



**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



\* For identification purpose only

**2023** *Interim Report*

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## 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*

### SOLICITOR

Han Kun Law Offices LLP

### STOCK CODE

HKEX: 519

### WEBSITE

<http://www.applieddev.com>

**Condensed Consolidated Statement of Comprehensive Income***For the six months ended 31 December 2022*

		<b>Six months ended 31 December</b>	
	<i>Note</i>	<b>2022 HK\$'000 (Unaudited)</b>	2021 HK\$'000 (Unaudited)
<b>Revenue</b>	2	<b>70,606</b>	5,205
Cost of sales		<b>(55,011)</b>	(1,204)
Gross profit		<b>15,595</b>	4,001
Other revenue	2	<b>871</b>	1,126
Other income		<b>1,175</b>	505
Net gain on disposal of financial assets at fair value through profit or loss ("FVPL")		<b>27</b>	999
Net decrease in fair value of financial assets at FVPL		<b>(9,124)</b>	(13,282)
Net decrease in fair value of investment properties		<b>(27,100)</b>	(15,500)
Reversal of impairment loss on loans and interest receivables	11(b)	<b>8,450</b>	2,000
Provision of impairment loss on other receivables	11(b)	<b>–</b>	(563)
Selling expenses		<b>(1,965)</b>	(3,280)
Administrative expenses		<b>(11,017)</b>	(12,199)
Finance costs	4	<b>(4,540)</b>	(2,807)
<b>Loss before taxation</b>	5	<b>(27,628)</b>	(39,000)
Taxation	6	<b>2,118</b>	(707)
<b>Loss for the period, attributable to equity holders of the Company</b>		<b>(25,510)</b>	(39,707)
<b>Other comprehensive loss</b> <i>Items that may be reclassified subsequently to profit or loss</i>			
– Exchange differences arising on translation of foreign operations, net		<b>(21,948)</b>	(692)
<b>Total other comprehensive loss for the period, net of tax</b>		<b>(21,948)</b>	(692)
<b>Total comprehensive loss for the period, attributable to equity holders of the Company</b>		<b>(47,458)</b>	(40,399)
<b>Loss per share</b>	7		
Basic		<b>(1.02) HK cents</b>	(1.59) HK cents
Diluted		<b>(1.02) HK cents</b>	(1.59) HK cents

## Condensed Consolidated Statement of Financial Position

At 31 December 2022

	Note	31 December 2022 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Audited)
<b>Non-current assets</b>			
Investment properties	8	268,000	295,100
Property, plant and equipment		69,449	70,640
Financial assets designated at fair value through other comprehensive income ("Designated FVOCI")		175	175
		<b>337,624</b>	365,915
<b>Current assets</b>			
Properties under development	9	401,907	631,490
Properties held for sales	9	267,354	120,404
Financial assets at FVPL	10	173,753	184,274
Other receivables	11	36,048	55,585
Tax recoverable		447	–
Restricted bank deposits		20,853	18,217
Cash and cash equivalents		49,438	60,474
		<b>949,800</b>	1,070,444
<b>Current liabilities</b>			
Accounts and other payables	12	122,046	217,555
Interest-bearing borrowings		240,292	244,218
Tax payables		2,415	988
		<b>364,753</b>	462,761
<b>Net current assets</b>		<b>585,047</b>	607,683
<b>Total assets less current liabilities</b>		<b>922,671</b>	973,598
<b>Non-current liabilities</b>			
Deferred tax liabilities		97,142	100,611
		<b>97,142</b>	100,611
<b>Net assets</b>		<b>825,529</b>	872,987
<b>Capital and reserves</b>			
Share capital	13	25,051	25,051
Reserves		800,478	847,936
<b>Total equity</b>		<b>825,529</b>	872,987



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 31 December 2022

	Reserves							Total reserves HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve (non-recycling) HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	
At 1 July 2022 (audited)	25,051	406,743	(397)	11,931	204,610	5,069	219,980	847,936
Loss for the period	-	-	-	-	-	-	(25,510)	(25,510)
<b>Other comprehensive loss</b> <i>Items that may be reclassified subsequently to profit or loss</i>	-	-	-	-	-	(21,948)	-	(21,948)
Exchange differences arising on translation of foreign operations, net	-	-	-	-	-	(21,948)	-	(21,948)
<b>Total other comprehensive loss for the period</b>	-	-	-	-	-	(21,948)	-	(21,948)
<b>Total comprehensive loss for the period</b>	-	-	-	-	-	(21,948)	(25,510)	(47,458)
At 31 December 2022 (unaudited)	25,051	406,743	(397)	11,931	204,610	(16,879)	194,470	800,478
								825,529

		Reserves								
		Share capital	Share premium	Investment revaluation reserve (non-recycling)	Capital redemption reserve	Capital reserve	Translation reserve	Accumulated profits	Total reserves	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>At 1 July 2021 (audited)</b>		25,051	406,743	(375)	11,931	204,610	17,931	382,857	1,023,697	1,048,748
Loss for the period		-	-	-	-	-	-	(39,707)	(39,707)	(39,707)
<b>Other comprehensive loss</b>										
	<i>Items that may be reclassified subsequently to profit or loss</i>									
	Exchange differences arising on translation of foreign operations, net	-	-	-	-	-	(692)	-	(692)	(692)
<b>Total other comprehensive loss for the period</b>		-	-	-	-	-	(692)	-	(692)	(692)
<b>Total comprehensive loss for the period</b>		-	-	-	-	-	(692)	(39,707)	(40,399)	(40,399)
<b>At 31 December 2021 (unaudited)</b>		25,051	406,743	(375)	11,931	204,610	17,239	343,150	983,298	1,008,349

**Condensed Consolidated Statement of Cash Flows***For the six months ended 31 December 2022*

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Net cash used in operating activities</b>	<b>(4,527)</b>	(7,757)
<b>INVESTING ACTIVITIES</b>		
Interest received	<b>429</b>	1,670
Purchase of financial assets at FVPL	–	(14,135)
Purchase of property, plant and equipment	<b>(7)</b>	(2,080)
Net proceeds from disposal of financial assets at FVPL	<b>1,424</b>	62,169
<b>Net cash from investing activities</b>	<b>1,846</b>	47,624
<b>FINANCING ACTIVITIES</b>		
Interest paid	<b>(4,540)</b>	(2,807)
New other borrowings raised	–	4,210
Repayment of bank and other borrowings	<b>(3,366)</b>	(17,819)
Repayment of lease liabilities	–	(297)
<b>Net cash used in financing activities</b>	<b>(7,906)</b>	(16,713)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(10,587)</b>	23,154
<b>Cash and cash equivalents at the beginning of the period</b>	<b>60,474</b>	72,022
Effect on exchange rate changes	<b>(449)</b>	(692)
<b>Cash and cash equivalents at the end of the period</b>	<b>49,438</b>	94,484
<b>Analysis of balances of cash and cash equivalents:</b>		
Cash at banks and on hand	<b>30,341</b>	90,190
Cash held by securities brokers	<b>9,095</b>	4,294
Short-term time deposits	<b>10,002</b>	–
	<b>49,438</b>	94,484



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements of Applied Development Holdings Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 31 December 2022 (the "Interim Financial Statements") are unaudited, but have been reviewed by the audit committee of the Company. These unaudited Interim Financial Statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

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

The Interim Financial Statements should be read in conjunction with the Company's consolidated financial statements for the year ended 30 June 2022 ("2022 Annual Financial Statements"). The accounting policies adopted in the Interim Financial Statements are consistent with those applied in the preparation of 2022 Annual Financial Statements, except for the adoption of the new/revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 July 2022 as described below.

Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs	2018-2020 Cycle

The adoption of these new/revised HKFRSs has no material impact on the Group's results and financial position for the current or prior periods and does not result in any significant change in accounting policies of the Group.

**2. REVENUE**

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Revenue</b>		
<i>Revenue from contracts with customers within HKFRS 15:</i>		
<i>Sale of properties in the People's Republic of China ("PRC")</i>		
<i>– at a point in time and fixed price</i>	<b>67,970</b>	1,271
<hr/>		
<i>Revenue from other sources:</i>		
Gross rental income from investment properties	<b>2,238</b>	2,196
Interest income from financial assets at FVPL	<b>226</b>	1,178
Dividend income from financial assets at FVPL	<b>172</b>	560
<hr/>		
	<b>2,636</b>	3,934
<hr/>		
	<b>70,606</b>	5,205
<hr/>		
<b>Other revenue</b>		
Bank interest income	<b>203</b>	46
Loan interest income	<b>668</b>	1,080
<hr/>		
	<b>871</b>	1,126
<hr/>		
<b>Total revenue</b>	<b>71,477</b>	6,331

**3. SEGMENT INFORMATION**

Management identifies operating segments based on internal reports that are regularly reviewed by the chief operating decision maker, 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 period. 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.

3. SEGMENT INFORMATION (continued)

Segment revenue and results for the six months ended 31 December 2022 are presented below:

	Resort and property development <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Investment holding <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
<b>Revenue</b>	67,970	2,238	398	70,606
Other revenue and income	413	316	75	804
	<b>68,383</b>	<b>2,554</b>	<b>473</b>	<b>71,410</b>
<b>Results</b>				
Segment results	14,521	(26,585)	(9,556)	(21,620)
Unallocated corporate income				9,692
Unallocated corporate expenses				(11,160)
Finance costs				(4,540)
<b>Loss before taxation</b>				<b>(27,628)</b>
Taxation				2,118
<b>Loss for the period</b>				<b>(25,510)</b>

Segment assets and liabilities as at 31 December 2022 are presented below:

	Resort and property development <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Investment holding <i>HK\$'000</i> (Unaudited)	Segment total <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
<b>Assets</b>	694,006	270,019	227,013	1,191,038	96,386	1,287,424
<b>Liabilities</b>	(215,167)	(234,033)	-	(449,200)	(12,695)	(461,895)

**3. SEGMENT INFORMATION (continued)**

Other segment information for the six months ended 31 December 2022 are presented below:

	Resort and property development <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Investment holding <i>HK\$'000</i> (Unaudited)	Segment total <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
<b>Other segment information:</b>						
Additions to property, plant and equipment	7	-	-	7	-	7
Net gain on disposal of financial assets at FVPL	-	-	27	27	-	27
Net decrease in fair value of financial assets at FVPL	-	-	(9,124)	(9,124)	-	(9,124)
Net decrease in fair value of investment properties	-	(27,100)	-	(27,100)	-	(27,100)
Depreciation – property, plant and equipment	(14)	-	(8)	(22)	(1,166)	(1,188)
Reversal of impairment loss of loans and interest receivables	-	-	-	-	8,450	8,450
Write-off of property, plant and equipment	-	-	-	-	(4)	(4)

Segment revenue and results for the six months ended 31 December 2021 are presented below:

	Resort and property development <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Investment holding <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
<b>Revenue</b>	1,271	2,196	1,738	5,205
Other revenue and income	56	310	39	405
	1,327	2,506	1,777	5,610
<b>Results</b>				
Segment results	(6,827)	(14,952)	(11,345)	(33,124)
Unallocated corporate income				3,226
Unallocated corporate expenses				(6,295)
Finance costs				(2,807)
<b>Loss before taxation</b>				(39,000)
Taxation				(707)
<b>Loss for the period</b>				(39,707)

3. SEGMENT INFORMATION (continued)

Segment assets and liabilities as at 30 June 2022 are presented below:

	Resort and property development <i>HK\$'000</i> (Audited)	Property investment <i>HK\$'000</i> (Audited)	Investment holding <i>HK\$'000</i> (Audited)	Segment total <i>HK\$'000</i> (Audited)	Unallocated <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
<b>Assets</b>	780,502	299,103	266,147	1,345,752	90,607	1,436,359
<b>Liabilities</b>	(316,661)	(234,113)	(179)	(550,953)	(12,419)	(563,372)

Other segment information for the six months ended 31 December 2021 are presented below:

	Resort and property development <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Investment holding <i>HK\$'000</i> (Unaudited)	Segment total <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
<b>Other segment information:</b>						
Additions to property, plant and equipment	67	-	47	114	1,966	2,080
Depreciation						
- property, plant and equipment	(16)	-	(45)	(61)	(998)	(1,059)
- right-of-use assets	-	-	-	-	(285)	(285)
Net gain on disposal of financial assets at FVPL	-	-	999	999	-	999
Net decrease in fair value of financial assets at FVPL	-	-	(13,282)	(13,282)	-	(13,282)
Net decrease in fair value of investment properties	-	(15,500)	-	(15,500)	-	(15,500)
Reversal of impairment loss of loans and interest receivables	-	-	-	-	2,000	2,000
Impairment loss of other receivables	(563)	-	-	(563)	-	(563)

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

**3. 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 and dividend income from financial assets at FVPL, the analysis is based on the location of the markets of the respective instruments.

	<b>Revenue by geographical market Six months ended 31 December</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Hong Kong	<b>2,470</b>	3,735
The PRC	<b>68,023</b>	1,357
Others	<b>113</b>	113
	<b>70,606</b>	5,205

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

	<b>Carrying amounts of non-current assets</b>	
	<b>31 December</b>	30 June
	<b>2022</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Hong Kong	<b>337,358</b>	365,627
The PRC	<b>91</b>	113
	<b>337,449</b>	365,740

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



4. FINANCE COSTS

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Interest expenses on bank and other borrowings	4,540	2,805
Interest expenses on lease liabilities	–	2
	<b>4,540</b>	<b>2,807</b>

5. LOSS BEFORE TAXATION

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Loss for the period is stated after charging (crediting):		
<b>Staff costs, including directors' emoluments</b>		
Salaries and other benefits	5,727	4,031
Retirement benefit scheme contribution	350	279
Total staff costs	<b>6,077</b>	<b>4,310</b>
<b>Other items</b>		
Cost of inventories	55,011	1,204
Depreciation		
– property, plant and equipment	1,188	1,059
– right-of-use assets	–	285
Direct operating expenses relating to investment properties that did not generate rental income	125	579
Lease payments for short-term lease	17	25
Exchange loss (gain)	58	(39)

**6. TAXATION**

	<b>Six months ended 31 December</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Current tax</b>		
PRC Enterprise Income Tax	–	707
PRC Land Appreciation Tax	<b>1,371</b>	–
	<b>1,371</b>	707
<b>Deferred tax</b>		
Reversal of temporary differences	<b>(3,489)</b>	–
<b>Total income tax (credit) expense</b>	<b>(2,118)</b>	707

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes for the six months ended 31 December 2022 and 2021.

The PRC Enterprise Income Tax ("EIT") in respect of operations in the PRC is calculated at a rate 25% (*six months ended 31 December 2021: 25%*) on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof.

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

**7. LOSS PER SHARE**

The calculation of the basic loss per share for the six months ended 31 December 2022 is based on the loss attributable to equity holders of the Company of approximately HK\$25,510,000 (*six months ended 31 December 2021: HK\$39,707,000*) and on the weighted average of 2,505,105,739 (*six months ended 31 December 2021: 2,505,105,739*) ordinary shares of the Company in issue during the period.

The diluted loss per share is the same as the basic loss per share for the six months ended 31 December 2022 and 2021. The Company did not have any dilutive potential ordinary shares during the six months ended 31 December 2022 and 2021.

**8. INVESTMENT PROPERTIES**

	<b>31 December 2022 HK\$'000 (Unaudited)</b>	30 June 2022 HK\$'000 (Audited)
Investment properties, at fair value	<b>268,000</b>	295,100

**9. PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALES**

	<b>31 December 2022 HK\$'000 (Unaudited)</b>	30 June 2022 HK\$'000 (Audited)
Properties under development ("PUD")	<b>401,907</b>	631,490
Properties held for sales ("PHS")	<b>267,354</b>	120,404
	<b>669,261</b>	751,894

The PUD and PHS are located in the PRC held under lease term of 40 years from 2014 to 2053. The development of the properties as at 31 December 2022 is expected to be completed within one year (30 June 2022: within one year).

## 10. FINANCIAL ASSETS AT FVPL

	<i>Note</i>	<b>31 December 2022 HK\$'000 (Unaudited)</b>	30 June 2022 HK\$'000 (Audited)
Unlisted investment funds	<i>(a)</i>	<b>106,934</b>	97,871
Listed equity securities			
– Hong Kong	<i>(b)</i>	<b>61,490</b>	79,337
– the PRC	<i>(b)</i>	<b>2,481</b>	3,995
– Overseas	<i>(b)</i>	<b>710</b>	932
Listed debt instruments			
– Hong Kong	<i>(c)</i>	<b>1,146</b>	997
– Overseas	<i>(c)</i>	<b>992</b>	1,142
		<b>173,753</b>	184,274

*Notes:*

(a) The unlisted investment funds mainly comprise of:

- (i) As at 31 December 2022, included in the unlisted investment funds were 100% Class A participating, redeemable, non-voting shares of Green Asia Restructure SP and 100% Class A participating, redeemable, non-voting shares of Green Asia Restructure SP II (collectively the "Green Asia Funds") with carrying amount of approximately HK\$21,394,000 and HK\$11,783,000 (30 June 2022: HK\$21,394,000 and HK\$11,783,000) 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 (the "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 the 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.

As at 31 December 2022, the fair value of the Group's investment in the Green Asia Funds amounted to approximately HK\$33,177,000 (30 June 2022: HK\$33,177,000), 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 its net assets value of the Green Asia Funds as at 31 December 2022.

10. FINANCIAL ASSETS AT FVPL (continued)

Notes: (continued)

(a) (continued)

- (ii) As at 31 December 2022, 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% (30 June 2022: 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.

As at 31 December 2022, the fair value of the Group's investment in the Huangpu River Fund amounted to approximately HK\$47,923,000 (30 June 2022: HK\$36,258,000), which was based on the backsolve method under market approach evaluated by a professional external valuer, AVISTA Valuation Advisory Limited.

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

As at 31 December 2022, financial assets at FVPL with carrying amount of approximately HK\$16,101,000 (30 June 2022: HK\$21,052,000) are pledged as collateral to the margin loan facilities granted to the Group with corporate guarantee provided by the Company. No margin loan facilities had been utilised and outstanding as at 31 December 2022 and 30 June 2022.

- (c) As at 31 December 2022, the Group held debt instruments listed in Hong Kong and overseas amounting to approximately HK\$1,146,000 (30 June 2022: HK\$997,000) and HK\$992,000 (30 June 2022: HK\$1,142,000), which bear fixed annual interest rate at 7.25% (30 June 2022: 7.25%) and 7.25% (30 June 2022: 7.25%) respectively. The fair value of these debt instruments as at 31 December 2022 and 30 June 2022 was determined on the basis of quoted market price.

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

## 11. OTHER RECEIVABLES

	<i>Note</i>	<b>31 December 2022 HK\$'000 (Unaudited)</b>	30 June 2022 HK\$'000 (Audited)
Loans and interest receivables	<i>(a)</i>	<b>19,394</b>	44,703
Loss allowances	<i>(b)</i>	<b>(19,394)</b>	(27,844)
		<b>–</b>	16,859
Other receivables		<b>37,065</b>	37,307
Loss allowances	<i>(c)</i>	<b>(5,021)</b>	(5,274)
		<b>32,044</b>	32,033
Deposits, prepayments and other debtors		<b>4,004</b>	6,693
		<b>36,048</b>	55,585

*Notes:*

- (a) As at 30 June 2022, a loan with principal amount of HK\$15,500,000 granted to a third-party borrower was unsecured, bearing fixed interest rates at 4% per annum and overdue more than 24 months. The loan was fully settled during the period ended 31 December 2022.

As at 31 December 2022, the loans with principal amount of HK\$19,394,000 (*30 June 2022: HK\$27,744,000*) granted to another third-party borrower, in which the spouse of Mr. Yuen Chi Ping, a Company's former director, has equity interest and had been a director until she resigned on 14 December 2019, were unsecured and bearing fixed interest rates of 4% (*30 June 2022: 4%*) per annum. Pursuant to the extension arrangement dated 8 September 2021, the Group has agreed to further extend the repayment date in following manner: (i) HK\$3,000,000 on or before 31 January 2022 which had been repaid during the year ended 30 June 2022; and (ii) the remaining balance on or before 30 September 2022.

As at the date of this report, the principal amount and interest receivables of HK\$8,450,000 had been settled during the period ended 31 December 2022 and the remaining balance of HK\$19,394,000 was overdue. In view of the failure in settlement of the remaining balance, the Group had filed petitions to the High Court of the Hong Kong Special Administrative Region in February 2023 to wind up the borrower.



11. OTHER RECEIVABLES (continued)

Notes: (continued)

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

	<b>31 December 2022 HK\$'000 (Unaudited)</b>	30 June 2022 HK\$'000 (Audited)
Loss allowances for loans and interest receivables:		
At the beginning of the period/year	<b>27,844</b>	46,462
Decrease in allowances	<b>(8,450)</b>	(18,618)
	<hr/>	<hr/>
At the end of the period/year	<b>19,394</b>	27,844

- (c) The movement in the loss allowances for other receivables during the period/year is summarised below.

	<b>31 December 2022 HK\$'000 (Unaudited)</b>	30 June 2022 HK\$'000 (Audited)
Loss allowances for other receivables:		
At the beginning of the period/year	<b>5,274</b>	5,413
Increase in allowances	-	580
Write-off	-	(580)
Exchange realignment	<b>(253)</b>	(139)
	<hr/>	<hr/>
At the end of the period/year	<b>5,021</b>	5,274

**12. ACCOUNTS AND OTHER PAYABLES**

	<i>Note</i>	<b>31 December 2022 HK\$'000 (Unaudited)</b>	30 June 2022 HK\$'000 (Audited)
<b>Accounts payables</b>			
To third parties	<i>(a)</i>	<b>74,638</b>	79,134
<b>Other payables</b>			
Accrued charges and other creditors		<b>15,072</b>	17,783
Deposits received		<b>2,442</b>	2,548
Contract liabilities	<i>(b)</i>	<b>29,894</b>	86,368
Provision for land transfer fees		<b>-</b>	31,722
		<b>47,408</b>	138,421
		<b>122,046</b>	217,555

*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:

	<b>31 December 2022 HK\$'000 (Unaudited)</b>	30 June 2022 HK\$'000 (Audited)
0-180 days	<b>9,069</b>	18,659
181-365 days	<b>23,779</b>	17,975
Over 365 days	<b>41,790</b>	42,500
	<b>74,638</b>	79,134

- (b) Contract liabilities represent sale proceeds received from customers in connection with the Group's pre-sale of properties. The deposit will be transferred to profit or loss when the Group's revenue recognition criteria are met.

13. SHARE CAPITAL

	31 December 2022 (Unaudited)		30 June 2022 (Audited)	
	Number of ordinary shares	HK\$'000	Number of ordinary shares	HK\$'000
<b>Authorised:</b>				
At 31 December 2022/30 June 2022, ordinary shares of HK\$0.01 each	6,000,000,000	60,000	6,000,000,000	60,000
<b>Issued:</b>				
At 31 December 2022/30 June 2022, ordinary shares of HK\$0.01 each	2,505,105,739	25,051	2,505,105,739	25,051

14. RELATED PARTY TRANSACTIONS

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

**Remuneration to key management personnel**

Remuneration to key management personnel including amounts paid to the directors of the Company are as follows:

	Six months ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other benefits	1,606	1,393
Retirement benefits scheme contributions	-	-
	<b>1,606</b>	<b>1,393</b>

**15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS**

The following table presents the carrying value of financial instruments measured at fair value at 31 December 2022 and 30 June 2022 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**

	<b>31 December 2022</b>			
	<b>(Unaudited)</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<i>Financial assets at FVPL:</i>				
Unlisted investment funds	<b>106,934</b>	–	–	<b>106,934</b>
Listed equity securities				
– Hong Kong	<b>61,490</b>	<b>61,490</b>	–	–
– the PRC	<b>2,481</b>	<b>2,481</b>	–	–
– Overseas	<b>710</b>	<b>710</b>	–	–
Listed debt instruments				
– Hong Kong	<b>1,146</b>	<b>1,146</b>	–	–
– Overseas	<b>992</b>	<b>992</b>	–	–
	<b>173,753</b>	<b>66,819</b>	–	<b>106,934</b>
<i>Designated FVOCI:</i>				
Equity securities listed				
in Hong Kong	<b>175</b>	<b>175</b>	–	–

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

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

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

During the six months ended 31 December 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The details of the movements of the fair value measurements categorised as Level 3 of the fair value hierarchy during the six months ended 31 December 2022 and the year ended 30 June 2022 are as follows:

**Movements in Level 3 fair value measurements**

	Financial assets at FVPL	
	31 December 2022 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Audited)
At the beginning of the period/year	97,871	74,864
Transfer to Level 3	–	33,177
Increase (Decrease) in fair value	9,063	(10,170)
<b>At the end of the period/year</b>	<b>106,934</b>	<b>97,871</b>

## 15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (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 input 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		Valuation techniques	Unobservable input	Sensitivity of fair value to changes in unobservable inputs
	31 December 2022	30 June 2022			
	HK\$'000 (Unaudited)	HK\$'000 (Audited)			
<b>Financial assets at FVPL</b>					
Unlisted investment funds					
– Other unlisted investment funds	<b>37,757</b>	64,694	Trending analysis and backsolve method under market approach (30 June 2022: Trending analysis)	Market capitalisation/ Market indices	If the market capitalisation/ market indices increased/ decreased by 10% (30 June 2022: 10%), the fair value of the unlisted investment funds would increase/decrease by HK\$3,510,000 and HK\$4,300,000 on trending analysis and backsolve method under market approach respectively (30 June 2022: HK\$6,469,000 on trending analysis).
– Green Asia Funds	<b>33,177</b>	33,177	Net asset value	Recovery rate of underlying financial assets	If the recovery rate increased/ decreased by 5% (30 June 2022: 5%), the fair value of the Green Asia Funds would increase/decrease by HK\$7,069,000 (30 June 2022: HK\$6,382,000).

## 16. INTERIM DIVIDEND

The directors do not recommend payment of an interim dividend for the six months ended 31 December 2022 (six months ended 31 December 2021: Nil).



## MANAGEMENT DISCUSSION AND PROSPECTS

### INTERIM DIVIDEND

The board (the “Board”) of directors (the “Directors”) of Applied Development Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) does not recommend the payment of an interim dividend for the six months ended 31 December 2022 (*2021: nil*).

### RESULTS

The Company recorded a loss of HK\$25,510,000 for the six months ended 31 December 2022 as compared to the loss of HK\$39,707,000 for the six months ended 31 December 2021. The loss for the six months ended 31 December 2022 was mainly attributable to, among others, the net decrease in fair value of investment properties of HK\$27,100,000. Decrease in loss was mainly due to, among others, net impact of (i) an increase in gross profit from HK\$4,001,000 for the six months ended 31 December 2021 to HK\$15,595,000 for the six months ended 31 December 2022; (ii) an increase in reversal of impairment loss on loans and interest receivables from HK\$2,000,000 for the six months ended 31 December 2021 to HK\$8,450,000 for the six months ended 31 December 2022; (iii) a decrease in fair value loss of financial assets at fair value through profit or loss (“FVPL”) from HK\$13,282,000 for the six months ended 31 December 2021 to HK\$9,124,000 for the six months ended 31 December 2022 and (iv) an increase in the fair value loss of the Group’s investment properties from HK\$15,500,000 for the six months ended 31 December 2021 to HK\$27,100,000 for the six months ended 31 December 2022. The Board wishes to emphasize that the above-mentioned factors (iii) and (iv) are non-cash in nature.

### BUSINESS REVIEW

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

## MANAGEMENT DISCUSSION AND PROSPECTS

### Resort and Property Development

The Group has acquired Wuxi Shengye Haigang Joint Stock Company Limited\* (無錫盛業海港股份有限公司) (“Wuxi Shengye”) in June 2017, the pre-sale of the properties under development commenced in October 2017, the construction 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 project (“Wuxi Property Project”) is expected to take place in the second quarter of 2023. Most of the apartment portion of first and second phase have been delivered to customers as at 30 June 2021. During the six months ended 31 December 2022, some apartments of the third phase were delivered to customers and recognised a revenue of HK\$67,970,000 with overall gross profit margin of 30% after reversing the revaluation consolidated adjustment. As at 31 December 2022, the contracted sales with the contracts signed but properties not yet delivered were HK\$36,503,000. Looking forward to 2023, although there are challenges in the property market and global economy, it is hoped the sequential rebound in the PRC property sales when the property policies continued to ease after COVID-19.

### 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.

The Sub-division Properties included three self-use units and fifteen leasing units. The fair value of the Group’s investment properties as at 31 December 2022 was HK\$268,000,000 (30 June 2022: HK\$295,100,000). As at 31 December 2022, it is still the bottom of the properties market of Hong Kong which was being hit by the coronavirus variants. The fair value of the Group’s investment properties decreased by HK\$27,100,000 for the six months ended 31 December 2022 (2021: HK\$15,500,000). It is emphasised that the fair value loss was non-cash in nature.

The Group’s investment properties contributed rental income of HK\$2,238,000 in total for the six months ended 31 December 2022 (2021: HK\$2,196,000). The Sub-division Properties have contributed stable returns to the Group in both periods.

\* For identification purpose only

## MANAGEMENT DISCUSSION AND PROSPECTS

### 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 the six months ended 31 December 2022, the Group recorded interest and dividend income from financial assets at FVPL of HK\$398,000 (2021: HK\$1,738,000), net gain on disposal of financial assets at FVPL of HK\$27,000 (2021: HK\$999,000) and a decrease in fair value of financial assets at FVPL of HK\$9,124,000 (2021: HK\$13,282,000). Details of the significant investments held by the Group for the six months ended 31 December 2022 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 the Green Asia Funds is capital appreciation by investing 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.

On 18 January 2022, the Group 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 by the order of the Cayman Court. As at the date of this interim report, the assets realization procedure is in progress. For details, please refer to the announcement of the Company dated 23 May 2022.

As at 31 December 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 2.6% of the Group's total assets. As at 31 December 2022, the investment cost in relation to the Green Asia Funds incurred by the Group was approximately HK\$134,503,000. During six months ended 31 December 2022, no fair value change or realised gain or loss recognized from its investment in the Green Asia Funds.

## MANAGEMENT DISCUSSION AND PROSPECTS

### 2. *Zall Smart Commerce Group Limited (“Zall Smart”)*

As at 31 December 2022, the Group held 134,354,000 ordinary shares of Zall Smart, representing 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 of Hong Kong Limited (the “Stock Exchange”) (stock code: 2098). Zall Smart and its subsidiaries are principally engaged in 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 the online and offline customers in the PRC. The acquisition cost of Zall Smart shares held by the Group as at 31 December 2022 was HK\$1.28 per share. As at 31 December 2022, the fair value of investment in Zall Smart was HK\$53,742,000, which amounted for 4.2% of the Group’s total assets. During the six months ended 31 December 2022, fair value of the Group’s investment in Zall Smart decreased by HK\$14,779,000. Besides that, the Group had not received and recognised any realised gain or loss, 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 31 December 2022.

## PROSPECTS

In the second half of 2022, the external economic environment was still affected by the COVID-19 epidemic. With the continuous optimization of Mainland China’s epidemic prevention policies, the impact of the COVID-19 epidemic on Mainland China market environment is being continuously alleviated and gradually diminished. However, the uncertainty of the epidemic had weakened the real estate market sentiment in Mainland China. Against the background of the overall contraction, the Group had overcome a number of unfavorable factors, and part of the historical problems of its Wuxi Property Project was gradually being resolved. However, affected by external market environment, the sales progress of some properties was slow. Looking forward to 2023, the Group still faces a number of challenges. As such, the Group will adhere to the overall strategy of seeking progress while maintaining stability, continue to optimize the Group’s asset structure and business development quality, and strengthen its own capability to deal with various unfavorable external economic conditions.

## MANAGEMENT DISCUSSION AND PROSPECTS

### FINANCIAL REVIEW

#### Revenue, cost of sales and gross profit margin

The revenue of the Group increased by HK\$65,401,000, or 1,257%, from HK\$5,205,000 for the six months ended 31 December 2021 to HK\$70,606,000 for the six months ended 31 December 2022. Most of revenue generated for the six months ended 31 December 2022 was derived from resort and property development segment, the properties of Wuxi Shengye were delivered to customers and bringing in revenue. The revenue generated from resort and property development segment for the six months ended 31 December 2022 was HK\$67,970,000 (2021: HK\$1,271,000) and gross profit margin was 19% (2021: 5%). There was an increase in revenue because the properties were delivered to customers in bulk for the six months ended 31 December 2022, while no bulk delivery was arranged for the six months ended 31 December 2021. Increased in gross profit margin as the properties delivered for the six months ended 31 December 2022 are loft which had higher selling price than the flat delivered for the six months ended 31 December 2021.

#### Net decrease in fair value of financial assets at FVPL

Net decrease in fair value of financial assets at FVPL of the Group decreased by HK\$4,158,000, or 31%, from HK\$13,282,000 for the six months ended 31 December 2021 to HK\$9,124,000 for the six months ended 31 December 2022. The fair value loss for both periods was mainly derived from decrease in the share price of Zall Smart's shares held by the Group.

#### Net decrease in fair value of investment properties

The net fair value loss of investment properties of the Group increased from HK\$15,500,000 for the six months ended 31 December 2021 to HK\$27,100,000 for the six months ended 31 December 2022. 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 the overall trading volume and price of grade-A offices in Hong Kong.

## MANAGEMENT DISCUSSION AND PROSPECTS

### Reversal of impairment loss on loans and interest receivables

The Group recognised a reversal of impairment loss on loans and interest receivables of HK\$8,450,000 for the six months ended 31 December 2022 (2021: HK\$2,000,000), which was due to the partial repayments received from a debtor in the corresponding periods. As mentioned in note 11(a) to the condensed consolidated financial statements of this report, the loan with outstanding principal amount of HK\$19,394,000 was overdue, the Group has filed a petition to the High Court of the Hong Kong Special Administrative Region to wind up the borrower and the hearing of the petition will be held in April 2023. For details of the loan, please refer to the announcement of the Company dated 21 November 2022.

### Selling expenses

Selling expenses of the Group decreased by HK\$1,315,000, or 40%, from HK\$3,280,000 for the six months ended 31 December 2021 to HK\$1,965,000 for the six months ended 31 December 2022. The selling expenses for the six months ended 31 December 2022 was mainly comprised of sales service and consulting fees. The decrease in selling expenses mainly due to less advertisement and consulting fee being incurred for the six months ended 31 December 2022.

### Administrative expenses

Administrative expenses of the Group decreased by HK\$1,182,000, or 10%, from HK\$12,199,000 for the six months ended 31 December 2021 to HK\$11,017,000 for the six months ended 31 December 2022. The administrative expenses for the six months ended 31 December 2022 mainly comprised of staff costs, legal and professional fees and depreciation. The decrease in administrative expenses was mainly due to less legal and professional fee being incurred for the six months ended 31 December 2022.

## MANAGEMENT DISCUSSION AND PROSPECTS

### Finance cost

Finance cost of the Group increased by HK\$1,733,000, or 62%, from HK\$2,807,000 for the six months ended 31 December 2021 to HK\$4,540,000 for the six months ended 31 December 2022. The increase in finance costs was because the effective interest rate increased. The management of the Group has continually monitored and assessed the interest rate risk, and may consider to reduce the loan amount or hedge the interest rate exposure when needed.

### Loss for the period

Loss for the period of the Group reduced by HK\$14,197,000, or 36%, from HK\$39,707,000 for the six months ended 31 December 2021 to HK\$25,510,000 for the six months ended 31 December 2022. The loss for the six months ended 31 December 2022 was mainly due to the net decrease in fair value of investment properties of HK\$27,100,000.

### Liquidity, financial resources and capital structure

As at 31 December 2022, the Group had current assets of HK\$949,800,000 (*30 June 2022: HK\$1,070,444,000*) and current liabilities of HK\$364,753,000 (*30 June 2022: HK\$462,761,000*), representing a current ratio of about 2.6 times (*30 June 2022: 2.3 times*). The Group's total equity and the total bank and other borrowings as at 31 December 2022 amounted to HK\$825,529,000 (*30 June 2022: HK\$872,987,000*) and HK\$240,292,000 (*30 June 2022: HK\$244,218,000*) respectively. All of the bank and other borrowings of the Group were repayable within one year. The gearing ratio of the Group as at 31 December 2022, calculated as a ratio of the total bank and other borrowings to total equity was approximately 29% (*30 June 2022: 28%*).

## MANAGEMENT DISCUSSION AND PROSPECTS

### PRINCIPAL RISK AND UNCERTAINTIES

The Group is principally engaged in resort and property development, property investment and investment holding. The financial position, operations, business and prospects of the Group and its individual business segment are affected by the following significant risks 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, business and prospects of the Group and may lead to fair value loss of the Group's investment properties and net loss from property development segment. The real estate markets in Hong Kong and the PRC are affected by many factors, including but not limited to, changes in the local's economic, political, social and legal environment and changes in local's fiscal and monetary policy, all of which are beyond the control of the Group. The management policy to mitigate this risk is to diversify the Group's business in terms of asset composition, revenue and profitability.

#### **Market Risk**

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

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



## MANAGEMENT DISCUSSION AND PROSPECTS

### Financial Risk

The Group is exposed to financial risks relating to foreign currency, equity price, credit and liquidity risk in its ordinary course of business. As stated below, the majority of the Group's assets and liabilities were denominated in Renminbi, Hong Kong dollars and US dollars, and hence the exposure to foreign exchange risk was insignificant to the Group. The Group is exposed to price risk arising from listed equity investments and listed debt instruments 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. The management of the Group considers credit risk in relation to cash equivalents is insignificant as they were deposited in credit worthy banks and securities brokers. The Group has monitored the credit risk from loans receivables on an ongoing basis. Although a credit impairment on loans receivables was noted during the financial year ended 30 June 2020, subsequently, partial repayments of HK\$43,850,000 in aggregated have been received as at 31 December 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 Renminbi, Hong Kong dollars and US dollars, and hence the exposure to foreign exchange risk was insignificant to the Group for the six months ended 31 December 2022. The Group did 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.

## MANAGEMENT DISCUSSION AND PROSPECTS

### TREASURY POLICIES

As at 31 December 2022, the Group's bank and other borrowings of approximately HK\$232,190,000 (30 June 2022: HK\$232,190,000) and HK\$8,102,000 (30 June 2022: HK\$12,028,000) were denominated in Hong Kong dollars and Renminbi respectively. The balances of bank and other borrowings of approximately HK\$232,190,000 (30 June 2022: HK\$232,190,000) and HK\$8,102,000 (30 June 2022: HK\$12,028,000) were at variable and fixed interest rates respectively. Cash and cash equivalents held by the Group were mainly denominated in Hong Kong dollars, Renminbi and US dollars. The Group currently does not have interest rate hedging policies as the management of the Group does not expect significant interest rate risk as at 31 December 2022. However, the management of the Group monitors the interest rate exposure from time to time and may consider hedging the significant interest rate exposure if needed.

### OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group for the six months ended 31 December 2022 are set out in note 3 to the condensed consolidated financial statements of this report.

### CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 December 2022 (30 June 2022: Nil).

### PLEDGE OF ASSETS

As at 31 December 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 property, plant and equipment of the Group with carrying amount of HK\$268,000,000 and HK\$67,564,000 respectively (30 June 2022: HK\$295,100,000 and HK\$68,498,000 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 buildings duly executed by the Group in favour of the bank.

## MANAGEMENT DISCUSSION AND PROSPECTS

As at 31 December 2022, the fair value of the financial assets at FVPL of HK\$16,101,000 (30 June 2022: HK\$21,052,000) was pledged as collateral to margin loan facilities granted to the Group with a corporate guarantee provided by the Company. No margin loan facilities was utilised as at 31 December 2022 (30 June 2022: Nil).

## LITIGATION

Save as disclosed elsewhere in this interim report, as at 31 December 2022, the Group has no other material litigation against it which had to be disclosed.

## HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2022, the Group employed a total of 37 (30 June 2022: 38) employees and executive Directors. The Group's total staff costs including Directors' emoluments amounted to HK\$6,077,000 for the six months ended 31 December 2022 (2021: HK\$4,310,000). The remuneration packages for Directors and employees are normally reviewed annually and are structured by reference to market terms and individual competence, performance and experience. The Group also provides medical insurance coverage and operates a provident fund scheme or relevant fund scheme for its employees in Hong Kong and the PRC.

## SUBSEQUENT EVENTS

The Group has no material events subsequent to 31 December 2022 which were required to be disclosed as at the date of this report.

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2022, the interests and short positions of the Directors and 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 Securities and Futures Ordinance (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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (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***

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

Save as disclosed above, as at 31 December 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.

#### **CHANGES TO INFORMATION IN RESPECT OF DIRECTORS**

There is no change in the Directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as at the date of this interim report.

## OTHER INFORMATION

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

The Directors and employees of the Group are entitled to participate in the share option scheme of the Company adopted by the Company on 15 November 2012, and the scheme has been expired on 14 November 2022. As at 31 December 2022, no share option had been granted since the adoption of the share option scheme.

Save as disclosed above, at no time during the six months ended 31 December 2022 were the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other associated corporations (within the meaning of Part XV of the SFO) and none of the Directors or their spouses or children under the age of 18 had any right to subscribe for securities of the Company or had exercised any such rights during the six months ended 31 December 2022.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

To the best knowledge of the Directors, as at 31 December 2022, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were 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***

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

Save as disclosed above, as at 31 December 2022, the Directors and chief executive of the Company were not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in any shares, underlying shares of the Company which fall to be disclosed to the Company and the Stock Exchange pursuant to Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

## **OTHER INFORMATION**

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

During the six months ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### **CORPORATE GOVERNANCE**

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

The Company complied with all the applicable code provisions (the "Code Provisions") of the CG Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 31 December 2022, 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, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. During the period from 1 July 2022 to 15 December 2022, the bye-laws of the Company (the "Old Bye-laws") deviate from this Code Provision.

Under Bye-law 87(1) of the Old Bye-laws, at the annual general meetings of the Company, one third of the Directors for the time being (or where the number is not a multiple of three, the number nearest to, but not greater than one third), including the independent non-executive Directors, shall retire from office by rotation provided that the chairman of the Board (the "Chairman") 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) of the Old Bye-laws, in practice, the Chairman, Mr. Wu Zhanming will voluntarily submit himself for re-election by the Shareholders at the annual general meeting 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.

## OTHER INFORMATION

In order to comply with the Code Provision B.2.2 of the CG Code, the Company has amended its bye-laws, and the amended and restated bye-laws of the Company were adopted by a special resolution passed at an annual general meeting of the Company which was held on 15 December 2022.

Under Code Provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the six months ended 31 December 2022, Mr. Wu Zhanming was the Chairman and acting chief executive officer of the Company (the “CEO”). The Board believes that the holding of both positions of Chairman and CEO by the same individual will not impair the balance of power and authority between the Board and the management of the Group because the balance of power and authority is governed by the operations of the Board which comprise 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.

## AUDIT COMMITTEE

The unaudited condensed consolidated financial statements of the Company for the six months ended 31 December 2022 have been reviewed by the audit committee of the Company (the “Audit Committee”) and have been duly approved by the Board under the recommendation of the Audit Committee.

## MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries with the Directors, all the Directors have confirmed that they had complied with the required standards set out in the Model Code during the six months ended 31 December 2022.

By order of the Board  
**Applied Development Holdings Limited**  
**Wu Zhanming**  
*Chairman, Acting CEO and Executive Director*

Hong Kong, 28 February 2023