



APPLIED DEVELOPMENT HOLDINGS LIMITED

實力建業集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 519



2018 Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yao Wei Rong (*Chairman*)
Mr. Yuen Chi Ping (*Chief Executive Officer*)
Ms. Ng Kit Ling

Non-executive Director

Mr. Guo Shun Gen

Independent Non-executive Directors

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

AUDIT COMMITTEE

Mr. Yu Tat Chi, Michael (*Chairman*)
Mr. Lau Chi Keung
Mr. Chiu Kit Man, Calvin

REMUNERATION COMMITTEE

Mr. Lau Chi Keung (*Chairman*)
Mr. Chiu Kit Man, Calvin
Mr. Yao Wei Rong

NOMINATION COMMITTEE

Mr. Yao Wei Rong (*Chairman*)
Mr. Lau Chi Keung
Mr. Chiu Kit Man, Calvin

COMPANY SECRETARY

Ms. Ng Kit Ling

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1801, 18th Floor
West Tower
Shun Tak Centre
168-200 Connaught Road Central
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
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
Hang Seng Bank Limited
Bank of Communications Co., Ltd.
Hong Kong Branch
Nanyang Commercial Bank, Limited

AUDITOR

Mazars CPA Limited
Certified Public Accountants

SOLICITORS

Troutman Sanders
Baker & McKenzie
Reed Smith Richards Butler
Miao & Co.

STOCK CODE

The Stock Exchange of Hong Kong Limited: 519

WEBSITE

<http://www.applieddev.com>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2017

	Notes	Six months ended 31 December	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	2	2,452	7,687
Other revenue	2	2,340	2,329
Other income	3	3	–
Other expenses	4	–	(154)
Net gain on disposal of financial assets at fair value through profit or loss		446	1,608
Net increase (decrease) in fair value of financial assets at fair value through profit or loss		5,965	(104)
Net increase in fair value of investment properties		7,000	41,000
Selling and marketing expenses		(2,240)	–
Administrative expenses		(8,080)	(8,382)
Finance costs	6	(8,311)	–
(Loss) Profit before tax	7	(425)	43,984
Taxation	8	–	–
(Loss) Profit for the period, attributable to equity holders of the Company		(425)	43,984
Other comprehensive income for the period, net of tax		–	–
Total comprehensive (loss) income for the period, attributable to equity holders of the Company		(425)	43,984
(Loss) Earnings per share	9		
Basic		(0.02) HK cents	2.11 HK cents
Diluted		(0.02) HK cents	2.11 HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	31/12/2017 (Unaudited) HK\$'000	30/06/2017 (Audited) HK\$'000
Non-current assets			
Investment properties	15	510,000	555,000
Property, plant and equipment		149	224
Available-for-sale investments	10	200,147	200,147
		710,296	755,371
Current assets			
Properties under development	16	766,379	756,037
Financial assets at fair value through profit or loss	11	256,646	50,692
Other receivables	12	98,447	52,975
Bank balances and cash		233,427	343,227
		1,354,899	1,202,931
Assets of disposal group classified as held for sale	17	52,573	–
		1,407,472	1,202,931
Current liabilities			
Trade and other payables	13	176,585	201,916
Interest-bearing borrowings		411,618	392,968
		588,203	594,884
Liabilities of disposal group classified as held for sale	17	440	–
		588,643	594,884
Net current assets		818,829	608,047
Total assets less current liabilities		1,529,125	1,363,418
Capital and reserves			
Share capital	14	25,051	20,876
Share premium and reserves		1,387,802	1,226,270
Total equity		1,412,853	1,247,146
Non-current liabilities			
Deferred tax liabilities		116,272	116,272
		1,529,125	1,363,418

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2017

	Attributable to equity holders of the Company						
	Share capital	Share premium	Investment revaluation reserve	Capital redemption reserve	Translation reserve	Retained profits	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2017 (audited)	20,876	244,786	(424)	11,931	204,610	21 765,346	1,247,146
Loss for the period	-	-	-	-	-	-	(425)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-	(425)
Transactions with equity holders							
Contributions and distributions							
Issue of shares upon placing of shares (Note 14)	4,175	161,957	-	-	-	-	-
	4,175	161,957	-	-	-	-	-
At 31 December 2017 (unaudited)	25,051	406,743	(424)	11,931	204,610	21 764,921	1,412,853
At 1 July 2016 (audited)	20,876	244,786	(396)	11,931	204,610	-	474,366
Profit for the period	-	-	-	-	-	-	43,984
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	43,984
At 31 December 2016 (unaudited)	20,876	244,786	(396)	11,931	204,610	-	518,350
							1,000,157

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2017

	Six months ended 31 December	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Net cash used in operating activities	(43,155)	(6,126)
INVESTING ACTIVITIES		
Interest received	1,997	2,329
Dividend received from financial assets at fair value through profit or loss	–	234
Loan to an affiliate company	–	(200,000)
Loans to third parties	(45,000)	(266,000)
Repayment of loan to a third party	–	220,000
Purchase of financial assets at fair value through profit or loss	(229,847)	(44,886)
Purchase of property, plant and equipment	(30)	(15)
Proceeds from disposal of financial assets at fair value through profit or loss	30,304	75,803
Proceeds from disposal of other investments	–	20
Net cash used in investing activities	(242,576)	(212,515)
FINANCING ACTIVITIES		
Interest paid in respect of bank borrowings	(8,311)	–
New other borrowings raised	62,100	–
Proceeds from issue of shares upon placing of shares	166,132	–
Repayment of bank borrowings	(40,000)	–
Repayment of other borrowings	(3,450)	–
Net cash from financing activities	176,471	–
Net decrease in cash and cash equivalents	(109,260)	(218,641)
Cash and cash equivalents at the beginning of the period	343,227	422,422
Cash and cash equivalents at the end of the period	233,967	203,781
Analysis of balance of cash and cash equivalent:		
Bank balances and cash	159,007	7,242
Bank deposit	74,420	196,539
Bank balances and cash – Disposal Group	540	–
	233,967	203,781

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Audit Committee of the Company. These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated 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 accounting policies used in the condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 30 June 2017, except for the new/revised Hong Kong Financial Reporting Standards ("HKFRSs") effective from the current interim period.

The adoption of the new/revised HKFRSs had no significant effect on the results and financial position of the Group for the current or prior accounting periods.

The Group has not early applied the following new/revised HKFRSs that have been issued but are not yet effective for the current period.

Annual Improvements to HKFRSs	2014-2016 Cycle: HKFRS 1 and HKAS 28 ¹
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HKFRS 16	Leases ²
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKAS 28	Investments in Associates and Joint Ventures ²
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ The effective date to be determined

The directors are in process of assessing the possible impact on the future adoption of these HKFRSs, but are not yet in a position to reasonably estimate their impact on the results and financial position to the Group.

2. REVENUE

	Six months ended 31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Gross rental income from investment properties	2,452	5,691
Interest income from financial assets at fair value through profit or loss	–	1,762
Dividend income from financial assets at fair value through profit or loss	–	234
	2,452	7,687
Other revenue		
Bank interest income	541	1,075
Other interest income	1,799	1,254
	2,340	2,329
Total revenue	4,792	10,016

3. OTHER INCOME

	Six months ended 31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sundry income	3	–

4. OTHER EXPENSES

	Six months ended 31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss on disposal of other assets	–	154

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 commercial purposes acquired during the year ended 30 June 2017. No revenue had been earned by the resort and property development segment for the period. The property investment segment includes commercial properties that are held for capital appreciation or to earn rentals. The investment holding segment includes holding and trading of investments and other assets. No operating segments have been aggregated.

Segment revenue and results for the six months ended 31 December 2017 are presented below:

	Resort and property development (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Investment holding (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue	–	2,452	–	2,452
Other revenue and income	17	–	455	472
	17	2,452	455	2,924
Results				
Segment results	(4,349)	8,968	6,422	11,041
Unallocated corporate income				2,317
Unallocated corporate expenses				(5,472)
Finance costs				(8,311)
Loss before tax				(425)
Taxation				–
Loss for the period				(425)

5. SEGMENT INFORMATION (continued)

Segment assets and liabilities as of 31 December 2017 and other segment information for the six months ended 31 December 2017 are presented below:

	Resort and property development (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Investment holding (Unaudited) HK\$'000	Segment total (Unaudited) HK\$'000	Unallocated (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Assets	797,409	562,845	456,810	1,817,064	300,704	2,117,768
Liabilities	348,172	2,745	5,991	356,908	348,007	704,915
Other segment information:						
Additions to property, plant and equipment	30	-	-	30	-	30
Depreciation of property, plant and equipment	97	-	8	105	-	105
Loss on disposal of other assets	-	-	-	-	-	-
Increase in fair value of investment properties	-	7,000	-	7,000	-	7,000
Net increase in fair value of financial assets at fair value through profit or loss	-	-	5,965	5,965	-	5,965
Net gain on disposal of financial assets at fair value through profit or loss	-	-	446	446	-	446

Segment revenue and results for the six months ended 31 December 2016 are presented below:

	Resort and property development (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Investment holding (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue	-	5,691	1,996	7,687
Other revenue and income	-	-	1,254	1,254
	-	5,691	3,250	8,941
Results				
Segment results	-	46,690	4,452	51,142
Unallocated corporate income				1,075
Unallocated corporate expenses				(8,233)
Profit before tax				43,984
Taxation				-
Profit for the period				43,984

5. SEGMENT INFORMATION (continued)

Segment assets and liabilities as of 31 December 2016 and other segment information for the six months ended 31 December 2016 are presented below:

	Resort and property development (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Investment holding (Unaudited) HK\$'000	Segment total (Unaudited) HK\$'000	Unallocated (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Assets	518	481,250	319,630	801,398	203,768	1,005,166
Liabilities	-	4,625	375	5,000	9	5,009
Other segment information:						
Additions to property, plant and equipment	-	-	15	15	-	15
Depreciation of property, plant and equipment	-	-	13	13	-	13
Loss on disposal of other assets	-	-	154	154	-	154
Increase in fair value of investment properties	-	41,000	-	41,000	-	41,000
Net decrease in fair value of financial assets at fair value through profit or loss	-	-	104	104	-	104
Net gain on disposal of financial assets at fair value through profit or loss	-	-	1,608	1,608	-	1,608

There was no revenue generated from inter-segment transactions for both periods. 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, finance costs and income tax 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 on consolidation.

Geographical information

The Group's operations are principally located in Hong Kong and the People's Republic of China other than Hong Kong (the "PRC"). In addition, the Group also held investments in various overseas markets (the "Overseas").

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 markets of the respective instruments:

	Revenue by geographical market	
	31/12/2017	31/12/2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong	2,452	6,229
Overseas	-	1,458
	2,452	7,687

5. SEGMENT INFORMATION (continued)

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	
	31/12/2017	30/06/2017
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Hong Kong	510,016	555,024
The PRC	133	200
	510,149	555,224

Non-current assets presented above exclude financial instruments and assets of disposal group classified as held for sale. The Group does not have deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

6. FINANCE COSTS

	Six months ended 31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expenses on bank borrowings	8,311	–

7. (LOSS) PROFIT BEFORE TAX

	Six months ended 31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss) Profit for the period has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments		
Salaries and other benefits	3,496	3,533
Retirement benefit scheme contribution	34	42
Total staff costs	3,530	3,575
Other items		
Depreciation of property, plant and equipment	105	13
Net (increase) decrease in fair value of financial assets at fair value through profit or loss	(5,965)	104
Direct operating expenses relating to investment properties that generated rental income	346	116
Direct operating expenses relating to investment properties that did not generate rental income	103	–
Operating lease payments on premises	1,123	1,121

8. TAXATION

Hong Kong Profits Tax has not been provided as the Group's estimated assessable profits for the periods ended 31 December 2017 and 31 December 2016 are wholly absorbed by unrelieved tax losses brought forward from previous years.

Taxation arising in other jurisdiction, if applicable, are calculated at the rates prevailing in the relevant jurisdictions based on existing legislation, interpretations and practices in respect thereof.

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for the six months ended 31 December 2017 is based on the loss attributable to equity holders of the Company of approximately HK\$425,000 (2016: profit of approximately HK\$43,984,000) and on the weighted average of 2,309,962,859 (2016: 2,087,590,739) ordinary shares of the Company in issue during the period.

The diluted (loss) earnings per share is the same as the basic (loss) earnings per share for both the six months ended 31 December 2017 and 2016. The Company did not have any dilutive potential ordinary shares during the six months ended 31 December 2017 and 2016.

10. AVAILABLE-FOR-SALE INVESTMENTS

	31/12/2017 (Unaudited) HK\$'000	30/6/2017 (Audited) HK\$'000
Equity securities listed in Hong Kong, at fair value	147	147
Unlisted share, at cost (<i>Note</i>)	–	–
Loan to an affiliate company, at cost (<i>Note</i>)	200,000	200,000
	200,147	200,147

Note:

At 31 December 2017 and 30 June 2017, the Group held 20% interest in the ordinary share capital of Wealth Guide Global Limited ("Wealth Guide") amounting to US\$20 (equivalent to approximately HK\$156) and provided a shareholder's loan to Wealth Guide amounting to HK\$200 million in proportion to the Group's interest in Wealth Guide. The shareholder's loan is unsecured, interest-free and has no fixed repayment term and it is to be repaid upon the agreement of the Group and the majority shareholder of Wealth Guide. The majority shareholder of Wealth Guide also provided the loan in the proportion to its shareholding. The shareholder's loan is considered as quasi-capital investment and forms part of the Group's investment in Wealth Guide.

In the opinion of the directors, the Group has no significant influence on Wealth Guide in accordance with HKAS 28 (2011) because no representative can be appointed in the board of directors of Wealth Guide by the Group and the Group did not participate in any policy making processes of Wealth Guide. Accordingly, the equity investments and provision of shareholder's loan are accounted for as available-for-sale investments measured at cost less impairment loss.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31/12/2017 (Unaudited) HK\$'000	30/6/2017 (Audited) HK\$'000
At fair value, designated upon initial recognition		
Unlisted investment funds (<i>Note</i>)	256,646	50,692

Note:

The unlisted investment funds represented (a) the Class A Shares of Green Asia Restructure SP, a segregated portfolio of Green Asia Restructure Fund SPC (the "Fund") at a total subscription amount of approximately HK\$130 million and (b) the Class A Shares of Green Asia Restructure SP II, a segregated portfolio of the Fund at total subscription amount of approximately HK\$120 million.

The Fund is an exempted company incorporated with limited liability and registered as a segregated portfolio company in the Cayman Islands. The investment objective of the Fund is capital appreciation by engaging 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. The total fair value of these unlisted investment funds amounted to approximately HK\$256,646,000, which was established by reference to the prices quoted by the administrator based on the net assets value of the Fund.

12. OTHER RECEIVABLES

	31/12/2017 (Unaudited) HK\$'000	30/6/2017 (Audited) HK\$'000
Deposits, prepayments and other debtors	3,197	2,725
Loan receivables (<i>Note</i>)	95,250	50,250
	98,447	52,975

Note:

Loan granted to borrowers are unsecured, bearing fixed interest rate ranged from 1.5% to 4% and are within the respective maturity dates.

13. TRADE AND OTHER PAYABLES

	31/12/2017 (Unaudited) HK\$'000	30/6/2017 (Audited) HK\$'000
Trade payables		
To third parties (<i>Note</i>)	124,065	173,380
Other payables		
Accrued charges and other creditors	15,694	6,686
Deposits from sale of properties under development	14,976	–
Provision for land transfer fees	21,850	21,850
	176,585	201,916

13. TRADE AND OTHER PAYABLES (continued)

Note:

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

	31/12/2017 (Unaudited) HK\$'000	30/6/2017 (Audited) HK\$'000
0-90 days	2,435	–
Over 365 days	121,630	173,380
	124,065	173,380

Included in the trade payables at 31 December 2017 and 30 June 2017 was outstanding construction cost of approximately RMB85 million (30 June 2017: RMB130 million) (equivalent to approximately HK\$98 million (30 June 2017: HK\$150 million)) due to a contractor for construction work of the properties under development from years 2013 to 2016. A settlement agreement was entered with the contractor in September 2017 and the outstanding balance will be repayable in accordance with an agreed schedule.

14. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Authorised:		
At 30 June 2017 and 31 December 2017, ordinary shares of HK\$0.01 each	6,000,000,000	60,000
Issued and fully paid:		
At 30 June 2017 (Audited)	2,087,590,739	20,876
Placing of shares on 25 September 2017 (Note)	417,515,000	4,175
At 31 December 2017 (Unaudited)	2,505,105,739	25,051

Note:

On 25 September 2017, the Company completed the placing of 417,515,000 new ordinary shares of HK\$0.01 each in the share capital of the Company (the "Placing Shares") at the price of HK\$0.4 per Placing Share (the "Placing"). The net proceeds from the placing after deducting related expenses were approximately HK\$166,132,000.

15. INVESTMENT PROPERTIES

	HK\$'000
Fair value	
At 30 June 2017 (Audited)	555,000
Transferred to assets of disposal group classified as held for sale (Note 17)	(52,000)
Net increase in fair value	7,000
At 31 December 2017 (Unaudited)	510,000

16. PROPERTIES UNDER DEVELOPMENT

	31/12/2017 (Unaudited) HK\$'000	30/6/2017 (Audited) HK\$'000
Properties under development	766,379	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 31 December 2017 and 30 June 2017 is expected to be completed after more than one year.

17. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 29 November 2017, Advantage Performance Limited ("APL"), a wholly-owned subsidiary of the Company entered into the agreement with an independent third party (the "Purchaser") to dispose of the entire issued share capital in Genius Wise International Limited ("Genius Wise") (including the sale loan), at the total consideration of HK\$52,000,000 (the "Disposal"). Details of the Disposal are set out in the Company's announcement dated 29 November 2017.

At 31 December 2017, a deposit in the sum of HK\$5,200,000 was received in respect of the Disposal and reported as "Accrued charges and other creditors".

Upon Completion of the Disposal, APL will cease to hold any interest in Genius Wise and its subsidiary, Applied Hong Kong Properties Limited ("AHKPL") (collectively the "Disposal Group") and Genius Wise will cease to be a subsidiary of the Company.

In accordance with HKFRS 5, the Group had reclassified the following assets and liabilities of the Disposal Group at 31 December 2017 as assets/liabilities of disposal group classified as held for sale in the Group's condensed consolidated statement of financial position. The analysis is as follows:

	HK\$'000
Assets of disposal group classified as held for sale:	
Investment property	52,000
Deposits and other receivables	33
Bank balances and cash	540
	52,573
Liabilities of disposal group classified as held for sale:	
Accruals	2
Deposit received	438
	440

Subsequent to 31 December 2017, on 15 February 2018, APL and the Purchaser entered into the termination agreement and mutually agreed to terminate the Disposal. Upon signing of the termination agreement, APL refunded the deposit of HK\$5,200,000 and paid the compensation of the termination of the Disposal of HK\$5,200,000 to the Purchaser.

17. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

On the same day, AHKPL entered into the agreement with an independent third party to dispose of the investment property, which reported as assets of disposal group classified as held for sale, at the consideration of HK\$63,000,000 (the "Property Disposal"). At the date of this interim report, deposits of HK\$6,300,000 were received in respect of the Property Disposal. The completion of the Property Disposal is expected to take place on or before 15 March 2018.

18. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the condensed consolidated 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 Company's directors are as follows:

	Six months ended	
	31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries and other benefits	1,927	2,638
Retirement benefit scheme contributions	18	15
	1,945	2,653

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following table presents the carrying value of financial instruments measured at fair value at 31 December 2017 and 30 June 2017 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.

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

(i) Financial assets measured at fair value

	31/12/2017 (Unaudited)		
	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000
<i>Financial assets at fair value through profit or loss (Note 11):</i>			
Unlisted investment funds	256,646	–	256,646
<i>Available-for-sale investments (Note 10):</i>			
Equity securities listed in Hong Kong	147	147	–
	30/6/2017 (Audited)		
	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000
<i>Financial assets at fair value through profit or loss (Note 11):</i>			
Unlisted investment funds	50,692	–	50,692
<i>Available-for-sale investments (Note 10):</i>			
Equity securities listed in Hong Kong	147	147	–

During the period ended 31 December 2017 and year ended 30 June 2017, 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.

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

The carrying amounts of the financial assets and liabilities of the Group carried amounts at other than their fair values are not materially different from their fair values as at 31 December 2017 and 30 June 2017.

MANAGEMENT DISCUSSION AND OUTLOOK

INTERIM DIVIDEND

The Directors do not recommend an interim dividend for the six months ended 31 December 2017 (31 December 2016: nil).

RESULTS

The Company record a loss of HK\$425,000 for the six months ended 31 December 2017 as compared to the profit of HK\$43,984,000 recorded for the six months ended 31 December 2016. The turnaround of the Group's results is mainly attributable to (i) the increase in fair value of investment properties of HK\$7,000,000 as compared to HK\$41,000,000 for the corresponding period in 2016; (ii) decrease in revenue of HK\$5,235,000 and (iii) the finance cost of HK\$8,311,000 for the six months ended 31 December 2017 (2016: HK\$ nil).

BUSINESS REVIEW

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

Resort and Property Development

After the acquisition of the Wuxi Shengye at June 2017, the pre-sale of the part of the properties under development had commenced since in October 2017. At the end of the reporting period, the sales of approximately RMB26 million have been accumulated and the completion of which is expected to be in 2019.

MANAGEMENT DISCUSSION AND OUTLOOK

Property Investment

Reference is made to the Company's announcements dated 29 November 2017 and 15 February 2018, Advantage Performance Limited, the Company's wholly owned subsidiary entered into the Agreement and Termination Agreement with Platinum Ocean Consultancy Limited respectively and following the Termination Agreement, Applied Hong Kong Properties Limited, entered the Property Agreement with AHK International Limited to dispose of the investment property located at China Merchants Tower (the "Property") for a consideration of HK\$63,000,000. After the completion of the disposal, the Group will cease to hold the Property. The completion of the disposal will be taken by 15 March 2018.

The Group's investment properties contributed a total of rental income of HK\$2,452,000 for the six months ended 31 December 2017 (2016: HK\$5,691,000). The increase in fair value for the six months ended 31 December 2017 was HK\$7,000,000 (2016: HK\$41,000,000). The Board believes that the Group's remaining investment properties will continue to generate rental income to the Group.

Investment Holding

For the six months ended 31 December 2017, the Group recorded interest income of HK\$1,799,000 (2016: HK\$1,254,000) on loan to third parties and interest income of HK\$nil (2016: HK\$1,762,000) on investments in corporate bonds, equity securities and other investments respectively.

During the six months ended 31 December 2017, the Group further invested in "Green Asia Restructure Fund SPII" and "Green Asia Restructure Fund SPI" and the carrying value of "Green Asia Restructure Fund SPC" was HK\$256,646,000 at 31 December 2017.

At 31 December 2017, the Company invested in 20% equity interests in Wealth Guide Global Limited ("Wealth Guide") for a nominal value of US\$20 together with a shareholder loan of HK\$200,000,000. The total assets of Wealth Guide at 31 December 2017 was approximately HK\$1,147,000,000 representing an increase of approximately 14.7% compared with 31 December 2016.

MANAGEMENT DISCUSSION AND OUTLOOK

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 31 December 2017, the Group had current assets of HK\$1,407,472,000 (30 June 2017: HK\$1,202,931,000) and current liabilities of HK\$588,643,000 (30 June 2017: HK\$594,884,000), representing a current ratio of 2.4 times (30 June 2017: 2 times). The Group's total equity and the total bank and other borrowings as at 31 December 2017 amounted to HK\$1,412,853,000 (30 June 2017: HK\$1,247,146,000) and HK\$411,618,000 (30 June 2017: HK\$392,968,000) respectively, representing a gearing ratio of 29.1% (30 June 2017: 31.5%).

In September 2017, the Company successfully completed a placing of 417,515,000 new shares to independent investors at a price of HK\$0.4 per placing share (the "Shares Placing"), representing a discount of approximately 19.9% to the closing price of HK\$0.495 per share as quoted on the Stock Exchange on 6 September 2017, being the date of the placing agreement (further details of the placing are contained in the Company's announcements dated 6 September 2017). The net proceeds of the placing amounted to HK\$166,132,000, representing a net price per placing share of approximately HK\$0.40, were intended to be used as general working capital of the Group and/or for attractive investment opportunities which might arise in future.

OUTLOOK

After the acquisition of the Wuxi Shengye at the end of June 2017, the pre-sale of the properties under development commenced in October 2017 and the completion is to be expected in 2019. The Board believes that the sales of the properties under development will bring revenue to the Group.

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

MANAGEMENT DISCUSSION AND OUTLOOK

PRINCIPAL RISK AND UNCERTAINTIES

The Group is principally engaged in property investment, resort and property development and investment holding. The financial position, operations, businesses and prospects of the Group and its individual business segment are affected by the following significant risk and uncertainty factors:

Business Risk

The prospects of the Group's property business depend on the performance of the property market in Hong Kong and 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 PRC. Any real estate market downturn in Hong Kong and PRC may materially and adversely affect the financial position, operations, businesses and prospects of the Group and may lead to fair value loss of the Group's investment properties and net loss from property development segment. The real estate markets in Hong Kong and PRC are affected by many factors, including but not limited to, changes in the local's economic, political, social and legal environment and changes in local's fiscal and monetary policy, all of which are beyond the control of the Group. The management policy to mitigate this risk is to diversify the Group's business in terms of asset composition, revenue and profitability.

Market Risk

The Group's property investment business is operating in a rather competitive environment as rental rate of properties are transparent in property leasing markets in Hong Kong. The transparency of the leasing markets put 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 PRC is highly competitive. The area that are in competition include quality, design, brand, cost control and environment ancillary facilities. If the competitors of the Group keep on improving their products, the Group will improve its quality and cost control to catch the market and maintain the sales turnover.

MANAGEMENT DISCUSSION AND OUTLOOK

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 investments holding comprising unlisted investment funds held under financial assets at fair value through profit or loss. Credit risk refers of 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 to an affiliate company, loan receivables and bank balances which the management considers the credit risk are insignificant as the counter-parties have their good credit in the market. The Group has its sufficient level of bank balances and cash to finance the Group 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. The Group does not engage in foreign exchange speculation activities. It is 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.

CAPITAL COMMITMENTS

The Group had no material capital commitments at 31 December 2017 and 30 June 2017.

MANAGEMENT DISCUSSION AND OUTLOOK

PLEDGE OF ASSETS

At 31 December 2017 and 30 June 2017, the Group had provided the following security for banking facilities granted to the Company:

- (i) pledge of investment properties of the Group with a carrying amount of HK\$510,000,000 (30 June 2017: HK\$550,000,000);
- (ii) assignment agreements in respect of rental income of the Group's investment properties duly executed by the Group in favour of the bank; and
- (iii) assignment agreements in respect of insurance of the Group's investment properties duly executed by the Group in favour of the bank.

LITIGATION

The Group has no material litigation which had to be disclosed.

HUMAN RESOURCES AND REMUNERATION POLICY

At 31 December 2017, the Group employed a total of 24 (2016: 4) full-time employees and executive directors. The Group's total staff costs including director's emoluments amounted to HK\$3,530,000 for the six months ended 31 December 2017 (2016: HK\$3,575,000). The remuneration packages for directors and employees are normally reviewed annually and are structured by reference to market terms and individual competence, performance and experience. The Group also provides medical insurance coverage and operates the relevant provident fund schemes for its employees of the Group.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register of members required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules were as follows:

Long position in shares of the Company

Name of director	Number of ordinary shares held	
	Beneficial owner	Approximate % of shareholding
Ng Kit Ling	15,000	0.001

Save as disclosed above, as at 31 December 2017, none of the directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code and which were required to be entered into and kept under the register pursuant to Section 352 of the SFO.

UPDATES ON DIRECTORS' INFORMATION

Except that Mr. Yu Tat Chi, Michael ("Mr. Yu") was appointed as an independent non-executive director of Laredo Financial Group Company Limited (stock code: 1225), a listed company in Hong Kong Stock Exchange with effect from 6 February 2018, there is no updated information of directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

OTHER INFORMATION

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

The directors and employees of the Company and its subsidiaries are entitled to participate in the share option scheme of the Company adopted by the Company on 15 November 2012. Up to 31 December 2017, no share options had been granted since the adoption of the share option scheme.

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, the following interests of more than 5% of the issued shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the Shares or underlying Shares

Name of shareholder	Capacity and Nature of interest	Number of ordinary shares	
		Number of issued shares held	Approximate percentage of the Company's issued share capital of the Company
Hong Kong Ruihua Investment Management Limited	Interests of Controlled Corporation	559,865,959	22.35%
Jiangsu Ruihua Investment Development Co., Limited	Interests of Controlled Corporation	559,865,959	22.35%
Zhang Jianbin	Interests of Controlled Corporation	559,865,959	22.35%

Note:

These interests were held by Hong Kong Ruihua Investment Management Limited, which was a wholly owned subsidiary of Jiangsu Ruihua Investment Development Co., Limited ("Jiangsu Ruihua") which was also owned by Mr. Zhang Jianbin ("Mr. Zhang").

OTHER INFORMATION

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

During the six months ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to adopting the best corporate governance practices and procedures throughout the Group. It strives to enhance transparency and independency of operation through the use of an effective accountability system to enable a healthy and sustainable development of the Company.

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 31 December 2017, save in respect of code provisions A.4.2. Details of the deviations are set out in the paragraphs below:

Under code provision A.4.2 of the CG Code, all directors who are appointed to fill casual vacancies are subject to re-election at the first general meeting after their appointments by the Board, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Bye-laws 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 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.

OTHER INFORMATION

(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 of the Company, Mr. Yao Wei Rong will voluntarily submit himself for re-election by 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.

Apart from the above deviation, the Company has always been committed to good corporate governance principles and practices to safeguard the interests of its shareholders and uphold accountability, transparency and responsibility of the Company.

The Company regularly reviews its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code.

AUDIT COMMITTEE

The unaudited condensed consolidated financial statements of the Company for the six months ended 31 December 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 for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. 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 six months ended 31 December 2017.