APPLIED DEVELOPMENT HOLDINGS LIMITED

實力建業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 519)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2017

The Board of Directors (the "Board" or "Directors") of Applied Development Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 30 June 2017 with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Notes	**2017**	2016
		HK$'000	*HK$'000*
Revenue	*3*	**14,293**	7,622
Other revenue	*3*	**3,198**	690
Other income	*4*	**–**	226
Other operating expenses		**(154)**	–
Net gain on disposal of financial assets at fair value through profit or loss		**2,319**	1,233
Net increase (decrease) in fair value of financial assets at fair value through profit or loss		**692**	(571)
Net increase in fair value of investment properties	*10*	**115,000**	56,928
Net gain arising from the acquisition of a subsidiary	*17*	**171,654**	–
Gain on disposal of subsidiaries		**–**	318,937
Administrative expenses		**(15,644)**	(13,250)
Finance costs	*6*	**(409)**	(1,819)
Interest income on promissory note receivable from a joint venture		**–**	5,713
Impairment loss on amount due from a joint venture		**–**	(5,607)
Profit before tax	*7*	**290,949**	370,102
Taxation	*8*	**31**	(66)
Profit for the year, attributable to equity holders of the Company		**290,980**	370,036

	Notes	**2017**	2016
		HK$'000	*HK$'000*
Other comprehensive (loss) income			
Items that are reclassified or may be reclassified subsequently to profit or loss			
– Change in fair value of available-for-sale investments		**(28)**	(96)
– Exchange difference arising on translation of foreign operations		**21**	–
– Release of translation reserve upon disposal of a subsidiary		**–**	276
Other comprehensive (loss) income for the year, net of tax		**(7)**	180
Total comprehensive income for the year, attributable to equity holders of the Company		**290,973**	370,216
EARNINGS PER SHARE	*9*		
Basic		**13.94 HK cents**	19.27 HK cents
Diluted		**13.94 HK cents**	19.27 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	**2017**	2016
		HK$'000	*HK$'000*
Non-current assets			
Investment properties	*10*	**555,000**	440,000
Property, plant and equipment		**224**	100
Other assets		**–**	174
Available-for-sale investments		**200,147**	175
		755,371	440,449
Current assets			
Properties under development	*11*	**756,037**	–
Financial assets at fair value through profit or loss		**50,692**	72,809
Other receivables	*12*	**52,975**	25,770
Bank balances and cash		**343,227**	422,422
		1,202,931	521,001
Current liabilities			
Trade and other payables	*13*	**201,916**	2,941
Interest-bearing borrowings	*14*	**392,968**	–
		594,884	2,941
Net current assets		**608,047**	518,060
Total assets less current liabilities		**1,363,418**	958,509
Capital and reserves			
Share capital	*15*	**20,876**	20,876
Share premium and reserves		**1,226,270**	935,297
Total equity		**1,247,146**	956,173
Non-current liabilities			
Deferred tax liabilities		**116,272**	2,336
		1,363,418	958,509

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2. APPLICATION OF NEW / REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2016 consolidated financial statements except for the adoption of the following new / revised HKFRSs that are relevant to the Group and effective from the current year.

Adoption of new / revised HKFRSs

Amendments to HKAS 1: Disclosure Initiative

The amendments include changes in the following five areas: (1) materiality; (2) disaggregation and subtotals; (3) structure of notes; (4) disclosure of accounting policies; (5) presentation of items of other comprehensive income arising from investments accounted for using equity method. It is considered that these amendments are clarifying amendments that do not directly affect an entity's accounting policies or accounting estimates.

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

Amendments to HKASs 16 and 38: Clarification of Acceptable Methods of Depreciation and Amortisation

HKAS 16 and HKAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The amendments to HKAS 16 clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments to HKAS 38 clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

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

Amendments to HKAS 27 (2011): Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amendments did not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011): Investment Entities – Applying the Consolidation Exception

The amendments:

(1) introduce relief to permit a non-investment entity investor, that has an interest in an associate or joint venture that is an investment entity, to retain the fair value through profit or loss measurement applied by the associate or joint venture to its interests in its subsidiaries.

(2) amend HKAS 28 (2011) and HKFRS 10 respectively so that the exemption from applying the equity method and preparing consolidated financial statements as set out in paragraph 17 of HKAS 28 (2011) and paragraph 4(a) of HKFRS 10 is available to an entity that is a subsidiary of an investment entity which measures all of its subsidiaries at fair value through profit or loss in accordance with HKFRS 10.

(3) amend HKFRS 10 to clarify that only subsidiaries of an investment entity that are not themselves an investment entity and whose main purpose and activities are providing services that relate to the investment entity's investment activities are consolidated by the investment entity.

(4) amend HKFRS 12 to clarify that the relevant disclosure requirements therein apply to an investment entity.

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

Annual Improvements Project: 2012-2014 Cycle

(1) HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Changes in Methods of Disposal

These amendments clarify the accounting for a change in an entity's disposal plan from a plan to sell to a plan to distribute a dividend in kind to its shareholders (or vice versa). Such a reclassification shall not be treated as a change to a plan of sale (or distribution to owners) and accounted for as such. Consequently, such a change in classification is considered as a continuation of the original plan of disposal and the entity will not follow the accounting for a change to the plan. Besides, to address the lack of guidance in circumstances when an asset no longer meets the criteria for held for distribution to owners, the amendments clarify that an entity should cease to apply held-for-distribution accounting in the same way as it ceases to apply the held-for-sale accounting when the asset no longer meets the held-for-sale criteria. The adoption of the amendments did not have any significant impact on the consolidated financial statements.

(2) HKFRS 7 Financial Instruments: Disclosures – Servicing contracts

These amendments clarify what kind of servicing contracts may constitute continuing involvements for the purposes of applying the disclosure requirements for transferred financial assets that are derecognised in their entirety. The adoption of the amendments did not have any significant impact on the consolidated financial statements.

(3) HKAS 19 Employee Benefits: Discount Rate – Regional Market Issue

The amendment clarifies that the depth of the market for high quality corporate bonds used to determine the discount rate for post-employment benefit obligations should be assessed at a currency level and not at country level. The adoption of the amendments did not have any significant impact on the consolidated financial statements.

3. REVENUE

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Gross rental income from investment properties	**11,499**	2,590
Interest income from financial assets at fair value through profit or loss	**2,560**	4,391
Dividend income from financial assets at fair value through profit or loss	**234**	641
	14,293	7,622
Other revenue		
Bank interest income	**1,458**	690
Loan interest income	**1,740**	–
	3,198	690
Total revenue	**17,491**	8,312

4. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Sundry income	**–**	226

5. SEGMENT INFORMATION

Management identifies operating segments based on internal reports that are regularly reviewed by the chief operating decision maker, who are the directors, for the purposes of allocating resources to segments and assessing their performance. The directors consider resort and property development, property investment and investment holding are the Group's major operating segments. The Group's resort and property development segment includes properties under development for residential and commercial purposes acquired during the year ended 30 June 2017 through acquisition of a subsidiary as described in note 17(a). No revenue has been earned by the resort and property development segment as the properties under development was not yet completed. The property investment segment includes mainly commercial properties that are held for capital appreciation or to earn rental income. The investment holding segment includes holding of unlisted investment fund, equity securities, debt instruments, equity-linked notes and other assets. No operating segments have been aggregated.

Segment revenue and results for the year ended 30 June 2017 are presented below:

	Resort and property development *HK$'000*	Property investment *HK$'000*	Investment holding *HK$'000*	Total *HK$'000*
Revenue	–	11,499	2,794	14,293
Other revenue and income	–	–	272	272
	–	11,499	3,066	14,565
Results				
Segment results	(1,683)	126,077	5,178	129,572
Unallocated corporate income				2,926
Unallocated corporate expenses				(12,794)
Net gain arising from the acquisition of a subsidiary	171,654			171,654
Finance costs				(409)
Profit before tax				290,949
Taxation				31
Profit for the year				290,980

Segment assets and liabilities as at 30 June 2017 and other segment information for the year ended 30 June 2017 are presented below:

	Resort and property development *HK$'000*	Property investment *HK$'000*	Investment holding *HK$'000*	Segment total *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Assets	770,738	556,363	250,866	1,577,967	380,335	1,958,302
Liabilities	317,151	4,946	1,027	323,124	388,032	711,156
Other segment information:						
Additions to property, plant and equipment	–	–	15	15	–	15
Depreciation of property, plant and equipment	–	–	21	21	–	21
Write-off of property, plant and equipment	–	–	70	70	–	70
Loss on disposal of other assets	–	–	154	154	–	154
Net gain arising from the acquisition of a subsidiary	171,654	–	–	171,654	–	171,654
Increase in fair value of financial assets at fair value through profit or loss	–	–	692	692	–	692
Increase in fair value of investment properties	–	115,000	–	115,000	–	115,000
Net gain on disposal of financial assets at fair value through profit or loss	–	–	2,319	2,319	–	2,319

Segment revenue and results for the year ended 30 June 2016 are presented below:

	Resort and property development *HK$'000*	Property investment *HK$'000*	Investment holding *HK$'000*	Total *HK$'000*
Revenue	–	2,590	5,032	7,622
Other revenue and income	–	116	190	306
	–	2,706	5,222	7,928
Results				
Segment results	(1,305)	58,684	5,307	62,686
Unallocated corporate income				610
Unallocated corporate expenses				(10,418)
Gain on disposal of subsidiaries	4,067	313,168		317,235
Gain on disposal of subsidiaries – unallocated				1,702
Interest income on promissory note receivable from a joint venture	5,713			5,713
Finance costs				(1,819)
Impairment loss on amount due from a joint venture	(5,607)			(5,607)
Profit before tax				370,102
Taxation				(66)
Profit for the year				370,036

Segment assets and liabilities as at 30 June 2016 and other segment information for the year ended 30 June 2016 are presented below:

	Resort and property development *HK$'000*	Property investment *HK$'000*	Investment holding *HK$'000*	Segment total *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Assets	87	441,165	95,882	537,134	424,316	961,450
Liabilities	10	4,680	565	5,255	22	5,277
Other segment information:						
Additions to property, plant and equipment	–	335	–	335	–	335
Additions to investment properties	–	51,784	–	51,784	–	51,784
Depreciation of property, plant and equipment	–	165	95	260	357	617
Gain on disposal of subsidiaries	4,067	313,168	–	317,235	1,702	318,937
Net decrease in fair value of financial assets at fair value through profit or loss	–	–	571	571	–	571
Net increase in fair value of investment properties	–	56,928	–	56,928	–	56,928
Net gain on disposal of financial assets at fair value through profit or loss	–	–	1,233	1,233	–	1,233

There was no revenue generated from inter-segment transactions for both years. Revenue from the property investment segment reported above represents rental income earned from external customers. Segment results represent profit or loss attributable to each segment without allocation of corporate income, central administration costs, net gain arising from the acquisition of a subsidiary, gain on disposal of subsidiaries, finance costs, interest income on promissory note receivable from a joint venture, impairment loss on amount due from a joint venture and income tax credit / expense. Total assets and liabilities represent all assets and liabilities under each segment together with unallocated corporate assets and liabilities other than those that have been eliminated in consolidation.

Geographical information

The Group's operations are principally located in Hong Kong, Singapore and the People's Republic of China other than Hong Kong (the "PRC").

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

	Revenue by geographical market	
	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**12,967**	5,405
Singapore	**1,326**	2,217
	14,293	7,622

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	
	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**555,024**	440,274
The PRC	**200**	–
	555,224	440,274

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

Information about major customers

Revenue from two external customers *(2016: three)* individually contributing over 10% of the revenue from the Group's property investment segment is as follows:

	2017	2016
	HK$'000	*HK$'000*
Customer A	**10,068**	1,191
Customer B	**1,431**	–
Customer C	**–**	730
Customer D	**–**	423

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest expenses on bank borrowings	**409**	1,635
Interest expenses on other borrowing	**–**	184
	409	1,819

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	2017	2016
	HK$'000	*HK$'000*
Staff costs, including directors' emoluments		
Salaries and other benefits	**5,537**	3,221
Retirement benefit scheme contributions	**76**	82
Total staff costs	**5,613**	3,303
Other operating expenses		
Loss on disposal of other assets	**154**	–
Other items		
Auditor's remuneration	**530**	460
Depreciation of property, plant and equipment	**21**	617
Direct operating expenses relating to investment properties that generated rental income	**11**	301
Direct operating expenses relating to investment properties that did not generate rental income	**4**	1,010
Exchange (gain) loss, net	**(100)**	77
Legal and professional fees	**5,620**	2,555
Operating lease payments on premises	**2,059**	1,962
Write-off of property, plant and equipment	**70**	–

8. TAXATION

Hong Kong Profits Tax has not been provided as the Group's estimated assessable profits for the years ended 30 June 2017 and 2016 are wholly absorbed by unrelieved tax losses brought forward from previous years.

Taxation arising in the PRC, if applicable, is calculated at the rates based on existing legislation, interpretations and practices in respect thereof.

The tax (credit) charge comprises:

	2017	2016
	HK$'000	*HK$'000*
Current tax	**–**	–
Deferred taxation		
(Reversal) Recognition of temporary differences	**(31)**	66
Total tax (credit) charge for the year	**(31)**	66

9. EARNINGS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Profit for the year for the purposes of calculating basic earnings per share	**290,980**	370,036

	2017	2016
	No. of shares	*No. of shares*
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**2,087,590,739**	1,920,280,138

For the years ended 30 June 2017 and 2016, diluted earnings per share is the same as basic earnings per share. The Company did not have any dilutive potential ordinary shares during the years ended 30 June 2017 and 2016.

10. INVESTMENT PROPERTIES

	HK$'000
Fair value	
At 1 July 2015	356,320
Additions – acquisition	51,784
Acquisition of subsidiaries *(Note 17)*	380,288
Disposal of subsidiaries	(405,320)
Net increase in fair value	56,928
At 30 June 2016	440,000
Increase in fair value	115,000
At 30 June 2017	**555,000**

11. PROPERTIES UNDER DEVELOPMENT

	2017	2016
	HK$'000	*HK$'000*
Properties under development	**756,037**	–

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

The development of the properties at the end of the reporting period is expected to be completed after more than one year.

12. OTHER RECEIVABLES

	Note	2017 HK$'000	2016 HK$'000
Deposits, prepayments and other debtors		**2,725**	1,288
Loan receivable	*a*	**50,250**	–
Amount due from security brokers		**–**	24,482
		52,975	25,770

Note:

(a) Loan granted to a borrower, which is an independent third party, is unsecured, bearing fixed interest rate of 1.5% per annum and repayable in September 2017.

13. TRADE AND OTHER PAYABLES

	Note	2017 HK$'000	2016 HK$'000
Trade payables			
To third party	*a*	**173,380**	–
Other payables			
Accrued charges and other creditors		**6,686**	2,941
Provision for land transfer fees		**21,850**	–
		201,916	2,941

Note:

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

	2017 HK$'000	2016 HK$'000
Trade payables		
Over 365 days	**173,380**	–

Included in the trade payables at 30 June 2017 was outstanding construction cost of approximately RMB130 million (equivalent to approximately HK$150 million) due to a contractor for construction work of the properties under development from years 2013 to 2016 which was in the litigation process and a settlement agreement was entered with the contractor in September 2017.

14. INTEREST-BEARING BORROWINGS

	Notes	2017 HK$'000	2016 HK$'000
Current portion			
Bank borrowings, secured	*a*	**388,000**	–
Other borrowings, unsecured	*b*	**4,968**	–
		392,968	–

Notes:

(a) At 30 June 2017, the Group's bank borrowings carry interest rates at 3.5% per annum above three-month Hong Kong Inter-bank Offered Rate. The effective interest rate during the year ended 30 June 2017 was 4.27% per annum. The bank borrowings at 30 June 2017 are secured by the assets of the Group as follows:

(i) pledge of investment properties of the Group with a carrying amount of approximately HK$555,000,000 at 30 June 2017;

(ii) assignment agreements in respect of rental income of the Group's investment properties duly executed by the Group in favour of the bank. During the year ended 30 June 2017, rental income of approximately HK$11,499,000 was generated from these investment properties; and

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

(b) At 30 June 2017, the Group's other borrowings are unsecured and bearing interest at 24% per annum.

All bank and other borrowings are repayable on demand or within 1 year from 30 June 2017.

15. SHARE CAPITAL

	Note	Number of shares	HK$'000
Authorised:			
At 1 July 2015, 30 June 2016 and 30 June 2017, ordinary shares of HK$0.01 each		**6,000,000,000**	**60,000**
Issued and fully paid:			
At 1 July 2015, ordinary shares of HK$0.01 each		1,739,660,739	17,397
Issue of shares upon placing of shares	*a*	347,930,000	3,479
At 30 June 2016 and 2017, ordinary shares of HK$0.01 each		**2,087,590,739**	**20,876**

Note:

(a) On 24 December 2015, the Company issued 347,930,000 placing shares by way of placing (the "Placing"), at a placing price of HK$0.32 per share. The net proceeds from the Placing after deducting related expenses were approximately HK$108,419,000. These shares rank pari passu with all existing shares in all respects.

16. RELATED PARTY TRANSACTIONS

(a) In January 2017, the Group had entered into a loan agreement with an entity ultimately controlled by Mr. Ji Changqun ("Mr. Ji"), the substantial shareholder of the Company (the "Lender"), to borrow RMB15,000,000 (equivalent to approximately HK$17,250,000) for payment of the earnest money (the "Earnest Money") in relation to the proposed capital injection of RMB150,000,000 (equivalent to HK$172,500,000) (the "Capital Injection") into Yancheng Herong Property Development Limited* (鹽城和融房地產開發有限公司) ("Yancheng Herong") pursuant to the capital injection agreement (the "Capital Injection Agreement") entered on 23 January 2017. The loan was unsecured, bearing interest at 4.3% per annum and repayable within 1 year.

In view that Yancheng Herong and its shareholders were unable to obtain necessary government approvals for the Capital Injection in a short period of time in June 2017, the Company started the discussion with Yancheng Herong and its shareholders for termination of the Capital Injection Agreement. On 29 June 2017, the principal amount of the loan together with interest of approximately RMB656,000 (equivalent to approximately HK$743,000) was fully settled through refund of the Earnest Money together with associated interest by Yancheng Herong to the Lender due to proposed termination of the Capital Injection Agreement.

On 21 July 2017, the Company, Yancheng Herong and its shareholders finalised the terms and signed a termination agreement, pursuant to which the parties agreed to terminate the Capital Injection Agreement. Details of the termination of transaction in relation to the capital injection were set out in the Company's announcement dated 21 July 2017.

(b) In December 2015, Applied Enterprises Limited and Beachside Investments Limited were disposed of to Mr. Hung Kin Sang, Raymond, an ex-director of the Company at total consideration of HK$255,000,000.

17. ACQUISITION OF SUBSIDIARIES

(a) Year ended 30 June 2017

On 24 February 2017, the Company, The National Trust Limited ("National Trust") and Mr. Wang (collectively referred to as the "Vendors") and Wuxi Shengye Joint Stock Company Limited* (無錫盛業海港股份有限公司) ("Wuxi Shengye") entered into an agreement, pursuant to which the Company (or indirectly through its wholly-owned subsidiary) has agreed to purchase, and the Vendors have agreed to sell 100% equity interest in Wuxi Shengye at total consideration of RMB234 million (equivalent to approximately HK$270 million) (the "Wuxi Acquisition"). The major asset of Wuxi Shengye is the land located in the PRC which is classified as properties under development. The Wuxi Acquisition was completed on 26 June 2017. Further details of the Wuxi Acquisition were set out in the Company's circular dated 24 March 2017.

Acquisition-related costs amounting to approximately HK$1,088,000 have been excluded from the consideration transferred and have been recognised as an expense for the year ended 30 June 2017 in the consolidated statement of comprehensive income.

The directors of the Company consider that the Wuxi Acquisition will benefit the Group through penetration in the PRC property development. The Wuxi Acquisition constituted a business combination and had been accounted for using the acquisition method under HKFRS 3.

The following summarises the consideration paid and the amounts of the assets acquired and liabilities assumed at the date of acquisition:

	HK$'000
Consideration – cash paid	**270,036**

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	**200**
Properties under development	**756,037**
Other receivables	**1,599**
Bank balances	**2,076**
Trade and other payables	**(198,199)**
Interest-bearing borrowings	**(4,968)**
Deferred tax liabilities	**(113,967)**
Total identifiable net assets	**442,778**
Consideration – cash paid	**(270,036)**
Gain on bargain purchase arising from acquisition of Wuxi Shengye	**172,742**
Direct expenses	**(1,088)**
Net gain arising from acquisition of Wuxi Shengye	**171,654**

	HK$'000
Net cash outflow on acquisition of a subsidiary	
Net cash acquired from Wuxi Shengye	**(2,076)**
Consideration – cash paid	**270,036**
Direct expenses	**1,088**
	269,048

The directors have engaged a professional valuer to provide assistance in determining the fair values of the identifiable net tangible assets and intangible assets (if any) of Wuxi Shengye in accordance with HKFRS 13. The professional valuer has reviewed the methodologies and the key valuation parameters and business assumptions adopted.

Apart from the properties under development, the carrying values of all identifiable net assets of Wuxi Shengye approximate their fair values at 26 June 2017.

The Group recognised a net gain arising from acquisition of a subsidiary (included a gain on bargain purchase) of approximately HK$171,654,000 in the consolidated statement of comprehensive income for the year ended 30 June 2017. In the opinion of the directors, the gain on bargain purchase is mainly attributable to the immediate cash realisation and business risk mitigation opportunity offered to the Vendors and the Group's capability in negotiating the terms of the transaction in favour of the Group with the Vendors.

In respect of the Wuxi Acquisition, the fair value of other receivables acquired amounted to approximately HK$1,599,000. The total gross contractual amount of other receivables is approximately HK$1,599,000, of which no balance is expected to be uncollectible.

Since acquisition and up to 30 June 2017, Wuxi Shengye has not contributed any revenue and profit or loss to the Group. If the business combination of Wuxi Shengye effected during the year ended 30 June 2017 had been taken up at 1 July 2016, the consolidated revenue and profit for the Group would have been approximately HK$14,293,000 and approximately HK$297,891,000 respectively.

(b) Year ended 30 June 2016

In May 2016, Advantage Performance Limited, a wholly owned subsidiary of the Company, acquired the entire equity interests in and shareholder's loans to Legacy Billion Limited and Superform Investment Limited ("Superform") (together the "Acquired Group") from independent third parties at total consideration of HK$374,352,000. The principal activity of Legacy Billion Limited and Superform is investment holding and property investment respectively. The major asset owned by Superform is the whole 24th office floor of Lippo Centre Tower One in Admiralty, Hong Kong. Further details of the transaction were set out in the Company's circular dated 27 April 2016.

In the opinion of directors, the acquisition did not constitute business combinations as defined in HKFRS 3, therefore, the acquisition had been accounted for as acquisition of assets and liabilities during the year ended 30 June 2016.

The following summarises the consideration paid and the amounts of the assets acquired and liabilities assumed at the date of acquisition:

	HK$'000
Consideration – cash paid:	
Total cash consideration	374,352
Direct expenses capitalised in investment properties	3,018
	377,370

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Investment property	380,288
Other receivables	240
Other payables	(888)
Deferred tax liabilities	(2,270)
Total identifiable net assets	377,370

	HK$'000
Net cash outflow on acquisition of subsidiaries – cash paid	377,370

18. EVENTS AFTER REPORTING PERIOD

In addition to the events disclosed elsewhere in this announcement, the Group had the following subsequent events:

(a) On 14 July 2017, the Group entered into the subscription agreement to subscribe the Class A Shares of Green Asia Restructure SP II, a segregated portfolio of the Fund at total subscription amount of HK$150,000,000 for investment purpose. Mr. Ji has provided personal guarantee in favour of the Group to guarantee the settlement of all liabilities and obligations of the Fund due and payable to the Group under the subscription agreement.

(b) On 6 September 2017, the Company and the placing agent entered into a placing agreement pursuant to which the placing agent will place a maximum of 417,515,000 new ordinary shares of HK$0.01 each in the share capital of the Company (the "Placing Shares"), on a best effort basis, at the price of HK$0.4 per Placing Share. Details of the placing were set out in the Company's announcement dated 6 September 2017.

DIVIDEND

The Directors do not recommend payment of any dividends for the year ended 30 June 2017 (2016: nil).

RESULTS

The Group recorded a profit before tax for the financial year ended 30 June 2017 (“FY2017”) of approximately HK$290,949,000 as compared to the corresponding financial year ended 30 June 2016 (“FY2016”) decline 21.4%. The decline in profit was primarily attributable to the fact that a non-recurring gain on disposal of subsidiaries amounting to approximately HK$318,937,000 was recognised during FY2016, but no such non-recurring gain was recognised during FY2017. The financial impact as a result of such fact was partially offset by (1) the net gain arising from the acquisition of a subsidiary amounting to approximately HK$171,654,000 and (2) the increase in fair value of investment properties amounting to approximately HK$115,000,000 for FY2017.

The Group’s revenue also reported an 87.5% increase in FY2017 reaching approximately HK$14,293,000 (2016: HK$7,622,000), the increase was mainly contributed by the rental income generated by investment properties.

BUSINESS REVIEW

During FY2017, the Group continued to engage in its principal business of property investment, resort and property development and investment holding.

PROPERTY INVESTMENT

For FY2017, the Group’s investment properties located in Hong Kong generated rental income totaling HK$11,499,000 (2016: HK$2,590,000) which showed a significant increase of 344% over the previous year. The Group’s investment properties comprise the office properties in Lippo Centre and China Merchants Tower which were valued at HK$503,000,000 and HK$52,000,000 respectively at 30 June 2017. Also, an increase in fair value of investment properties of approximately HK$115,000,000 (2016: HK$56,928,000) was recorded by the Group for FY2017.

RESORT AND PROPERTY DEVELOPMENT

Reference is made to the Company’s circular dated 24 March 2017 and the Company’s announcement(s) dated 24 February 2017 and 18 April 2017, the Company’s two wholly owned subsidiaries completed the acquisition of entire issued share capital of Wuxi Shengye Joint Stock Company Limited* (“Wuxi Shengye”) at the end of June 2017. After the acquisition, the Company recorded a net gain arising from the acquisition of a subsidiary of approximately HK$171,654,000 for FY2017 and the carrying value of the properties under development of Wuxi Shengye of approximately HK$756,037,000 as at 30 June 2017. The pre-sale of the part of the properties under development will be expected to carry out in October 2017 and the completion will be expected in 2019.

Reference is made to the Company’s announcement dated 21 July 2017, the Company entered into the termination agreement with Yancheng Herong Property Development Limited* (“Yancheng Herong”) and its shareholders. Though the termination of the capital injection agreement was mutually agreed by all parties of the capital injection agreement (the “Termination”) as Yancheng Herong and its shareholders were and would not be capable of obtaining certain necessary government approvals required under the relevant laws and regulation in a short period of time. The Board believes that the Termination was decided with the best interest to the Group.

INVESTMENT HOLDING

During FY2017, the Group recorded a total investment income of approximately HK$2,794,000 (2016: HK$5,032,000) on all investments in corporate bonds, equity securities and other investments. After the disposal of all these investments of the Group during FY2017, the Group recognised a net gain on disposal of approximately HK$2,319,000 and further invested in "Green Asia Restructure Fund SPC" during FY2017. The Group recorded an increase in fair value of approximately HK$692,000 for FY2017 on "Green Asia Restructure Fund SPC"; the carrying value of "Green Asia Restructure Fund SPC" was approximately HK$50,692,000 as at 30 June 2017.

Reference is made to the Company's announcement dated 12 December 2016, the Company's wholly owned subsidiary subscribed 20% equity interest in an investment holdings company, Wealth Guide Global Limited ("Wealth Guide") for a nominal value of US$20 together with a shareholder's loan of HK$200,000,000 in proportion to the Group's interest in Wealth Guide. The carrying value of the 20% equity interest in Wealth Guide and the shareholder's loan were US$20 and HK$200,000,000 as at 30 June 2017 respectively.

FINANCIAL REVIEW

At 30 June 2017, the Group had current assets of approximately HK$1,202,931,000 (30 June 2016: HK$521,001,000) and current liabilities of approximately HK$594,884,000 (2016: HK$2,941,000), representing a current ratio of about 2.0 times (30 June 2016: 177.2 times). The Group's total equity and the total bank and other borrowings as at 30 June 2017 amounted to approximately HK$1,247,146,000 (30 June 2016: HK$956,173,000) and approximately HK$392,968,000 (2016: nil) respectively, representing a gearing ratio of approximately 31.5% for FY2017.

PROSPECTS

At the end of June 2017, after the Group completed the acquisition of the entire issued share capital of Wuxi Shengye which holds the properties under development located in Wuxi City with the carrying value of approximately HK$756,037,000 as at 30 June 2017, the Board expects that the pre-sale of part of the properties under development will carry out in October 2017 and the completion will be expected in 2019.

Reference is made to the Company's announcement dated 21 July 2017, the Company entered into the termination agreement with Yancheng Herong Property Development Limited* ("Yancheng Herong") and its shareholders. Though the termination of the capital injection agreement was mutually agreed by all parties of the capital injection agreement (the "Termination") as Yancheng Herong and its shareholders were and would not be capable of obtaining certain necessary government approvals required under the relevant laws and regulation in a short period of time. The Board believes that the Termination was decided with the best interest to the Group.

The Group will continue to look for the best opportunities or investments in but not limited to the investments in property investment, resort and property development and investment holding business.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions ("Code Provisions") of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 30 June 2017, save in respect of Code Provisions (i) A.4.2 and (ii) A.2.1. Details of the deviations with reasons are set out in the paragraphs below:

(i) Code Provision A.4.2

Under Code Provision A.4.2 of the CG Code, all directors who are appointed to fill casual vacancies are subject to re-election at the first general meeting after their appointments by the Board, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Bye-laws of the Company (the "Bye-laws") deviates from this Code Provision in the following aspects:

(a) Under Bye-law 86(2) of the Bye-laws, amongst other things, the directors have the power to appoint any person as a director, either to fill a casual vacancy on the Board, or, subject to authorisation by the shareholders in general meeting, as an addition to the existing Board. Any director so appointed by the Board shall hold office until the next following annual general meeting of the Company.

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

(b) Under Bye-law 87(1) of the Bye-laws, at the annual general meetings of the Company, one third of the directors for the time being (or where the number is not a multiple of three, the number nearest to, but not greater than one third), including the independent non-executive directors, shall retire from office by rotation provided that the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. Notwithstanding the provisions of Bye-law 87(1), in practice, the Chairman of the Board, Mr. Wang Bo ("Mr. Wang") will voluntarily submit himself for re-election by the shareholders at the annual general meeting of the Company at least once every three years. Accordingly in practice, all directors of the Company (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.

(ii) Code Provision A.2.1

Ms. Wang Jingyu has been appointed as the Chairlady and Managing Director of the Company since 15 July 2015 and was not in compliance with the requirement of Code Provision A.2.1 of the CG Code. Subsequent to resignation of Ms. Wang Jingyu as the Chairlady and the Managing Director of the Company on 14 September 2016, the Code Provision A.2.1 of the CG Code was no longer deviated.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 30 June 2017 have been reviewed by the Audit Committee before they are duly approved by the Board under the recommendation of the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transaction by Directors. Having made specific enquiries of all the Directors, all the Directors have confirmed that they had complied with the required standard set out in the Model Code during the year ended 30 June 2017.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ended 30 June 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Mazars CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year ended 30 June 2017.

The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Mazars CPA Limited on the preliminary announcement.

PUBLICATION OF INFORMATION ON WEBSITES

This results announcement is available for viewing on the website of the Stock Exchange at http://www.hkex.com.hk and on the website of the Company at http://www.applieddev.com.

By Order of the Board
Applied Development Holdings Limited
Wang Bo
Chairman and Non-executive Director

Hong Kong, 18 September 2017

As at the date of this announcement, the Non-executive Director is Mr. Wang Bo (Chairman); the Executive Directors are Mr. Yuen Chi Ping (Chief Executive Officer) and Ms. Ng Kit Ling; and the Independent Non-executive Directors are Mr. Lau Chi Keung, Mr. Yu Tat Chi, Michael and Mr. Chiu Kit Man, Calvin.

* *For identification purposes only*

In the event of inconsistency, the English text of this announcement shall prevail over the Chinese text thereof.