



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

Interim Report
2024



* For identification purpose only

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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. Zhu Xinhui

Dr. Chan Kin Keung Eugene *SBS, BBS, JP*

AUDIT COMMITTEE

Mr. Yu Tat Chi, Michael (*Chairman*)

Mr. Zhu Xinhui

Dr. Chan Kin Keung Eugene *SBS, BBS, JP*

REMUNERATION COMMITTEE

Mr. Zhu Xinhui (*Chairman*)

Mr. Yu Tat Chi, Michael

Mr. Wu Zhanming

NOMINATION COMMITTEE

Mr. Wu Zhanming (*Chairman*)

Mr. Yu Tat Chi, Michael

Mr. Zhu Xinhui

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 BANKS

China Construction Bank (Asia)

Corporation Limited

Hang Seng Bank Limited

Nanyang Commercial Bank, Limited

AUDITOR

Mazars CPA Limited

Certified Public Accountants

SOLICITORS

Han Kun Law Offices LLP

ONC Lawyers

STOCK CODE

HKEX: 519

WEBSITE

<http://www.applieddev.com>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 31 December 2023*

		Six months ended	
		31 December	
		2023	2022
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	2	22,329	70,606
Cost of sales		(14,292)	(55,011)
<hr/>			
Gross profit		8,037	15,595
Other revenue	2	71	871
Other income		655	1,175
Net (loss) gain on disposal of financial assets at fair value through profit or loss ("FVPL")		(95)	27
Net decrease in fair value of financial assets at FVPL		(19,551)	(9,124)
Net decrease in fair value of investment properties		(3,586)	(27,100)
Reversal of impairment loss on loans and interest receivables	11(b)	–	8,450
Selling expenses		(1,684)	(1,965)
Administrative expenses		(14,820)	(11,017)
Finance costs	4	(5,145)	(4,540)
<hr/>			
Loss before taxation	5	(36,118)	(27,628)
Taxation	6	554	2,118
<hr/>			
Loss for the period		(35,564)	(25,510)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
– Exchange differences arising on translation of foreign operations, net		(3,797)	(21,948)
<hr/>			
Total other comprehensive loss for the period, net of tax		(3,797)	(21,948)
<hr/>			
Total comprehensive loss for the period		(39,361)	(47,458)

APPLIED DEVELOPMENT HOLDINGS LIMITED

		Six months ended	
		31 December	
	<i>Note</i>	2023	2022
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Loss attributable to:			
Owners of the Company		(33,353)	(25,510)
Non-controlling interests		(2,211)	–
		(35,564)	(25,510)
Total comprehensive loss attributable to:			
Owners of the Company		(37,150)	(47,458)
Non-controlling interests		(2,211)	–
		(39,361)	(47,458)
Loss per share			
	7		
Basic		(1.24) HK cents	(1.02) HK cents
Diluted		(1.24) HK cents	(1.02) HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

		31 December 2023	30 June 2023
	<i>Note</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current assets			
Investment properties	8	329,744	280,900
Property, plant and equipment		67,094	68,285
Financial assets designated at fair value through other comprehensive income ("Designated FVOCI")		119	119
		396,957	349,304
Current assets			
Properties held for sales	9	653,708	727,896
Financial assets at FVPL	10	126,140	147,172
Other receivables	11	28,422	33,426
Restricted bank deposits		21,611	21,411
Cash and cash equivalents		52,789	20,609
		882,670	950,514
Current liabilities			
Accounts and other payables	12	176,303	189,608
Interest-bearing borrowings		210,123	210,124
Tax payables		2,364	2,090
		388,790	401,822
Net current assets		493,880	548,692
Total assets less current liabilities		890,837	897,996
Non-current liabilities			
Deferred tax liabilities		91,493	95,849
		91,493	95,849
Net assets		799,344	802,147
Capital and reserves			
Share capital	13	30,551	25,051
Reserves		766,321	772,413
Equity attributable to owners of the Company		796,872	797,464
Non-controlling interests		2,472	4,683
Total equity		799,344	802,147

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2023

	Reserves							Total reserves HK\$'000	Non- controlling interests HK\$'000	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 2023 (audited)	25,051	406,743	(453)	11,931	204,610	(26,949)	176,531	4,683	802,147	
Loss for the period	-	-	-	-	-	-	(33,353)	(2,211)	(35,564)	
Other comprehensive loss <i>Items that may be reclassified subsequently to profit or loss</i> Exchange differences arising on translation of foreign operations, net	-	-	-	-	-	(3,797)	-	-	(3,797)	
Total other comprehensive loss for the period	-	-	-	-	-	(3,797)	-	-	(3,797)	
Total comprehensive loss for the period	-	-	-	-	-	(3,797)	(33,353)	(2,211)	(39,361)	
Transactions with owners: Contribution and distribution Issue of new shares <i>(note 12)</i>	5,500	31,058	-	-	-	-	-	-	36,558	
At 31 December 2023 (unaudited)	30,551	437,801	(453)	11,931	204,610	(30,746)	143,178	2,472	799,344	

		Reserves								
		Share capital	Share premium	Investment revaluation reserve (non-recycling)	Capital redemption reserve	Capital reserve	Translation reserve	Accumulated profits	Total reserves	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2022 (audited)		25,051	406,743	(397)	11,931	204,610	5,069	219,980	847,936	872,987
Loss for the period		-	-	-	-	-	-	(25,510)	(25,510)	(25,510)
Other comprehensive loss										
	<i>Items that may be reclassified subsequently to profit or loss</i>									
	Exchange differences arising on translation of foreign operations, net	-	-	-	-	-	(21,948)	-	(21,948)	(21,948)
Total other comprehensive loss for the period		-	-	-	-	-	(21,948)	-	(21,948)	(21,948)
Total comprehensive loss for the period		-	-	-	-	-	(21,948)	(25,510)	(47,458)	(47,458)
At 31 December 2022 (unaudited)		25,051	406,743	(397)	11,931	204,610	(16,879)	194,470	800,478	825,529

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 31 December 2023*

	Six months ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(756)	(4,527)
INVESTING ACTIVITIES		
Interest received	269	429
Purchase of property, plant and equipment	–	(7)
Net proceeds from disposal of financial assets at FVPL	1,610	1,424
Net cash from investing activities	1,879	1,846
FINANCING ACTIVITIES		
Interest paid	(5,145)	(4,540)
Repayment of bank and other borrowings	–	(3,366)
Net proceeds from new shares issued	36,558	–
Net cash from (used in) financing activities	31,413	(7,906)
Net increase (decrease) in cash and cash equivalents	32,536	(10,587)
Cash and cash equivalents at the beginning of the reporting period	20,609	60,474
Effect on exchange rate changes	(356)	(449)
Cash and cash equivalents at the end of the reporting period	52,789	49,438
Analysis of balances of cash and cash equivalents:		
Cash at banks and on hand	50,458	30,341
Cash held by securities brokers	2,331	9,095
Short-term time deposits	–	10,002
	52,789	49,438

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2023

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 2023 (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 (renamed to Appendix D2 with effect from 31 December 2023) 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 ("HKAS") 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 2023 ("2023 Annual Financial Statements"). The accounting policies adopted in the Interim Financial Statements are consistent with those applied in the preparation of 2023 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 2023 as described below.

Amendments to HKAS 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKFRS 17	Insurance Contracts
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

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.

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2. REVENUE

	Six months ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
<i>Revenue from contracts with customers within HKFRS 15:</i>		
Sale of properties in the People's Republic of China (the "PRC" or "China")		
– at a point in time and fixed price	18,491	67,970
<i>Revenue from other sources:</i>		
Gross rental income from investment properties	3,501	2,238
Interest income from financial assets at FVPL	225	226
Dividend income from financial assets at FVPL	112	172
	3,838	2,636
	22,329	70,606
Other revenue		
Bank interest income	71	203
Loan interest income	–	668
	71	871
Total revenue	22,400	71,477

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 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 2023 are presented below:

	Resort and property development <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Investment holding <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue	18,491	3,501	337	22,329
Other revenue and income	147	387	5	539
	18,638	3,888	342	22,868
Results				
Segment results	2,856	(3,855)	(20,037)	(21,036)
Unallocated corporate income				187
Unallocated corporate expenses				(10,124)
Finance costs				(5,145)
Loss before taxation				(36,118)
Taxation				554
Loss for the period				(35,564)

Segment assets and liabilities as at 31 December 2023 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)
Assets	694,158	366,653	153,615	1,214,426	65,201	1,279,627
Liabilities	(260,158)	(208,656)	-	(468,814)	(11,469)	(480,283)

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3. SEGMENT INFORMATION (continued)

Other segment information for the six months ended 31 December 2023 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)
Other segment information:						
Net loss on disposal of financial assets at FVPL	-	-	(95)	(95)	-	(95)
Net decrease in fair value of financial assets at FVPL	-	-	(19,551)	(19,551)	-	(19,551)
Net decrease in fair value of investment properties	-	(3,586)	-	(3,586)	-	(3,586)
Depreciation						
– property, plant and equipment	(16)	-	(7)	(23)	(1,168)	(1,191)

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)
Revenue	67,970	2,238	398	70,606
Other revenue and income	413	316	75	804
	68,383	2,554	473	71,410
Results				
Segment results	14,521	(26,585)	(9,556)	(21,620)
Unallocated corporate income				9,692
Unallocated corporate expenses				(11,160)
Finance costs				(4,540)
Loss before taxation				(27,628)
Taxation				2,118
Loss for the period				(25,510)

3. SEGMENT INFORMATION (continued)

Segment assets and liabilities as at 30 June 2023 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)
Assets	756,532	283,397	177,211	1,217,140	82,678	1,299,818
Liabilities	(280,966)	(204,275)	(160)	(485,401)	(12,270)	(497,671)

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)
Other segment information:						
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)

There was no revenue generated from inter-segment transactions for both periods. Revenue from resort and property development segment reported above represents sale of properties in the PRC from 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.

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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 investments.

	Revenue by geographical market Six months ended 31 December	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Hong Kong	2,627	2,470
The PRC	19,590	68,023
Others	112	113
	22,329	70,606

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

	Carrying amounts of non-current assets	
	31 December 2023 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Audited)
Hong Kong	344,843	349,114
The PRC	51,995	71
	396,838	349,185

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

	Six months ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest expenses on bank and other borrowings	5,145	4,540

5. LOSS BEFORE TAXATION

	Six months ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period is stated after charging (crediting):		
Staff costs, including directors' emoluments		
Salaries and other benefits	6,166	5,727
Retirement benefit scheme contributions	242	350
Total staff costs	6,408	6,077
Other items		
Cost of inventories	14,292	55,011
Depreciation		
– property, plant and equipment	1,191	1,188
Direct operating expenses relating to investment properties that did not generate rental income	424	125
Lease payments for short-term lease	–	17
Exchange (gain) loss	(7)	58

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6. TAXATION

	Six months ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
PRC Land Appreciation Tax	366	1,371
	366	1,371
Deferred tax		
Reversal of temporary differences	(920)	(3,489)
	(554)	(2,118)

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes for the six months ended 31 December 2023 and 2022.

For the six months ended 31 December 2023, the PRC Enterprise Income Tax ("EIT") in respect of operations in the PRC is calculated at a rate 25% (*six months ended 31 December 2022: 25%*) on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof. EIT has not been provided for the six months ended 31 December 2023 and 2022 as the Group's estimated assessable profits for the period are wholly absorbed by unrelieved tax losses brought forward from previous 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 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 2023 is based on the loss attributable to equity holders of the Company of approximately HK\$33,353,000 (*six months ended 31 December 2022: HK\$25,510,000*) and on the weighted average of 2,693,420,956 (*six months ended 31 December 2022: 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 2023 and 2022. The Company did not have any dilutive potential ordinary shares during the six months ended 31 December 2023 and 2022.

8. INVESTMENT PROPERTIES

	31 December	30 June
	2023	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Fair value		
At the beginning of the reporting period	280,900	295,100
Transfer from properties held for sales	52,435	–
Decrease in fair value	(3,586)	(14,200)
Exchange realignment	(5)	–
	329,744	280,900

Properties held for sales with carrying value of HK\$52,435,000 were transferred to investment properties on commencement of operating leases with third parties in September 2023.

9. PROPERTIES HELD FOR SALES

	31 December	30 June
	2023	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Properties held for sales ("PHS")	653,708	727,896

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

As at 31 December 2023, certain PHS with carrying amounts of approximately RMB30,097,000 (equivalent to approximately HK\$32,878,000) (2022: RMB30,097,000 (equivalent to approximately HK\$32,884,000)) were frozen by the court in Wuxi, the PRC in relation to a claim against the Group, as further detailed in note 17 to these Interim Financial Statements.

APPLIED DEVELOPMENT HOLDINGS LIMITED

10. FINANCIAL ASSETS AT FVPL

	Note	31 December 2023 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Audited)
Unlisted investment funds	(a)	87,993	92,500
Listed equity securities	(b)		
– Hong Kong		34,337	50,530
– the PRC		2,054	2,260
– Overseas		726	829
Listed debt instruments	(c)		
– Hong Kong		668	639
– Overseas		362	414
		126,140	147,172

Notes:

(a) The unlisted investment funds mainly comprise:

- (i) As at 31 December 2023, the unlisted investment funds represented 100% Class A participating, redeemable, non-voting shares of Green Asia Restructure SP and 100% Class A participating, redeemable, non-voting shares of Green Asia Restructure SP II (collectively the "Green Asia Funds") with carrying amount of approximately HK\$7,767,000 (30 June 2023: approximately HK\$7,767,000) and HK\$7,452,000 (30 June 2023: approximately HK\$7,452,000). 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 were 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.

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. In view of the failure in settlement of the redemption proceeds by Green Asia, the Group had filed petitions to the Grand Court of the Cayman Islands (the "Grand Court") against Green Asia. Consequently, 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 from the Grand Court on 6 July 2022. HK\$21,918,000 (30 June 2023: HK\$21,918,000) of the redemption proceeds have been included and recognised as "other receivables" as at 31 December 2023.

As at 31 December 2023, the fair value of the Group's investment in the Green Asia Funds amounted to approximately HK\$15,219,000 (30 June 2023: HK\$15,219,000), which was determined by the management with reference to the valuation report on Green Asia Funds issued by an independent professional valuer, APAC Appraisal and Consulting Limited, based on the net assets value of the Green Asia Funds as at 31 December 2023.

10. FINANCIAL ASSETS AT FVPL (continued)

Notes: (continued)

(a) (continued)

- (ii) As at 31 December 2023, included in the unlisted investment funds were 5,000,000 participating and non-voting shares of Jinshan Portfolio ("Jinshan Portfolios") at a total subscription amount of US\$5,000,000, which represented approximately 16.67% (30 June 2023: 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 R&D 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 2023, the fair value of the Group's investment in the Huangpu River Fund amounted to approximately HK\$49,460,000 (30 June 2023: approximately HK\$53,659,000), which was based on the backsolve method under market approach evaluated by an independent professional 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 2023, financial assets at FVPL with carrying amounts of approximately HK\$19,264,000 (30 June 2023: approximately HK\$27,244,000) are pledged as collateral to the margin loan facilities granted to the Group, together with a corporate guarantee provided by the Company. No margin loan facilities had been utilised and outstanding as at 31 December 2023 and 30 June 2023.

- (c) As at 31 December 2023, the Group held debt instruments listed in Hong Kong and overseas amounting to approximately HK\$668,000 (30 June 2023: approximately HK\$639,000) and HK\$362,000 (30 June 2023: approximately HK\$414,000), which bore fixed interest at 7.25% (30 June 2023: 7.25%) and 7.25% (30 June 2023: 7.25%) per annum respectively. The fair value of these debt instruments as at 31 December 2023 and 30 June 2023 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.

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11. OTHER RECEIVABLES

	Note	31 December 2023 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Audited)
Loans and interest receivables	(a)	19,394	19,394
Loss allowances	(b)	(19,394)	(19,394)
		-	-
Other receivables	(d)	32,883	33,247
Loss allowances	(c)	(4,917)	(4,917)
		27,966	28,330
Deposits, prepayments and other debtors		456	5,096
		28,422	33,426

Notes:

- (a) As at 31 December 2023, the loans with principal amount of HK\$19,394,000 (30 June 2023: HK\$19,394,000) granted to a third-party borrower, in which the spouse of Mr. Yuen Chi Ping, a former director of the Company, has equity interest and had been a director until she resigned on 14 December 2019, were unsecured and bearing fixed interest rate at 4% (30 June 2023: 4%) per annum. Pursuant to the extension arrangement dated 8 September 2021, the Group has agreed to further extend the repayment date in the 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.

The principal amount and interest receivables of HK\$8,450,000 had been settled during year ended 30 June 2023 and the remaining balance of HK\$19,394,000 was overdue. In view of the default 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 for compulsory winding up of the borrower. On 20 September 2023, the court order to wind up the borrower was granted.

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.

	31 December 2023 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Audited)
Loss allowances for loans and interest receivables:		
At the beginning of the period/year	19,394	27,844
Decrease in allowances	–	(8,450)
At the end of the period/year	19,394	19,394

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

	31 December 2023 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Audited)
Loss allowances for other receivables:		
At the beginning of the period/year	4,917	5,274
Exchange realignment	–	(357)
At the end of the period/year	4,917	4,917

- (d) Included in the other receivables are the redemption proceeds of HK\$21,918,000 (30 June 2023: HK\$21,918,000) as detailed in note 10(a)(i) to the Interim Financial Statements. The amounts of redemption proceed were unsecured, interest-free and repayable on demand.

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12. ACCOUNTS AND OTHER PAYABLES

	<i>Note</i>	31 December 2023 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Audited)
Accounts payables			
To third parties	<i>(a)</i>	137,169	145,690
Other payables			
Accrued charges and other creditors		18,446	18,686
Deposits received		151	190
Contract liabilities	<i>(b)</i>	20,537	25,042
		39,134	43,918
		176,303	189,608

Notes:

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

	31 December 2023 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Audited)
0-180 days	10,783	8,030
181-365 days	4,316	46,907
Over 365 days	122,070	90,753
	137,169	145,690

- (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 2023 (Unaudited)		30 June 2023 (Audited)	
	Number of ordinary shares	HK\$'000	Number of ordinary shares	HK\$'000
Authorised:				
At 31 December 2023/30 June 2023, ordinary shares of HK\$0.01 each	6,000,000,000	60,000	6,000,000,000	60,000
Issued:				
At 30 June 2023/30 June 2022, ordinary shares of HK\$0.01 each	2,505,105,739	25,051	2,505,105,739	25,051
Issue of shares on 30 October 2023 (note)	550,000,000	5,500	–	–
At 31 December 2023/30 June 2023, ordinary shares of HK\$0.01 each	3,055,105,739	30,551	2,505,105,739	25,051

Note: On 26 July 2023, the Company entered into the subscription agreement with Ruixing Investments Limited (the "Subscriber"), a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Wu Zhanming, a substantial shareholder of the Company, pursuant to which the Company had conditionally agreed to allot and issue, and the Subscriber had conditionally agreed to subscribe for 550,000,000 new shares at HK\$0.068 per subscription share (the "Subscription"). A circular related to the Subscription had been despatched to shareholders of the Company on 28 September 2023. Upon completion of the Subscription on 30 October 2023, the issued share capital of the Company was increased from 2,505,105,739 shares to 3,055,105,739 shares.

The net proceeds will be used as follows: (i) approximately HK\$26,558,000 will be used for the general working capital of the Group; and (ii) approximately HK\$10,000,000 will be used for potential investment opportunities as identified by the Group from time to time.

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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other benefits	1,469	1,606

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15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following table presents the carrying value of financial instruments measured at fair value at 31 December 2023 and 30 June 2023 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

	31 December 2023 (Unaudited)			
	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<i>Financial assets at FVPL:</i>				
Unlisted investment funds	87,993	–	–	87,993
Listed equity securities				
– Hong Kong	34,337	34,337	–	–
– the PRC	2,054	2,054	–	–
– Overseas	726	726	–	–
Listed debt instruments				
– Hong Kong	668	668	–	–
– Overseas	362	362	–	–
	126,140	38,147	–	87,993
<i>Designated FVOCI:</i>				
Equity securities listed				
in Hong Kong	119	119	–	–

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)**(i) Financial assets measured at fair value (continued)**

	30 June 2023 (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	92,500	–	–	92,500
Listed equity securities				
– Hong Kong	50,530	50,530	–	–
– the PRC	2,260	2,260	–	–
– Overseas	829	829	–	–
Listed debt instruments				
– Hong Kong	639	639	–	–
– Overseas	414	414	–	–
	147,172	54,672	–	92,500
<i>Designated FVOCI:</i>				
Equity securities listed in Hong Kong	119	119	–	–

During the six months ended 31 December 2023, 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 2023 and the year ended 30 June 2023 are as follows:

Movements in Level 3 fair value measurements

	Financial assets at FVPL	
	31 December 2023 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Audited)
At the beginning of the period/year	92,500	97,871
Decrease in fair value	(4,507)	(5,371)
At the end of the period/year	87,993	92,500

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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 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		Valuation techniques	Unobservable inputs	Sensitivity of fair value to changes in unobservable inputs
	31 December 2023 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Audited)			
Financial assets at FVPL					
Unlisted investment funds					
- Other unlisted investment funds	23,314	23,622	Trending analysis	Market capitalisation/ Market indices	If the market capitalisation/ market indices increased/ decreased by 10% (30 June 2023: 10%), the fair value of the unlisted investment funds would increase/decrease by HK\$2,331,000 (30 June 2023: HK\$2,362,000).
	49,460	53,659	Backsolve method under market approach	Equity value	If the equity value increased/ decreased by 10% (30 June 2023: 10%), the fair value of the unlisted investment funds would increase/decrease by HK\$4,946,000 (30 June 2023: HK\$5,366,000).
- Green Asia Funds	15,219	15,219	Net asset value	Recovery rate of underlying financial assets	If the recovery rate increased/ decreased by 5% (30 June 2023: 5%), the fair value of the Green Asia Funds would increase/decrease by HK\$4,220,000 (30 June 2023: HK\$3,910,000).

16. INTERIM DIVIDEND

The directors of the Company do not recommend payment of an interim dividend for the six months ended 31 December 2023 (six months ended 31 December 2022: Nil).

17. CONTINGENT LIABILITIES

A wholly-owned subsidiary of the Company, Wuxi Shengye received a writ of summon issued by the People's Court of Huishan District, Wuxi* (無錫市惠山區人民法院) (the "Court") regarding a civil litigation (the "Litigation") filed by Mr. Su Keru (the "Plaintiff") against Mr. Chen Yonghua ("Mr. Chen") and Wuxi Shengye as the defendants in June 2023.

In the statement of claim, it was alleged that, among others: (i) in December 2013, the Plaintiff paid the deposits for construction works of RMB20,000,000 (equivalent to approximately HK\$21,848,000) to Mr. Chen and Mr. Chen failed to refund such deposits to the Plaintiff despite all conditions for refund had been satisfied; (ii) in July 2015, the Plaintiff provided a loan of RMB20,000,000 (equivalent to approximately HK\$21,848,000) to Mr. Chen and Mr. Chen failed to repay such loan; and (iii) in May 2017, Wuxi Shengye acknowledged that such deposits and loan (together, the "Alleged Debt") were used in its development projects and agreed to repay the Alleged Debt jointly with Mr. Chen.

The Plaintiff is seeking from the Court for ordering that (i) Mr. Chen and Wuxi Shengye to jointly repay the Alleged Debt of RMB40,000,000 (equivalent to approximately HK\$43,696,000) together with interests of approximately RMB34,300,000 (equivalent to approximately HK\$37,469,000) (calculated up to 13 April 2023); and (ii) Mr. Chen and Wuxi Shengye to bear the costs of the Litigation. In this connection, the Court has issued an order for the seizure and freezing of the bank deposits and other assets of Mr. Chen and Wuxi Shengye as property preservation measures.

As at the date of these Interim Financial Statements, no judgement has been received from the Court. The directors of the Company have sought advice from its PRC lawyer and are of the view that Wuxi Shengye has good grounds of defence because there is lack of legal or factual basis to support the Plaintiff's claims. Therefore, no provision for repayment of the Alleged Debt and the related interests and costs is considered necessary.

* For identification purpose only.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The board (the “Board”) of directors (the “Directors”) of Applied Development Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) do not recommend the payment of an interim dividend for the six months ended 31 December 2023 (2022: *nil*).

RESULTS

The Company recorded a loss of HK\$35,564,000 for the six months ended 31 December 2023 as compared to the loss of HK\$25,510,000 for the six months ended 31 December 2022. The loss for the six months ended 31 December 2023 was mainly attributable to, among others, the net decrease in fair value of financial assets at fair value through profit or loss (“FVPL”) of HK\$19,551,000. The increase in loss was mainly due to, among others, net impact of (i) a decrease in gross profit from HK\$15,595,000 for the six months ended 31 December 2022 to HK\$8,037,000 for the six months ended 31 December 2023; (ii) an increase in fair value loss of financial assets at FVPL from HK\$9,124,000 for the six months ended 31 December 2022 to HK\$19,551,000 for the six months ended 31 December 2023; (iii) a reversal of impairment loss on loans and interest receivables of HK\$8,450,000 was recorded for the six months ended 31 December 2022, and no such item was recorded for the six months ended 31 December 2023; (iv) an increase in administrative expenses from HK\$11,017,000 for the six months ended 31 December 2022 to approximately HK\$14,820,000 for the six months ended 31 December 2023; and (v) a decrease in the fair value loss of the Group’s investment properties from HK\$27,100,000 for the six months ended 31 December 2022 to HK\$3,586,000 for the six months ended 31 December 2023. The Board wishes to emphasize that the above-mentioned factors (ii) and (v) 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 ANALYSIS

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 whole project (the “Wuxi Property Project”) has completed as at 30 June 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 2023, some apartments of the third phase were delivered to customers and recognised a revenue of HK\$18,491,000 with overall gross profit margin of 33% after reversing the revaluation consolidated adjustment. As at 31 December 2023, the contracted sales with the contracts signed but properties not yet delivered were HK\$22,867,000. Looking forward to 2024, although there are various factors, including government policies, economic conditions and market trends may affect the properties market in the PRC, it is hoped the Wuxi Property Project with its conditions of superior geographical location and property certificates can be sold gradually.

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 2023 was HK\$329,744,000 (30 June 2023: HK\$280,900,000) which included HK\$51,944,000 of the car park of the Wuxi Property Project transferred from properties held for sales to investment properties during the six months ended 31 December 2023. The economy and properties market of Hong Kong are currently in the period of recovery after being hit by the coronavirus variants. The fair value of the Group’s investment properties decreased by HK\$3,586,000 for the six months ended 31 December 2023, as compared to HK\$27,100,000 for the six months ended 31 December 2022, showing that the decline has narrowed. It is emphasised that the fair value loss was non-cash in nature.

The Group’s investment properties contributed rental and management income of HK\$3,501,000 in total for the six months ended 31 December 2023 (2022: HK\$2,238,000). The Sub-division Properties have contributed stable returns to the Group in both periods. In addition, the newly leased car park of the Wuxi Property Project has brought in new revenue to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2023, the Group recorded interest and dividend income from financial assets at FVPL of HK\$337,000 (2022: HK\$398,000), net loss on disposal of financial assets at FVPL of HK\$95,000 (2022: net gain HK\$27,000) and a decrease in fair value of financial assets at FVPL of HK\$19,551,000 (2022: HK\$9,124,000). Details of the significant investments held by the Group for the six months ended 31 December 2023 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 was 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 as a result, 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. For details, please refer to the announcement of the Company dated 23 May 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Further, as disclosed in the announcement of the Company dated 3 April 2023, the Company has obtained its first dividend of HK\$8,579,000 declared by the Green Asia Funds. The recovery rate is about 28.13% of its claim of HK\$30,497,000 in respect of the admitted unsecured claims for the time being. As at the date of this interim report, the assets realization procedure is in progress. The Company would continue its best endeavours to retrieve its investment in the Green Asia Funds. As at 31 December 2023, the Group held 11,756 shares and 5,289 shares in Green Asia Restructure SP and Green Asia Restructure SP II, respectively, representing 100% of the equity interests in both Green Asia Restructure SP and Green Asia Restructure SP II. As at 31 December 2023, the fair value of the Group's investment in Green Asia Restructure SP and Green Asia Restructure SP II was HK\$7,767,000 and HK\$7,452,000 respectively. The aggregate fair value of the Group's investments in the Green Asia Funds accounted for approximately 1.19% of the Group's total assets. The fair value of the Group's investment in the Green Asia Funds has not changed for the six months ended 31 December 2023 compared to such value as at 30 June 2023 as disclosed in the Company's Annual Report 2023 published on 30 October 2023. As at 31 December 2023, the investment cost in relation to the Green Asia Funds incurred by the Group was approximately HK\$134,503,000. During the six months ended 31 December 2023, the Group did not recognise gain or loss from the investment of the Green Asia Funds. After the dividend distributed from the joint and several receivers of the Green Asia Funds, the receivable balance of the Group from the Green Asia Funds was HK\$21,918,000.

2. Zall Smart Commerce Group Ltd. ("Zall Smart")

As at 31 December 2023, the Group held 119,465,000 ordinary shares of Zall Smart, representing approximately 0.96% 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 construction and operation of B2B e-commerce platforms for the trading of, among others, consumer goods, agricultural products, chemicals, plastic raw materials, and black and nonferrous metals, and the provision of related services such as finance, logistics, cross-border trading, warehousing and supply chain management in the PRC, and are engaged in the development and operation of large-scale, consumer product-focused wholesale shopping malls in the PRC. The acquisition cost of Zall Smart shares held by the Group as at 31 December 2023 was HK\$1.28 per share. As at 31 December 2023, the fair value of the Group's investment in Zall Smart was HK\$29,627,000, which amounted to 2.3% of the Group's total assets. During the six months ended 31 December 2023, the Group disposed of 4,411,000 shares of Zall Smart and recognised a loss on disposal of HK\$95,000, while the fair value of the Group's investment in Zall Smart decreased by HK\$14,575,000. Apart from that, the Group had not received and recognised any dividend or other investment income from its holding of Zall Smart's shares.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2023.

PROSPECTS

With the implementation of China's economic stabilization policies since the second half of 2023, China's economy is gradually emerging from the three-year Coronavirus Disease 2019 pandemic, accelerating its recovery and steadily improving, and the economic development shows a good trend of rebound. However, the global external environment is complex and volatile, with inflation and geopolitical issues contributing to the continuing overall austerity, and the sales of some of the properties in the Wuxi Property Project of the Group continued to face challenges. Looking forward to 2024, in the face of diverse and complex external unfavorable factors, the Group will adhere to the overall idea of "stability", seek new development opportunities in "stability", strengthen its ability to grasp new opportunities, and continue to optimize the Group's asset structure and the quality of business development.

FINANCIAL REVIEW

Revenue, cost of sales and gross profit margin

The revenue of the Group decreased by HK\$48,277,000, or 68%, from HK\$70,606,000 for the six months ended 31 December 2022 to HK\$22,329,000 for the six months ended 31 December 2023. Most of revenue generated for the six months ended 31 December 2022 and 2023 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 2023 was HK\$18,491,000 (2022: HK\$67,970,000) and gross profit margin was 23% (2022: 19%). There was a decrease 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 2023. The increase in gross profit margin was because the properties delivered for the six months ended 31 December 2023 included more retail shops which had higher selling price than the flats and lofts delivered for the six months ended 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

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\$10,427,000, or 114%, from HK\$9,124,000 for the six months ended 31 December 2022 to HK\$19,551,000 for the six months ended 31 December 2023. 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. During the six months ended 31 December 2023, the fair value of the Group's investment in Zall Smart decreased by HK\$14,575,000 (2022: HK\$14,779,000). The increase in fair value loss of financial assets at FVPL mainly derived from the fair value change of Jinshan Portfolios held by the Group. During the six months ended 31 December 2023, the fair value of the Group's investment in Jinshan Portfolios decreased by HK\$4,199,000 (2022: increased HK\$11,668,000).

As at 31 December 2023, the fair value of the investment in Zall Smart was mainly based on quoted market prices in the active market. The fair value of the investment of Jinshan Portfolios was based on the back-solve method under the market approach evaluated by an independent professional valuer, AVISTA Valuation Advisory Limited ("AVISTA"). The details of Jinshan Portfolios valuation are set out in note 15(i) to the condensed consolidated financial statements of this interim report.

Net decrease in fair value of investment properties

The net fair value loss of investment properties of the Group decreased from HK\$27,100,000 for the six months ended 31 December 2022 to HK\$3,586,000 for the six months ended 31 December 2023. The fair value of investment properties of the Group was determined with reference to the valuation conducted by an independent professional valuer, AVISTA. The valuer has adopted the direct comparison method for the valuation by comparing recent market evidence of similar properties located in the neighborhood area. The fair value of investment properties was affected by the economy and properties market of Hong Kong and the PRC. The overall trading volume and price of grade-A offices in Hong Kong are still affected by the aftermath of the Coronavirus Disease 2019 pandemic. The recovery of the property market is slower than expected.

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\$8,450,000 for the six months ended 31 December 2022, which was due to the partial repayments received from a debtor in such period. No repayment was received for the six months ended 31 December 2023. As mentioned in note 11(a) to the condensed consolidated financial statements of this interim report, the loan with outstanding principal amount of HK\$19,394,000 was overdue, the Company has filed a winding-up petition against the debtor, and the court order was granted to the Company on 20 September 2023. The Company will continue its endeavour to collect the remaining balance from the debtor.

Selling expenses

Selling expenses of the Group decreased by HK\$281,000, or 14%, from HK\$1,965,000 for the six months ended 31 December 2022 to HK\$1,684,000 for the six months ended 31 December 2023. The selling expenses for the six months ended 31 December 2023 was mainly comprised of sales service and commission. The decrease in selling expenses was mainly due to less advertisement and consulting fee incurred for the six months ended 31 December 2023.

Administrative expenses

Administrative expenses of the Group increased by HK\$3,803,000, or 35%, from HK\$11,017,000 for the six months ended 31 December 2022 to HK\$14,820,000 for the six months ended 31 December 2023. The administrative expenses for the six months ended 31 December 2023 mainly comprised staff costs, legal and professional fees and depreciation. The increase in administrative expenses was mainly due to the subsidiary newly established for exploring the opportunities in the field of the autonomous driving technology and innovation.

Finance cost

Finance cost of the Group increased by HK\$605,000, or 13%, from HK\$4,540,000 for the six months ended 31 December 2022 to HK\$5,145,000 for the six months ended 31 December 2023. The increase in finance costs was due to the increase in effective interest rate. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss for the period

Loss for the period of the Group increased by HK\$10,054,000, or 39%, from HK\$25,510,000 for the six months ended 31 December 2022 to HK\$35,564,000 for the six months ended 31 December 2023. The loss for the six months ended 31 December 2023 was mainly due to the net decrease in fair value of financial assets at FVPL of HK\$19,551,000. The Board would like to emphasize that such decrease in fair value was non-cash in nature.

Liquidity, financial resources and capital structure

During the six months ended 31 December 2023, the Company successfully completed the allotment and issued 550,000,000 new ordinary shares of the Company (the “Subscription Shares”) under the specific mandate to the Subscriber at a price of HK\$0.068 per share on 30 October 2023 (the “Completion Date”), details of which are set out in the Company’s announcements dated 26 July 2023, 19 October 2023 and 30 October 2023, and the circular of the Company dated 28 September 2023 (the “Circular”). As disclosed in the Circular, the reasons for the Subscription are, among others, to raise additional funds for the Group’s business operations, replenish its working capital and improve the financial position of the Group for its future development and prospects. The aggregate nominal value of the Subscription Shares was HK\$5,500,000. The closing price quoted on the Stock Exchange was HK\$0.082 per share on 26 July 2023, being the date of the relevant subscription agreement. The net price per Subscription Share was approximately HK\$0.066. The aggregate subscription price of the Subscription Shares was HK\$37,400,000, while the net proceeds of the Subscription (the “Net Proceeds”) amounted to approximately HK\$36,558,000 were intended to be used as follows: (i) approximately HK\$26,558,000 will be used for the general working capital of the Group, which includes approximately HK\$10,000,000 for finance costs such as interest expenses on bank and other borrowing and approximately HK\$16,558,000 for administrative expenses such as staff costs, legal and professional fees and other expenses incurred in support of the operating activities, subject to actual business needs; and (ii) approximately HK\$10,000,000 will be used for potential investment opportunities in high-tech industries as identified by the Group from time to time. Depending on actual business needs, it is estimated that the Net Proceeds will be fully utilized in accordance with its intended purposes within the next two years from the Completion Date. Up to the date of 31 December 2023, approximately HK\$2,385,000 and HK\$3,801,000 of the Net Proceeds have been utilized as the Group’s finance costs and administrative expenses, respectively. As at 31 December 2023, the Net Proceeds of approximately HK\$30,372,000 have not been utilized. The Group used and proposes to use the Net Proceeds as previously disclosed by 31 October 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2023, the Group had current assets of HK\$882,670,000 (30 June 2023: HK\$950,514,000) and current liabilities of HK\$388,790,000 (30 June 2023: HK\$401,822,000), representing a current ratio of about 2.3 times (30 June 2023: 2.4 times). The Group's total equity and the total bank and other borrowings as at 31 December 2023 amounted to HK\$799,344,000 (30 June 2023: HK\$802,147,000) and HK\$210,123,000 (30 June 2023: HK\$210,124,000) respectively, including HK\$37,933,000 which were repayable within one year, and HK\$172,190,000 which were repayable over one year but not exceeding two years (30 June 2023: all of the bank and other borrowings of the Group were repayable within one year). As the bank borrowings of HK\$172,190,000 contained a clause in its terms that gave the bank an overriding right to demand for repayment without notice as its sole discretion, the bank borrowing was classified as current liability. The gearing ratio of the Group as at 31 December 2023, calculated as a ratio of the total bank and other borrowings to total equity was approximately 26% (30 June 2023: 26%).

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 and the PRC. 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.

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 of HK\$58,989,000 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 2023. The Group did not engage in any foreign exchange speculation activities or hedging. 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 ANALYSIS

TREASURY POLICIES

As at 31 December 2023, the Group's bank and other borrowings of approximately HK\$202,190,000 (30 June 2023: HK\$202,190,000) and HK\$7,933,000 (30 June 2023: HK\$7,934,000) were denominated in Hong Kong dollars and Renminbi respectively. The balances of bank and other borrowings of approximately HK\$202,190,000 (30 June 2023: HK\$202,190,000) and HK\$7,933,000 (30 June 2023: HK\$7,934,000) 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 unforeseeable interest rate risk as at 31 December 2023. 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.

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

Save as disclosed in the section headed "Management Discussion and Analysis – Business Review – Investment Holding" in this interim report, the Group did not have any significant investments, nor material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 31 December 2023.

There has been no formal plan authorised by the Board for any significant investments, nor material acquisitions or disposals of subsidiaries, associates and joint ventures as at 31 December 2023 and up to the date of this interim report.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have any future plans for material investments or capital assets during the six months ended 31 December 2023.

OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group for the six months ended 31 December 2023 are set out in note 3 to the condensed consolidated financial statements of this interim report.

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 December 2023 (30 June 2023: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 31 December 2023, 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\$277,800,000 and HK\$65,696,000 respectively (*30 June 2023: HK\$280,900,000 and HK\$66,630,000 respectively*);
- (ii) assignment agreements in respect of rental income of the Group's certain 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 certain investment properties and leasehold land and buildings duly executed by the Group in favour of the bank.

As at 31 December 2023, the fair value of the financial assets at FVPL of HK\$19,264,000 (*30 June 2023: HK\$27,244,000*) was pledged as collateral to margin loan facilities granted to the Group with a corporate guarantee provided by the Company. No margin loan facility was utilised as at 31 December 2023 (*30 June 2023: nil*).

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 December 2023 are set out in note 17 to the condensed consolidated financial statements of this interim report.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2023, the Group employed a total of 26 (*30 June 2023: 32*) employees and executive Directors. The Group's total staff costs including Directors' emoluments amounted to HK\$6,408,000 for the six months ended 31 December 2023 (*2022: HK\$6,077,000*). 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.

SUBSEQUENT EVENTS

The Group has no material events subsequent to 31 December 2023 which were required to be disclosed as at the date of this interim 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 2023, 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 of its 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 (renamed to Appendix C3 with effect from 31 December 2023) 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

Name of Director	Capacity and Nature of interest	Number of issued shares of the Company held	Approximate percentage of the total number of issued share of the Company
Mr. Wu Zhanming	Beneficial owner	279,935,000	9.16%
	Interest in a controlled corporation ⁽¹⁾	550,000,000	18.00%
		829,935,000	27.16%

Note:

(1) As at 31 December 2023, Ruixing Investments Limited is wholly-owned by Mr. Wu Zhanming, and therefore he is deemed to be interested in 550,000,000 shares of the Company directly held by Ruixing Investments Limited.

OTHER INFORMATION

Save as disclosed above, as at 31 December 2023, 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.

CHANGE TO INFORMATION IN RESPECT OF DIRECTORS

The change to information of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rule is as below:

Mr. Yu Tat Chi, Michael has been appointed as an executive director of Sino Splendid Holdings Limited (a company listed on the Stock Exchange, stock code: 8006) with effect from 1 February 2024.

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

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company did not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 31 December 2023 or at any time during the six months ended 31 December 2023, none of the Company or any of its subsidiaries was a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

OTHER INFORMATION

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 2023, 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

Name of shareholder	Capacity and Nature of interest	Number of issued shares of the Company held	Approximate percentage of the total number of issued share of the Company
Ruixing Investments Limited	Beneficial owner	550,000,000	18.00%
Ms. Li Fuyi	Beneficial owner	279,930,959	9.16%

Save as disclosed above, as at 31 December 2023, 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 Divisions 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.

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

On 30 October 2023, the Company allotted and issued a total of 550,000,000 fully paid new shares of the Company by the way of subscription under the specific mandate at a price of HK\$0.068 per share.

OTHER INFORMATION

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2023.

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 (renamed to Appendix C1 with effect from 31 December 2023) to 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 C1 to the Listing Rules throughout the six months ended 31 December 2023, save for Code Provision C.2.1. Details of the deviation with reason is set out below:

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 2023, 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 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 the Shareholders accordingly.

AUDIT COMMITTEE

The unaudited condensed consolidated financial statements of the Company for the six months ended 31 December 2023 and this interim report 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.

OTHER INFORMATION

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 (renamed to Appendix C3 with effect from 31 December 2023) to 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 as set out in the Model Code during the six months ended 31 December 2023.

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

Hong Kong, 28 February 2024