudulent activities, the Group organized anti-corruption training during the Reporting Period for both Directors and employees to enhance their understanding on anti-corruption and other unethical business practices.

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 to create value for the community.

MATERIAL TOPICS COVERED IN THIS CHAPTER:

– N/A

CARING FOR THE COMMUNITY

Embracing our philosophy and the core value of We Create Value, the Group not only aims to create values on our business operation, but we also create value to our 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.

A VISIT TO DISABILITY SERVICE CENTRE

The Group has been supportive in helping the community during the COVID-19 pandemic outbreak. In May 2022, we visited the disability service center in Hui Shan District and devoted caring packs for them to overcome the hard situation during the pandemic outbreak.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KEY PERFORMANCE DATA

ENVIRONMENTAL

Indicator ¹	Unit	FY2021	FY2022
Greenhouse Gas Emission			
Total GHG Emission	Tonnes CO ₂ e	280.22	261.80
Indirect Emission (Scope 2) ^{2,3}	Tonnes CO ₂ e	280.22	261.80
Total GHG Emissions Intensity	Tonnes CO ₂ e/m ²	0.11	0.10
Energy			
Total Energy Consumption	MWh	457.99	427.83
Purchased Electricity	MWh	457.99	427.83
Energy Consumption Intensity	MWh/m ²	0.17	0.16
Non-Hazardous Waste			
Total Non-Hazardous Waste ⁴	Tonnes	70.07	44.19
Non-Hazardous Waste Generation Intensity	Kg/m ²	26.51	16.25
Water			
Total Water Consumption ⁵	m ³	576.00	360.00
Water Consumption Intensity	m ³ /m ²	0.22	0.13

¹ The Group's business operation did not consume any fuel during the Reporting Period and therefore did not produce Scope 1 GHG and air emissions.

² Since the energy supplier could not provide the electricity consumption data for individual occupants, electricity consumption in Wuxi office was estimated based on the amount of electricity consumption per person from the design of property.

³ The electricity consumption is estimated based on per person consumption data according to the property design during the Reporting Period to provide a more accurate view of the data.

⁴ The amount of non-hazardous waste produced was estimated using daily waste generation amount.

⁵ Water supply in the Hong Kong office was solely controlled by the building management. Since the building management could not provide the provision of water supply and sub-meter for individual occupant, the water consumption data only covers that of the business in Wuxi, which water consumption data in Wuxi was estimated based on the amount of water consumption per person from the design of property.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL

Indicator	Unit	FY2021	FY2022
Workforce			
Total Workforce ⁶	Number of People	28	38
Male		16	22
Female		12	16
Workforce by Employment Type			
Full-Time	Number of People	28	38
Part-Time		–	–
Workforce by Age Group			
30 or below	Number of People	1	6
31-40		16	16
41-50		8	13
51 or above		3	3
Workforce by Geographical Region			
Hong Kong	Number of People	4	6
China		24	32
Employee Turnover⁷			
Total Turnover	Number of People	5	4
Total Turnover Rate	%	18	11
Employee Turnover by Gender⁷			
Male	%	6	14
Female		33	6
Employee Turnover by Age Group⁷			
30 or below	%	200	–
31-40		13	25
41-50		–	–
51 or above		33	–

⁶ The 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.

⁷ Employee turnover rate refers to the total number of employee turnover of particular categories (i.e. gender, age group and geographical region) divided by the total number of employees of the corresponding category.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator	Unit	FY2021	FY2022
Employee Turnover by Geographical Region⁷			
Hong Kong	%	–	–
China		21	13
Health and Safety			
Work-Related Fatality	Number	–	–
Lost Day due to Work Injury	Day(s)	–	–
Employee Training^{8, 9}			
Total Training Hours	Hour(s)	100	217
Average Training Hours of Employees	Hour(s)	3.57	5.71
Percentage of Employees Trained	%	82	97
Average Training Hours by Gender			
Male	Hour(s)	2.44	4.82
Female	Hour(s)	5.08	6.94
Average Training Hours by Employee Categories			
Senior Management	Hour(s)	3	5.50
Middle-level Management	Hour(s)	3.25	6.18
General and Technical Staff	Hour(s)	3.93	5.43
Percentage of Employees Trained by Gender			
Male	%	52	57
Female	%	48	43
Percentage of Employees Trained by Employee Categories			
Senior Management	%	9	5
Middle-level Management	%	30	38
General and Technical Staff	%	61	57
Suppliers			
Hong Kong	Number	14	18
China		44	80
Product Responsibility			
Products and Service-Related Complaints	Number	17	42
Community Investment			
Resources Contributed	RMB	18,178	9,720

⁸ Average training hours refer to total training hour of particular categories (i.e. gender and employee categories) divided by the total number of employees of the corresponding category.

⁹ Percentage of employee trained refers to total number of employees trained of particular categories (i.e. gender and employee categories) divided by the total number of employees of the corresponding category.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG REPORTING GUIDE CONTENT INDEX

Indicator	Chapter/Disclosure	Page
Mandatory Disclosure Requirements		
Governance Structure		
A statement from the board containing the following elements:	Our Approach to Sustainability	33
(i) a disclosure of the board’s oversight of ESG issues;	Sustainability Governance and Board’s Oversight	34
(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:	Reporting Principles	32
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.	Reporting Scope and Reporting Period	32

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	49
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and intensity.	Key Performance Data – Environmental	49
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity.	No hazardous waste directly produced by businesses owned or controlled by the Group in this reporting year.	–
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	Key Performance Data – Environmental	49
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environmental Targets For FY2025	39
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	Key Performance Data – Environmental	49
KPI A2.2	Key Performance Data – Environmental	49
KPI A2.3	Environmental Targets For FY2025 Greenhouse Gas Reduction and Energy Conservation	39, 43
KPI A2.4	Environmental Targets For FY2025 Conserving Water Resources	39, 44
KPI A2.5	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	Creating Value for the Environment	42-44
Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.		
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	Climate Resilience Strategy	43
Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.		

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	46
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 50
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Key Performance Data – Social 50-51
Aspect B2: Health and Safety		
General Disclosure	Caring for Health and Safety	47
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 51 Caring for Health and Safety 47
KPI B2.2	Lost days due to work injury.	Key Performance Data – Social 51
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Caring for Health and Safety 47

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator	Chapter/Disclosure	Page
Aspect B3: Development and Training		
General Disclosure	Professional Development	47
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	51
KPI B3.2 The average training hours completed per employee by gender and employee category.	Key Performance Data – Social	51
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	46
KPI B4.2 Description of steps taken to eliminate such practices when discovered.	Fostering an Ideal Environment	46
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	51
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	41
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	41
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	41

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator	Chapter/Disclosure	Page
Aspect B6: Product Responsibility General Disclosure	Creating Value for our Customers	40-41
Information on:		
(a) the policies; and		
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		
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.	Key Performance Data – Social	51
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 not 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	Anti-corruption Ethical Workplace	41, 47
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	There was no material noncompliance with anti-corruption practice in the Reporting Period.	–
KPI B7.2	Ethical Workplace	47
KPI B7.3	Ethical Workplace	47
 Community		
Aspect B8: Community Investment		
General Disclosure	Creating Value for the Community	48
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	Care For Community	48
KPI B8.2	Key Performance Data – Social	51



MAZARS CPA LIMITED

中審眾環（香港）會計師事務所有限公司
42nd Floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
Tel 電話: (852) 2909 5555
Fax 傳真: (852) 2810 0032
Email 電郵: info@mazars.hk
Website 網址: www.mazars.hk

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 66 to 140, which comprise the consolidated statement of financial position as at 30 June 2022, 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 2022, 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 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 current period. 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

Valuation of investment properties

Refer to significant accounting policies in note 2 and the disclosure of investment properties in note 13 to the consolidated financial statements.

The Group's investment properties measured at fair value amounted to HK\$295,100,000 as at 30 June 2022. The fair values were determined with reference to the valuation carried out by an independent professional valuer engaged by the management.

We have identified 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 the selection of input data used in the valuation models.

Our audit procedures, among others, included:

- Understanding, evaluating and validating management's key controls over the fair value assessment process;
- Obtaining and reviewing the valuation report prepared by the independent professional valuer engaged by the management;
- Evaluating the competence, capabilities and objectivity of the independent professional valuer;
- Discussing with the independent professional valuer to understand the valuation methodologies and key estimate and assumptions adopted;
- Assessing the reasonableness of the significant assumptions adopted in the valuation;
- Checking the accuracy and relevance of the key inputs used in the valuation; and
- Challenging the judgement and estimates made by management and the valuer regarding the factors considered during the assessment.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
<p><i>Net realisable value of properties under development ("PUD") and properties held for sales ("PHS")</i></p> <p><i>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.</i></p> <p>As at 30 June 2022, the Group had PUD and PHS amounting to approximately HK\$631,490,000 and HK\$120,404,000 respectively, which accounted for 44% 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").</p> <p>The NRV of PUD and PHS is assessed with reference to valuations carried out by an independent professional valuer engaged by the management.</p> <p>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.</p>	<p>Our audit procedures, among others, included:</p> <ul style="list-style-type: none"> – Understanding, evaluating and validating management's key controls over the NRV assessment process; – Assessing the appropriateness of the determination of NRV of the PUD and PHS by, on a sample basis, 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; – Evaluating the competence, capabilities and objectivity of the independent professional valuer; – Discussing with the independent professional valuer the valuation methodology and the key estimates and assumptions adopted in the valuation; – Assessing the management's process in estimating, if applicable, the future costs to completion and estimated selling expenses for the PUD and PHS by comparing them, on a sample basis, 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

Valuation of unlisted investment funds

Refer to significant accounting policies in note 2 and the disclosure of unlisted investment funds in note 17 to the consolidated financial statements.

As at 30 June 2022, the Group's unlisted investment funds with carrying amount of approximately HK\$97,871,000 were carried at fair value through profit or loss.

The fair value of the unlisted investment funds is assessed with reference to valuations carried out by independent professional valuers engaged by the management.

We have identified the fair value assessment of 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 selection of input data used in the valuation models.

Our audit procedures, among others, included:

- Understanding, evaluating and validating management's key controls over the fair value assessment process;
- Evaluating the competence, capabilities and objectivity of the independent professional valuers;
- Discussing with management and the independent professional valuers about the valuation of the unlisted investment funds:
 - (i) assessing the appropriateness of the valuation techniques and the key estimates and assumptions adopted in valuation;
 - (ii) testing the appropriateness of the key input data 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; and
- Obtaining confirmation from the fund managers and/or the receivers of the underlying funds to confirm the valuation of the Group's investment in unlisted investment funds.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2022 annual report of the Company but does not include 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 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 HKSAAs 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 2022

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

Eunice Y M Kwok

Practising Certificate number: P04604

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	5	11,131	253,977
Cost of sales		(3,917)	(232,248)
Gross profit		7,214	21,729
Other revenue	5	2,184	1,351
Other income	6	1,717	1,733
Net gain (loss) on disposal of financial assets at fair value through profit or loss ("FVPL")		937	(1,142)
Net decrease in fair value of financial assets at FVPL		(128,823)	(43,244)
Net decrease in fair value of investment properties	13	(21,600)	(27,200)
Reversal of impairment loss on loans and interest receivables	20(b)	18,618	17,362
Impairment loss on other receivables	20(b)	(580)	–
Selling expenses		(4,956)	(4,316)
Administrative expenses		(30,675)	(19,904)
Finance costs	8	(5,472)	(5,934)
Loss before taxation	9	(161,436)	(59,565)
Taxation	10	(1,441)	(662)
Loss for the year, attributable to owners of the Company		(162,877)	(60,227)
Other comprehensive (loss) income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
– Exchange differences arising on translation of foreign operations		(12,862)	36,370
<i>Item 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")		(22)	42
Total other comprehensive (loss) income for the year, net of tax, attributable to owners of the Company		(12,884)	36,412
Total comprehensive loss for the year, attributable to owners of the Company		(175,761)	(23,815)
Loss per share	12		
Basic		(6.50) HK cents	(2.40) HK cents
Diluted		(6.50) HK cents	(2.40) HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Investment properties	13	295,100	316,700
Property, plant and equipment	14	70,640	70,759
Right-of-use assets	15	–	285
Designated FVOCI	16	175	197
		365,915	387,941
Current assets			
Properties under development	18	631,490	599,599
Properties held for sales	19	120,404	128,711
Financial assets at FVPL	17	184,274	425,889
Other receivables	20	55,585	20,825
Restricted bank deposits	21	18,217	19,234
Cash and cash equivalents	21	60,474	72,022
		1,070,444	1,266,280
Current liabilities			
Accounts and other payables	22	217,555	208,740
Interest-bearing borrowings	23	244,218	292,956
Tax payables		988	1,963
Lease liabilities	24	–	297
		462,761	503,956
Net current assets		607,683	762,324
Total assets less current liabilities		973,598	1,150,265
Non-current liabilities			
Deferred tax liabilities	28	100,611	101,517
Net assets		872,987	1,048,748
Capital and reserves			
Share capital	25	25,051	25,051
Reserves		847,936	1,023,697
Total equity		872,987	1,048,748

The consolidated financial statements on pages 66 to 140 were approved and authorised for issue by the Board of Directors on 28 September 2022 and signed on its behalf by:

Wu Zhanming
Director

Wu Tao
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

	Reserves							Total reserves HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000 <i>(Note 26(a))</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		
At 1 July 2021	25,051	406,743	(375)	11,931	204,610	17,931	382,857	1,023,697	1,048,748
Loss for the year	-	-	-	-	-	-	(162,877)	(162,877)	(162,877)
Other comprehensive loss									
<i>Item that may be reclassified subsequently to profit or loss</i>									
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(12,862)	-	(12,862)	(12,862)
<i>Item that will not be reclassified to profit or loss</i>									
Change in fair value of Designated FVOCI	-	-	(22)	-	-	-	-	(22)	(22)
Total other comprehensive loss for the year	-	-	(22)	-	-	(12,862)	-	(12,884)	(12,884)
Total comprehensive loss for the year	-	-	(22)	-	-	(12,862)	(162,877)	(175,761)	(175,761)
At 30 June 2022	25,051	406,743	(397)	11,931	204,610	5,069	219,980	847,936	872,987

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

	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 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>Item 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>Item 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 2022

Notes	2022 HK\$'000	2021 HK\$'000
OPERATING ACTIVITIES		
Loss before taxation	(161,436)	(59,565)
Adjustments for:		
Depreciation of		
– property, plant and equipment	2,254	1,097
– right-of-use assets	285	783
Finance costs	5,472	5,934
Interest income	(2,184)	(1,351)
Interest income from financial assets at FVPL	(1,404)	(2,330)
Dividend income from financial assets at FVPL	(616)	(2,075)
Net (gain) loss on disposal of financial assets at FVPL	(937)	1,142
Net decrease in fair value of financial assets at FVPL	128,823	43,244
Net decrease in fair value of investment properties	21,600	27,200
Reversal of impairment loss on loans and interest receivables	(18,618)	(17,362)
Impairment loss on other receivables	580	–
Write-off of property, plant and equipment	297	2
Operating cash flows before changes in working capital	(25,884)	(3,281)
Changes in working capital:		
Properties under development	(47,292)	(31,329)
Properties held for sales	5,001	219,280
Other receivables	3,093	11,937
Restricted bank deposits	1,017	(3,335)
Accounts and other payables	13,698	(276,457)
Net cash used in operations	(50,367)	(83,185)
Interest paid	(5,122)	(5,912)
Tax paid	(953)	(2,837)
Net cash used in operating activities	(56,442)	(91,934)
INVESTING ACTIVITIES		
Dividend received	616	1,945
Interest received	2,793	3,066
Purchase of financial assets at FVPL	(14,288)	(174,661)
Purchase of property, plant and equipment	(1,767)	(15)
Net proceeds from disposal of financial assets at FVPL	97,075	35,925
Repayment from other borrowers	10,000	10,264
Net cash from (used in) investing activities	94,429	(123,476)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	Notes	2022 HK\$'000	2021 HK\$'000
FINANCING ACTIVITIES			
Interest paid	29	(1)	(22)
New other borrowings raised		6,044	11,736
Repayment of bank and other borrowings		(54,504)	–
Repayment of lease liabilities		(297)	(791)
Net cash (used in) from financing activities		(48,758)	10,923
Net decrease in cash and cash equivalents		(10,771)	(204,487)
Cash and cash equivalents at the beginning of the reporting period		72,022	270,671
Effect on exchange rate changes		(777)	5,838
Cash and cash equivalents at the end of the reporting period	21	60,474	72,022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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 2022 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 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 2021 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year.

ADOPTION OF NEW/REVISED HKFRSs

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “Reform”). The amendments complement those issued in November 2019 and relate to:

- changes to contractual cash flows – a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting – a company will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and
- disclosures – a company will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

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 2022

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

ADOPTION OF NEW/REVISED HKFRSs *(continued)*

Amendments to HKFRS 16: Covid-19-Related Rent Concessions Beyond 30 June 2021

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the 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 2022. 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 2022

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 2022

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 disposal. 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 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 2022

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 2022

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 2022

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Impairment of financial assets and other items

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

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 2022

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 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 2022

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

Simplified approach of ECL

For accounts receivables without a significant financing component or otherwise for which the Group applies the practical expedient not to account for the significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Credit-impaired financial asset

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

- (a) significant financial difficulty of the issuer or the borrower.
- (b) a breach of contract, such as a default or past due event.
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
- (e) the disappearance of an active market for that financial asset because of financial difficulties.
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount 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 2022

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, net of bank overdrafts. 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 sale of properties is 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 is transferred 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 the 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 2022

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 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 2022

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"). The Group's functional currency is HK\$.

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, or 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 2022

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 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 BENEFITS

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 schemes

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

Details of the retirement benefit schemes 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 2022

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 accumulated 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 2022

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 premises	2-3 years
-----------------	-----------

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

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

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate;
- (c) amounts expected to be payable under residual value guarantees;
- (d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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 2022

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 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 2022

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 2022

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 sale 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 sale of properties is considered as 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 its judgement and is satisfied that the method of valuation is reflective of the current market conditions as at the end of the 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 2022

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 assumptions 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 the carrying amounts). The assessment requires the use of judgement and estimates.

The Group estimates property construction cost upon recognition of respective the cost 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 cost 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 has 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

Certain of the Group's financial assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, management of the Group uses market-observable data to the extent 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, 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. Management of the Group first considers and adopts Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, management of the Group would 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 are 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 to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FUTURE CHANGES IN HKFRSs

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

Amendments to HKAS 16	Proceeds before Intended Use ^[1]
Amendments to HKAS 37	Cost of Fulfilling a Contract ^[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework ^[1]
Annual Improvements to HKFRSs	2018-2021 Cycle ^[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ^[2]
Amendments to HKAS 1	Disclosure of Accounting Policies ^[2]
Amendments to HKAS 8	Definition of Accounting Estimates ^[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ^[2]

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

^[2] Effective for annual periods beginning on or after 1 January 2023

The directors of the Company are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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, and interest-bearing borrowings. Details of these financial instruments are disclosed in respective notes to the consolidated financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Foreign currency risk

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

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's secured bank borrowings with floating interest rates as at the end of the reporting period. The interest rates and terms of repayment have been disclosed in note 23(a) 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 (2021: 100 basis points) higher/lower and all other variables were held constant, the Group's net loss would increase/decrease by approximately HK\$1,939,000 (2021: HK\$2,273,000), but there would be no impact on the other equity reserves.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the secured bank borrowings in existence at that date. The 100 basis points (2021: 100 basis points) increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual end of the reporting period.

Price risk

The Group is exposed to equity price risk 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% (2021: 15%) higher/lower while all other variables were held constant, the Group's net loss would decrease/increase by approximately HK\$10,822,000 (2021: HK\$24,400,000) 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 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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 deposits, cash and cash equivalents, other receivables and loans and interest receivables.

Credit risk arising from other receivables

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

At the end of the reporting period, the Group had a concentration risk as 62% (2021: 90%) and 100% (2021: 100%) of the total other receivables were made up by the Group's largest debtor and the five (2021: five) largest debtors' outstanding balances respectively.

In estimating the ECL and in determining whether there is a significant increase in credit risk since initial recognition and whether the financial asset is credit-impaired, the Group has taken into account the historical actual credit loss experience for the debtors and the financial position of the counterparties by reference to, among others, their management or audited accounts, legal advice of claims from counterparty and available press information, adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. Impairment loss of HK\$580,000 (2021: Nil) has been provided during the year.

At 30 June 2022

Internal credit rating	Gross carrying amount	ECL	Loss allowance	Net carrying amount
	HK\$'000		HK\$'000	HK\$'000
Performing <i>(Note (i))</i>	32,033	12-month	–	32,033
Underperforming <i>(Note (ii))</i>	–	Lifetime	–	–
Not performing <i>(Note (iii))</i>	5,274	Lifetime	5,274	–
	37,307		5,274	32,033

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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 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	–
	<u>6,185</u>		<u>5,413</u>	<u>772</u>

Notes:

- (i) Performing (Normal credit quality) refers to other receivables that have not had a significant increase in credit risk and ECL in the next 12 months are recognised.
- (ii) Underperforming (Significant increase in credit risk) refers to other receivables that have had a significant increase in credit risk and for which the lifetime ECL are recognised.
- (iii) Not performing (Credit-impaired) refers to other receivables that have objective evidence of impairment and for which the lifetime ECL are 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 2022

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"). Management considers that these counterparties have insignificant 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 the three categories of internal credit rating. The information about the ECL for loans and interest receivables as at 30 June 2022 is summarised below. After considering the above factors, a reversal of impairment loss of HK\$18,618,000 (2021: HK\$17,362,000) (Note 20(b)) was recognised in profit or loss during the year.

At 30 June 2022

Internal credit rating	Gross carrying amount	ECL	Loss allowances	Net carrying amount
	HK\$'000		HK\$'000	HK\$'000
Performing (Note (i))	–	12-month	–	–
Underperforming (Note (ii))	–	Lifetime	–	–
Not performing (Note (iii))	44,703	Lifetime	27,844	16,859
	44,703		27,844	16,859

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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 2021

Internal credit rating	Gross carrying amount HK\$'000	ECL	Loss allowances HK\$'000	Net carrying amount 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:

- (i) Performing (Normal credit quality) refers to loans that have not had a significant increase in credit risk and ECL in the next 12 months are recognised.
- (ii) Underperforming (Significant increase in credit risk) refers to loans that have had a significant increase in credit risk and for which the lifetime ECL are recognised.
- (iii) Not performing (Credit-impaired) refers to loans that have objective evidence of impairment and for which the lifetime ECL are recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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 2022, the Group recognised loss allowances of HK\$27,844,000 (2021: HK\$46,462,000) on its loans and interest receivables. The movements in the loss allowances for loans and interest receivables during the year are summarised below.

	2022			Total HK\$'000
	12-month ECL	Lifetime ECL		
	Performing HK\$'000	Under performing HK\$'000	Not performing HK\$'000	
At the beginning of the reporting period	–	–	46,462	46,462
Decrease in loss allowances	–	–	(18,618)	(18,618)
At the end of the reporting period	–	–	27,844	27,844

	2021			Total HK\$'000
	12-month ECL	Lifetime ECL		
	Performing HK\$'000	Under performing HK\$'000	Not performing 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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:

	2022		
	On demand or less than 1 year HK\$'000	Total contractual undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Accounts and other payables	128,639	128,639	128,639
Interest-bearing borrowings	244,218	244,218	244,218
	372,857	372,857	372,857

	2021		
	On demand or less than 1 year 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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*

		2022			
		Total	Level 1	Level 2	Level 3
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Notes					
<i>Designated FVOCI:</i>					
	Listed in Hong Kong				
	– equity securities	16	175	–	–
<i>Financial assets at FVPL:</i>					
	Unlisted investment funds	17(a)	97,871	–	97,871
	Listed equity securities				
	– Hong Kong	17(b)	79,337	–	–
	– the PRC	17(b)	3,995	–	–
	– Overseas	17(b)	932	–	–
	Listed debt instruments				
	– Hong Kong	17(c)	997	–	–
	– Overseas	17(c)	1,142	–	–
			184,274	86,403	97,871

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

3. FINANCIAL INSTRUMENTS (continued)

(b) FAIR VALUE MEASUREMENTS (continued)

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

	Notes	2021			
		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	17(a)	231,079	–	156,215	74,864
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

During the years ended 30 June 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements. There were transfers of HK\$33,177,000 from Level 2 to Level 3 fair value measurements (2021: additions of HK\$74,070,000 and disposals of HK\$5,560,000 on Level 3 fair value measurements) during the year.

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 2022 and 2021 are as follows:

Movements in Level 3 fair value measurements

	Financial assets at FVPL	
	2022 HK\$'000	2021 HK\$'000
At the beginning of the reporting period	74,864	5,560
Additions	–	74,070
Transfer to Level 3 (Note)	33,177	–
(Decrease) Increase in fair value	(10,170)	794
Disposals	–	(5,560)
At the end of the reporting period	97,871	74,864

Note:

The transfer from Level 2 to Level 3 fair value measurements was due to a lack of observable market data, resulting from a decrease in market activity for the assets. The Group's policy is to recognise transfers into and out of Level 3 fair value measurements as at the end of the reporting period in which the transfer occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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 measurements

The quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurements, 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 inputs	Sensitivity of fair value to changes in unobservable inputs
	2022 HK\$'000	2021 HK\$'000			
Financial assets at FVPL					
Unlisted investment funds					
– Other unlisted investment funds	64,694	74,864	Trending analysis	Market capitalisation/ Market indices	If the market capitalisation/market indices increased/decreased by 10% (2021: 3%), the fair value of the unlisted investment funds would increase/decrease by HK\$6,469,000 (2021: HK\$2,246,000).
– Green Asia Funds <i>(as defined in Note 17(a))</i>	33,177	N/A	Net asset value as at 30 June 2022	Recovery rate of underlying financial assets	If the recovery rate increased/decreased by 5% (2021: N/A), the fair value of the Green Asia Funds would increase/decrease by HK\$6,382,000 (2021: N/A).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

3. FINANCIAL INSTRUMENTS (continued)

(b) FAIR VALUE MEASUREMENTS (continued)

(ii) Investment properties measured at fair value

		2022			
	Note	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Investment properties	13	295,100	–	–	295,100

		2021			
	Note	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Investment properties	13	316,700	–	316,700	–

As mentioned in note 13 to the consolidated financial statements, the Group has engaged independent professional valuers to assess the fair value of its investment properties at the end of the reporting period. In measuring the fair value of the investment properties located in Hong Kong as at 30 June 2022, the direct comparison approach had been adopted which was consistent with the approach adopted in 2021. During the year 2021, there were no transfers between Level 1 and Level 2 fair value measurements. During the year ended 30 June 2022, the investment properties of HK\$295,100,000 were transferred from Level 2 to Level 3 fair value measurements.

Management considered that the unobservable adjustments used in the valuation of the investment properties previously categorised as Level 2 had become more significant because of fluctuation in market unit rate. As a result of the increased significance of the unobservable inputs used in the valuation of those properties as at 30 June 2022, the investment properties were transferred from Level 2 to 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 year ended 30 June 2022 are as follows:

Movements in Level 3 fair value measurements

	Investment properties 2022 HK\$'000
At the beginning of the reporting period	–
Transfer to Level 3	295,100
At the end of the reporting period	295,100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

3. FINANCIAL INSTRUMENTS (continued)

(b) FAIR VALUE MEASUREMENTS (continued)

(ii) Investment properties measured at fair value (continued)

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

The quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurements, 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 inputs	Sensitivity of fair value to changes in unobservable inputs
	2022 HK\$'000	2021 HK\$'000			
Investment properties at fair value					
Investment properties	295,100	n/a	Direct comparison approach	Market unit rate between HK\$35,000/sq.ft. to HK\$43,000/sq.ft.	If the market unit rate increased/decreased by 5% (2021: n/a), the fair value of investment properties would increase/decrease by HK\$14,755,000 (2021: n/a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

3. FINANCIAL INSTRUMENTS (continued)

(b) FAIR VALUE MEASUREMENTS (continued)

(iii) 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:

	2022 HK\$'000	2021 HK\$'000
<i>Financial assets measured at amortised cost:</i>		
Other receivables (excluding prepayments)	49,374	14,233
Restricted bank deposits	18,217	19,234
Cash and cash equivalents	60,474	72,022
	128,065	105,489
<i>Financial liabilities measured at amortised cost:</i>		
Accounts and other payables (excluding deposits received and contract liabilities)	128,639	126,045
Interest-bearing borrowings	244,218	292,956
Lease liabilities	–	297
	372,857	419,298

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 amounts 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 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

5. REVENUE

	2022 HK\$'000	2021 HK\$'000
Revenue		
<i>Revenue from contracts with customers within HKFRS 15:</i>		
Sale of properties in the PRC – at a point in time and fixed price	4,705	243,327
<i>Revenue from other sources:</i>		
Gross rental income from investment properties	4,406	6,245
Interest income from financial assets at FVPL	1,404	2,330
Dividend income from financial assets at FVPL	616	2,075
	6,426	10,650
	11,131	253,977
Other revenue		
Bank interest income	86	125
Loan interest income	2,098	1,224
Other	–	2
	2,184	1,351
	13,315	255,328

6. OTHER INCOME

	2022 HK\$'000	2021 HK\$'000
Management fee income	1,157	1,281
Sundry income	560	452
	1,717	1,733

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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 2022 are presented below:

	Resort and property development HK\$'000	Property investment HK\$'000	Investment holding HK\$'000	Total HK\$'000
Revenue	4,705	4,406	2,020	11,131
Other revenue and income	511	891	40	1,442
	5,216	5,297	2,060	12,573
Results				
Segment results	(17,487)	(21,580)	(127,764)	(166,831)
Unallocated corporate income				21,077
Unallocated corporate expenses				(10,210)
Finance costs				(5,472)
Loss before taxation				(161,436)
Taxation				(1,441)
Loss for the year				(162,877)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

7. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities as at 30 June 2022 and other segment information for the year ended 30 June 2022 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	780,502	299,103	266,147	1,345,752	90,607	1,436,359
Liabilities	(316,661)	(234,113)	(179)	(550,953)	(12,419)	(563,372)
Other segment information:						
Additions to property, plant and equipment	110	-	-	110	2,325	2,435
Depreciation						
- Property, plant and equipment	(39)	-	(52)	(91)	(2,163)	(2,254)
- Right-of-use assets	-	-	-	-	(285)	(285)
Net gain on disposal of financial assets at FVPL	-	-	937	937	-	937
Net decrease in fair value of financial assets at FVPL	-	-	(128,823)	(128,823)	-	(128,823)
Net decrease in fair value of investment properties	-	(21,600)	-	(21,600)	-	(21,600)
Reversal of impairment loss on loans and interest receivables	-	-	-	-	18,618	18,618
Impairment loss on other receivables	(580)	-	-	(580)	-	(580)
Write-off of property, plant and equipment	(57)	-	-	(57)	(240)	(297)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

7. SEGMENT INFORMATION *(continued)*

Segment revenue and results for the year ended 30 June 2021 are presented below:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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. For interest income from financial assets at FVPL, the analysis is based on the location of the markets of the respective investments.

	Revenue by geographical market	
	2022 HK\$'000	2021 HK\$'000
Hong Kong	6,312	10,440
The PRC	4,819	243,350
Others	–	187
	11,131	253,977

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	
	2022 HK\$'000	2021 HK\$'000
Hong Kong	365,627	387,641
The PRC	113	103
	365,740	387,744

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

INFORMATION ABOUT MAJOR CUSTOMERS

None of the external customers contributed 10% or more of the revenue of the Group for the years ended 30 June 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

8. FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
Interest expenses on bank and other borrowings	5,471	5,912
Interest expenses on lease liabilities	1	22
	5,472	5,934

9. LOSS BEFORE TAXATION

This is stated after charging (crediting):

	2022 HK\$'000	2021 HK\$'000
Staff costs, including directors' emoluments		
Salaries and other benefits	10,092	7,395
Retirement benefit scheme contributions	684	296
	10,776	7,691
Other items		
Auditor's remuneration		
– Audit service	860	850
– Non-audit related service	91	88
Cost of inventories	3,917	232,248
Depreciation		
– Property, plant and equipment	2,254	1,097
– Right-of-use assets	285	783
Direct operating expenses relating to investment properties that did not generate rental income	262	103
Exchange (gain) loss, net	(366)	283
Write-off of property, plant and equipment	297	2
Lease payments for short-term leases	720	122

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

10. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for tax purpose for both years.

The PRC Enterprise Income Tax ("EIT") in respect of operations in the PRC is calculated at a rate 25% (2021: 25%) on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof. EIT has not been provided as the Group incurred a loss for tax purposes for both years.

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 sale 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

	2022 HK\$'000	2021 HK\$'000
LAT	–	4,759
	–	4,759
Deferred taxation		
Provision for (Reversal of) temporary differences (<i>Note 28</i>)	1,441	(4,097)
Tax expenses during the year	1,441	662

Reconciliation of taxation

	2022 HK\$'000	2021 HK\$'000
Loss before taxation	(161,436)	(59,565)
Income tax at application tax rate	(27,994)	(16,216)
Tax effect of expenses not deductible in determining taxable profit	25,505	5,906
Tax effect of income not taxable in determining taxable profit	(3,362)	(5,607)
Unrecognised tax losses	5,966	2,445
Unrecognised temporary differences	1,788	9,780
Utilisation of previously unrecognised temporary differences	(44)	(5)
LAT	–	4,759
EIT effect of LAT	–	(1,190)
Others	(418)	790
Tax expenses for the year	1,441	662

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 2022

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) DIRECTORS' EMOLUMENTS

For the years ended 30 June 2022 and 2021, the emoluments paid or payable to directors were as follows:

	Wu Zhanming HK\$'000	Wu Tao HK\$'000 (Note i)	Yao Wei Rong HK\$'000 (Note i)	Yuen Chi Ping HK\$'000 (Note ii)	Lau Chi Keung HK\$'000 (Note iii)	Yu Tat Chi, Michael HK\$'000	Chiu Kit Man, Calvin HK\$'000	Zhu Xinhui HK\$'000 (Note i)	Total HK\$'000
Year ended 30 June 2022									
Fees	240	240	201	-	157	360	360	39	1,597
Other emoluments									
Salaries and other benefits	1,035	131	3	-	-	3	3	-	1,175
Retirement benefit scheme contributions	-	-	-	-	-	-	-	-	-
Total emoluments	1,275	371	204	-	157	363	363	39	2,772
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) DIRECTORS' EMOLUMENTS (continued)

Notes:

- (i) On 3 May 2022, Mr. Wu Tao was re-designated from non-executive director to executive director of the Company. On the same date, Mr. Yao Wei Rong resigned and Mr. Zhu Xinhui was appointed as an independent non-executive director of the Company.
- (ii) Mr. Yuen Chi Ping was suspended as an executive director of the Company on 10 June 2020 and subsequently resigned on 19 August 2020.
- (iii) On 7 December 2021, Mr. Lau Chi Keung retired as an independent non-executive director of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 30 June 2022 and 2021. 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 2022 and 2021.

(b) EMPLOYEES' EMOLUMENTS

The five highest paid individuals included a director (2021: two* directors) of the Company, details of whose emoluments are set out in (a) above. The emoluments of the remaining four (2021: three) individuals are as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries and other benefits	3,261	2,022
Retirement benefits scheme contributions	29	46
	3,290	2,068

The four (2021: three) highest paid individuals' remuneration falls within the following band:

	Number of employees	
	2022	2021
Nil to HK\$1,000,000	3	2
HK\$1,000,001 to HK\$1,500,000	1	1

During the years ended 30 June 2022 and 2021, 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 2022 and 2021, none of the highest paid individuals waived or agreed to waive any emoluments.

* The two directors include a director 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 2022

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:

	2022 HK\$'000	2021 HK\$'000
Loss for the year for the purposes of calculating basic loss per share	(162,877)	(60,227)

	2022 No. of shares	2021 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 2022 and 2021, 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 2022 and 2021.

13. INVESTMENT PROPERTIES

	2022 HK\$'000	2021 HK\$'000
Fair value		
At the beginning of the reporting period	316,700	415,200
Transfer to property, plant and equipment (<i>Note 14</i>)	–	(71,300)
Decrease in fair value	(21,600)	(27,200)
At the end of the reporting period	295,100	316,700

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

13. INVESTMENT PROPERTIES (continued)

Notes:

- (a) At the end of the reporting period, the Group's investment properties with a carrying value of HK\$295,100,000 (2021: HK\$316,700,000) were pledged to secure bank borrowings (Note 23(a)) and bank facilities granted to the Group.
- (b) The investment properties held at the end of the reporting period were valued by AVISTA Valuation Advisory Limited (2021: 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 evidence 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 used in this valuation approach is price per square foot.
- 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 as investment properties.
- (c) The investment properties of the Group are situated in Hong Kong, with remaining unexpired lease term of 37 years (2021: 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 leases upon expiry. Monthly rental charges consist of fixed payments. The tenants also bear the management fees.

The lease income from operating leases is 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 damages to the investment properties at the end of the leases. Besides, the Group has purchased insurance to protect it against any losses 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.

	2022 HK\$'000	2021 HK\$'000
Year 1	2,905	3,268
Year 2	1,318	1,048
	4,223	4,316

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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 2020	–	512	601	1,113
Additions	–	–	15	15
Transfer from investment properties (<i>Note</i>)	71,300	–	–	71,300
Write-off	–	–	(46)	(46)
Exchange realignment	–	–	33	33
At 30 June 2021 and 1 July 2021	71,300	512	603	72,415
Additions	–	1,231	1,204	2,435
Write-off	–	(512)	(325)	(837)
Exchange realignment	–	–	(9)	(9)
At 30 June 2022	71,300	1,231	1,473	74,004
Accumulated depreciation				
At 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 and 1 July 2021	934	256	466	1,656
Charge for the year	1,868	198	188	2,254
Write-off	–	(290)	(250)	(540)
Exchange realignment	–	–	(6)	(6)
At 30 June 2022	2,802	164	398	3,364
Net carrying values				
At 30 June 2022	68,498	1,067	1,075	70,640
At 30 June 2021	70,366	256	137	70,759

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. Such land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off their cost less accumulated impairment losses over their remaining lease term, using straight-line method. At the end of the reporting period, the remaining lease term was about 37 years (*2021: 38 years*).

At the end of the reporting period, the Group's land and buildings with carrying value of HK\$68,498,000 (*2021: HK\$70,366,000*) were pledged to secure bank borrowings (*Note 23(a)*) and bank facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

15. RIGHT-OF-USE ASSETS

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

	Office premises HK\$'000
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>
Reconciliation of carrying amount – year ended 30 June 2022	
At the beginning of the reporting period	285
Depreciation	<u>(285)</u>
At the end of the reporting period	<u>–</u>
At 30 June 2021	
Cost	1,848
Accumulated depreciation	<u>(1,563)</u>
Net carrying amount	<u>285</u>
At 30 June 2022	
Cost	–
Accumulated depreciation	<u>–</u>
Net carrying amount	<u>–</u>

At as 30 June 2021, the Group leased office premises in Hong Kong for its daily operations for a term of 2 to 3 years with fixed lease payments. The lease of office premises imposed a restriction that, unless approval was obtained from the lessor, the right-of-use asset can only be used by the Group and the Group was prohibited from selling or pledging the underlying assets. In addition, the Group was also required to keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. The lease ended during the year ended 30 June 2022 without renewal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

15. RIGHT-OF-USE ASSETS (continued)

The Group has recognised the following amounts for the year:

	2022 HK\$'000	2021 HK\$'000
Lease payments – Expenses recognised in profit or loss:		
Lease payments for short-term leases	720	122
Total cash outflow for leases	1,018	935

COMMITMENTS UNDER OPERATING LEASES

As at 30 June 2022, the Group was committed to HK\$720,000 (2021: HK\$41,000) for short-term leases.

16. DESIGNATED FVOCI

	2022 HK\$'000	2021 HK\$'000
At fair value		
Listed equity securities – Hong Kong	175	197

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	2022 HK\$'000	2021 HK\$'000
Unlisted investment funds	(a)	97,871	231,079
Listed equity securities			
– Hong Kong	(b)	79,337	149,359
– the PRC	(b)	3,995	12,884
– Overseas	(b)	932	3,400
Listed debt instruments			
– Hong Kong	(c)	997	26,339
– Overseas	(c)	1,142	2,828
		184,274	425,889

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

17. FINANCIAL ASSETS AT FVPL (continued)

Notes:

(a) The unlisted investment funds mainly comprise:

(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 (the "Green Asia Funds") with carrying amount of approximately HK\$21,394,000 and HK\$11,783,000 respectively (2021: HK\$104,986,000 and HK\$51,229,000 respectively). The Green Asia Funds are 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 ("Green Asia"), 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.

Green Asia is registered as segregated portfolio company in the Cayman Islands. The investment objective of Green Asia 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.

On 18 January 2022, the Group issued redemption notices to Green Asia to redeem 4,200 Class A shares of the Green Asia Funds with aggregate redemption proceeds of HK\$30,497,000, which has been included and recognised as "other receivables" as at 30 June 2022. In view of the failure in settlement of the redemption proceeds by Green Asia, the Group has filed petitions to the Grand Court of the Cayman Islands (the "Grand Court") against Green Asia in connection with the appointment of receivers over the assets of the Green Asia Funds. The petitions were served to Green Asia on 20 May 2022. The hearing was completed on 6 July 2022 and Mr. Lai Kar Yan and Mr. Chan Man Hoi of Deloitte Touche Tohmatsu and Mr. Michael Green of Deloitte & Touche LLP were appointed jointly and severally as receivers of the Green Asia Funds by the order from the Grand Court.

At the end of the reporting period, the fair value of the Group's investments in the Green Asia Funds amounted to approximately HK\$33,177,000 (2021: HK\$156,215,000), which was determined by the management with reference to the valuation report on the Green Asia Funds issued by an independent professional valuer, APAC Appraisal and Consulting Limited, based on the net asset value of the Green Asia Funds at the end of the reporting period.

(ii) At the end of the reporting period, included in the unlisted investment funds were 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% (2021: 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 the series C preferred stock of Beijing Horizon Robotics Technology Co., Ltd. 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\$36,258,000 (2021: HK\$39,000,000), 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, financial assets at FVPL with carrying amounts of approximately HK\$21,052,000 (2021: HK\$164,533,000) was pledged as collateral to the margin loan facilities granted to the Group, together with a corporate guarantee provided by the Company. No (2021: No) margin loan facilities were 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\$997,000 (2021: HK\$26,339,000) and HK\$1,142,000 (2021: HK\$2,828,000) respectively, which bore fixed annual interest rate at 7.25% (2021: ranging from 4.75% to 12%) and 7.25% (2021: 7.25%) respectively. The fair value of these debt instruments at the end of the reporting period was determined on the basis of quoted market price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

18. PROPERTIES UNDER DEVELOPMENT

	2022 HK\$'000	2021 HK\$'000
Properties under development ("PUD")	709,151	679,307
Write-down to net realisable value	(77,661)	(79,708)
	631,490	599,599

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

At the end of the reporting period, none (2021: none) of the PUD was 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 is 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 years ended 30 June 2022 and 2021, no write-down of PUD was recognised by the Group based on the valuation report of the PUD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

19. PROPERTIES HELD FOR SALES

	2022	2021
	HK\$'000	HK\$'000
Properties held for sales ("PHS")	120,404	128,711

All PHS are located in the PRC and held 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 is based on the completed gross development value after deducting the estimated costs necessary to make the sale.

20. OTHER RECEIVABLES

	Notes	2022	2021
		HK\$'000	HK\$'000
Loans and interest receivables	(a)	44,703	53,462
Loss allowances	(b)	(27,844)	(46,462)
		16,859	7,000
Other receivables	(c)	37,307	6,185
Loss allowances	(b)	(5,274)	(5,413)
		32,033	772
Deposits and prepayments		6,693	11,301
Dividend receivables		-	1,752
		6,693	13,053
		55,585	20,825

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

20. OTHER RECEIVABLES (continued)

Notes:

- (a) As at the end of the reporting period, a loan with principal amount of HK\$15,500,000 (2021: HK\$15,500,000) granted to a third-party borrower was unsecured, bearing fixed interest rates at 4% (2021: 4%) per annum and overdue for more than 24 months (2021: more than 12 months). Subsequent to the end of the reporting period, the Group received the principal amount of HK\$15,500,000 in July 2022.

The remaining loans with principal amount of HK\$27,744,000 (2021: HK\$37,744,000) granted to another third-party borrower, in which the spouse of Mr. Yuen Chi Ping, the Company's former director, has equity interest and had been a director until she resigned on 14 December 2019, are unsecured and bearing fixed interest rates at 4% (2021: 4%) per annum.

Pursuant to a partial repayment and extension of loan agreement dated 11 November 2020, the Group received repayment of HK\$10,000,000 from the borrower and agreed to extend the repayment date of the remaining balance to 15 July 2021.

Pursuant to another 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 of the remaining balance in the following manner: (i) HK\$3,000,000 on or before 31 January 2022 which had been early repaid during the year ended 30 June 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.

	2022 HK\$'000	2021 HK\$'000
Loss allowances for loans and interest receivables		
At the beginning of the reporting period	46,462	63,824
Decrease in allowances	(18,618)	(17,362)
	27,844	46,462

The movements in the loss allowance for the other receivables during the year are summarised below.

	2022 HK\$'000	2021 HK\$'000
Loss allowances for other receivables		
At the beginning of the reporting period	5,413	4,905
Increase in allowances	580	–
Write-off	(580)	–
Exchange realignment	(139)	508
	5,274	5,413

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

- (c) Included in the other receivables are the redemption proceeds of HK\$30,497,000 (2021: Nil) as detailed in note 17(a) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

21. RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	Notes	2022 HK\$'000	2021 HK\$'000
Cash at banks and on hand	(a)	54,863	64,213
Cash at securities brokers	(b)	23,828	16,781
		78,691	80,994
Less: Restricted bank deposits under			
– Pre-sales of PUD	(c)	(18,217)	(17,718)
– Arbitration proceedings	(e)	–	(1,516)
		(18,217)	(19,234)
		60,474	61,760
Short-term time deposits	(d)	–	10,262
		60,474	72,022
As per consolidated statements of financial position and cash flows		60,474	72,022

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. Included in restricted bank deposits under pre-sales of PUD were RMB650,000 (equivalent to HK\$762,000) (2021: RMB203,000 (equivalent to HK\$244,000)), which have been attached, seized and frozen in an arbitration proceeding because of the delay in the transfer of properties to customers.
- (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) As at 30 June 2021, bank deposits of RMB1,260,000 (equivalent to HK\$1,516,000) were attached, seized and frozen pending the resolution of arbitration proceedings due to the legal disputes on the fees relating to the provision of construction and other services. The disputes had been settled during the year ended 30 June 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

22. ACCOUNTS AND OTHER PAYABLES

	Notes	2022 HK\$'000	2021 HK\$'000
Accounts payables			
To third parties	(a)	79,134	89,788
Other payables			
Accrued charges and other creditors		17,783	13,400
Deposits received	(b)	2,548	3,337
Contract liabilities	(c)	86,368	79,358
Provision for land transfer fees	(d)	31,722	22,857
		138,421	118,952
		217,555	208,740

Notes:

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

	2022 HK\$'000	2021 HK\$'000
0-180 days	18,659	13,410
181-365 days	17,975	28,791
Over 365 days	42,500	47,587
	79,134	89,788

- (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 2022

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:

	2022 HK\$'000	2021 HK\$'000
At the beginning of the reporting period	79,358	259,222
Receipt in advance	11,891	28,059
Recognised as revenue	(2,560)	(229,743)
Exchange realignment	(2,321)	21,820
	86,368	79,358

At the end of the reporting period, none (2021: none) of the contract liabilities were expected to be settled after more than 12 months.

(d) The amounts were unsecured, interest-free and repayable on demand.

23. INTEREST-BEARING BORROWINGS

	Notes	2022 HK\$'000	2021 HK\$'000
Current portion			
Bank borrowings, secured	(a)	232,190	272,190
Other borrowings, unsecured	(b)	12,028	20,766
		244,218	292,956

Notes:

(a) At the end of the reporting period, the Group's bank borrowings carried interest rates at 2.25% above Hong Kong Interbank Offered Rate (2021: 2% above Hong Kong Interbank Offered Rate) and were repayable in lump sum in November 2023 (2021: November 2021). The effective interest rate during the year was 2.13% (2021: 2.16%) per annum. As the bank borrowings contain a clause in their terms that gives the bank an overriding right to demand for repayment without notice at its sole discretion, the bank borrowings are 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\$295,100,000 (2021: HK\$316,700,000) and HK\$68,498,000 (2021: HK\$70,366,000) respectively;
- (ii) assignment agreements in respect of rental income of the Group's investment properties duly executed by the Group in favour of the bank. During the year ended 30 June 2022, rental income of approximately HK\$4,046,000 (2021: HK\$6,245,000) was generated from the investment properties; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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) As at 30 June 2022, the Group's other borrowings were unsecured, interest-bearing at fixed rates ranging from 6.5% to 10% (2021: 6.5% to 10%) per annum and repayable within twelve months.

As at 30 June 2021, the Group had another borrowings of HK\$5,233,000 from a director of a subsidiary of the Company which was unsecured and interest-bearing at 6.5% per annum. On 14 January 2022, a supplemental loan agreement was signed between the Group and the borrower, pursuant to which the borrower agreed to waive all the interest payable by the Group provided that the Group repaid the loan immediately. The loan was fully repaid and the interest payable by the Group was waived during the year ended 30 June 2022.

24. LEASE LIABILITIES

	Lease liabilities	
	2022 HK\$'000	2021 HK\$'000
Reconciliation of carrying amount		
At the beginning of the reporting period	297	1,088
Interest expenses on lease liabilities	1	22
Lease payments	(298)	(813)
At the end of the reporting period	–	297
Current portion	–	297

25. SHARE CAPITAL

	2022		2021	
	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 2022

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 for 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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 2022, the total number of shares available for issue under the Scheme was 250,510,574 (2021: 250,510,574) shares, which represented approximately 10% (2021: 10%) of the Company's issued share capital.

During the years ended 30 June 2022 and 2021, no share options had been granted. There were no share options outstanding as at 30 June 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

28. DEFERRED TAXATION

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

	2022 HK\$'000	2021 HK\$'000
At the beginning of the reporting period	101,517	96,009
Charge (Credit) to profit or loss (<i>Note 10</i>)	1,441	(4,097)
Exchange realignment	(2,347)	9,605
	<hr/>	<hr/>
At the end of the reporting period	100,611	101,517

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

	Assets		Liabilities	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Depreciation allowances	–	–	(2,978)	(2,624)
Fair value adjustment arising from the transfer of investment properties to land and buildings under property, plant and equipment	–	–	(9,319)	(9,780)
Fair value adjustment on PUD and PHS	–	–	(89,092)	(91,737)
Tax losses	778	2,624	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred tax assets (liabilities)	778	2,624	(101,389)	(104,141)
Offsetting	(778)	(2,624)	778	2,624
	<hr/>	<hr/>	<hr/>	<hr/>
Net deferred tax liabilities	–	–	(100,611)	(101,517)
	<hr/>	<hr/>	<hr/>	<hr/>
Amount expected to be recovered/ settled after 12 months	–	–	(100,611)	(101,517)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

28. DEFERRED TAXATION *(continued)*

UNRECOGNISED DEFERRED TAX ASSETS

	2022 HK\$'000	2021 HK\$'000
Depreciation allowances	–	100
Tax losses arising in Hong Kong	268,043	268,985
Tax losses arising in the PRC	15,622	3,746
	283,665	272,831

At the end of the reporting period, the Group had unused tax losses of approximately HK\$268,043,000 (2021: unused tax losses and deductible temporary differences of approximately HK\$268,985,000 and HK\$100,000 respectively) available for offset against future taxable profits in Hong Kong. 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 had 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 losses were incurred:

	2022 HK\$'000	2021 HK\$'000
Year of expiry		
2025	3,650	3,746
2026	11,972	–
	15,622	3,746

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

29. OTHER CASH FLOW INFORMATION

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
2022			
At the beginning of the reporting period	292,956	297	293,253
Interest expenses	–	1	1
Exchange realignment	(278)	–	(278)
Cash inflow (outflow) in financing activities:			
Interest paid	–	(1)	(1)
New other borrowings raised	6,044	–	6,044
Repayment of bank and other borrowings	(54,504)	–	(54,504)
Repayment of lease liabilities	–	(297)	(297)
At the end of the reporting period	244,218	–	244,218

	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 other borrowings raised	11,736	–	11,736
Repayment of lease liabilities	–	(791)	(791)
At the end of the reporting period	292,956	297	293,253

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

30. COMMITMENTS

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

	2022 HK\$'000	2021 HK\$'000
Expenditure in respect of the properties under development contracted but not provided for	73,474	82,414

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 transaction with related parties.

Relationship	Nature of transactions	2022 HK\$'000	2021 HK\$'000
The Company's director, Mr. Wu Tao was the beneficial owner of the related company	Consultancy fee	775	770

(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 2022

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	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Interests in subsidiaries	(a)	845,310	794,878
Current assets			
Other receivables		480	7,509
Bank balances and cash		1,759	21,155
		2,239	28,664
Current liabilities			
Other payables		663	324
Interest-bearing borrowings		232,190	272,190
		232,853	272,514
Net current liabilities		(230,614)	(243,850)
Total assets less current liabilities		614,696	551,028
Non-current liabilities			
Amount due to a subsidiary		97,581	46,291
Net assets		517,115	504,737
Capital and reserves			
Share capital	25	25,051	25,051
Reserves	(b)	492,064	479,686
Total equity		517,115	504,737

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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

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

(a) INTERESTS IN SUBSIDIARIES

	2022 HK\$'000	2021 HK\$'000
Unlisted shares, at cost	89,046	89,046
Amounts due from subsidiaries	805,208	772,134
	894,254	861,180
Allowance for impairment losses	(48,944)	(66,302)
	845,310	794,878

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 2022

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

Information about the statement of financial position of the Company at the end of the reporting period is as follows: (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 funds, equity securities and debt instruments
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 RMB486,800,000 (2021: RMB440,000,000)/ Paid-up capital RMB484,500,000 (2021: RMB440,000,000) (Note)	–	100%	Property development

* For identification purpose only.

Note:

On 5 August 2021, 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 RMB440,000,000 to RMB460,000,000. On 5 January 2022, the MQSC approved the Group to further increase the registered capital of Wuxi Shengye from RMB460,000,000 to RMB480,000,000. On 1 June 2022, the MQSC approved the Company to further increase the registered capital from RMB480,000,000 to RMB486,800,000. The Group completed the capital injection of RMB20,000,000, RMB20,000,000 and RMB4,500,000 in August 2021, January 2022 and June 2022 respectively and the unpaid capital amounted to RMB2,300,000 as at 30 June 2022.

On 24 August 2022, the MQSC approved the Group to increase the registered capital of Wuxi Shengye from RMB486,800,000 to RMB511,800,000. The Group completed the capital injection of RMB2,224,000 and RMB25,000,000 in August 2022 and September 2022 respectively. At the date of the authorisation of these consolidated financial statements, the unpaid capital amounted to RMB76,000.

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.

* For identification purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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 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 and 1 July 2021	406,743	11,931	204,610	(143,598)	479,686
Profit for the year and total comprehensive income for the year	–	–	–	12,378	12,378
At 30 June 2022	406,743	11,931	204,610	(131,220)	492,064

Subject to the conditions mentioned in note 26 to the consolidated financial statements, the Company had reserves (including capital reserve and accumulated losses) totalling of approximately HK\$73,390,000 (2021: approximately HK\$61,012,000) available for distribution to shareholders at the end of the reporting period.

33. RETIREMENT BENEFIT SCHEMES

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

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

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

34. DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 30 June 2022 (2021: 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				2022 HK\$'000
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	
Revenue	3,743	17,011	248,384	253,977	11,131
Profit (Loss) before income tax	8,796	(78,215)	(256,904)	(59,565)	(161,436)
Tax (expense) credit	1,842	464	1,755	(662)	(1,441)
Profit (Loss) for the year	10,638	(77,751)	(255,149)	(60,227)	(162,877)
Attributable to equity holders of the Company	10,638	(77,751)	(255,149)	(60,227)	(162,877)

ASSETS AND LIABILITIES

	As at 30 June				2022 HK\$'000
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	
Total assets	2,185,923	2,359,681	1,889,272	1,654,221	1,436,359
Total liabilities	(758,026)	(1,016,473)	(816,709)	(605,473)	(563,372)
	1,427,897	1,343,208	1,072,563	1,048,748	872,987
Equity attributable to equity holders of the Company	1,427,897	1,343,208	1,072,563	1,048,748	872,987

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 2022 are as follows:

Name/location	Approximate gross floor area	Lease expiry	Type	Effective % held
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 2022 are as follows:

Name/location	Approximate gross floor area	Lease expiry	Type	Effective % held
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 2022 are as follows:

Name/location	Construction progress of the properties	Expected completion date of construction	Approximate site area	Approximate gross floor area under construction	Approximate gross floor area completed	Lease expiry	Type	Effective % held
The PRC								
The sides of Tianhe Road, Tianyi New Town, Huishan District, Wuxi City, Jiangsu Province, the PRC	Under construction	Fourth quarter 2022	29,326 sq.m.	112,189 sq.m.	11,969 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
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Company"	Applied Development Holdings Limited
"COVID-19"	Coronavirus Disease 2019
"Directors"	the directors of the Company
"FVPL"	Fair value through profit or loss
"FY2020"	the financial year ended 30 June 2020
"FY2021"	the financial year ended 30 June 2021
"FY2022"	the financial year ended 30 June 2022
"Group" or "We"	the Company and its subsidiaries
"HK\$" and "HK cents"	Hong Kong dollars and cents, the lawful currency 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
"RMB"	Renminbi, the lawful currency of the PRC
"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

DEFINITIONS

“sq.m.”	square meter
“Stock Exchange” or “HKEx”	The Stock Exchange of Hong Kong Limited
“Wuxi Property Project”	The property development project of the Group in Wuxi City, Jiangsu Province, PRC
“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
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

* For identification purpose only