

INTERIM REPORT

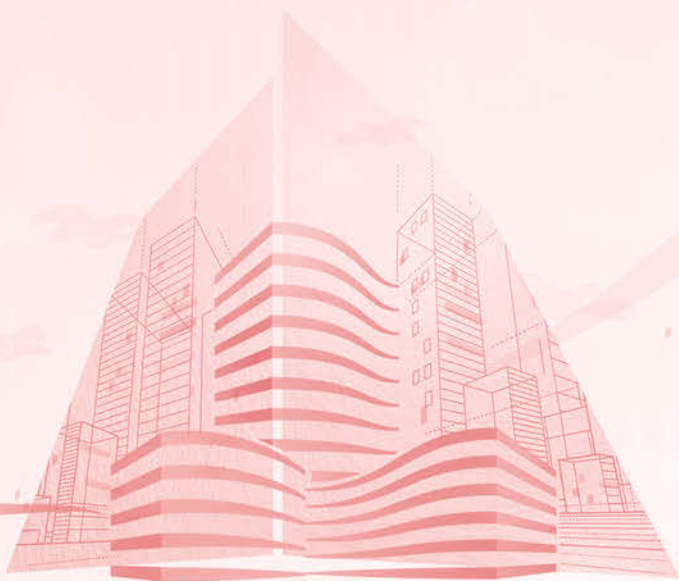
2020



金奧國際股份有限公司

KEYNE LTD

(formerly known as Nine Express Limited)
(Incorporated in Bermuda with limited liability)
Stock Code: 00009



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Ms. Qian Ling Ling (*Chairman*)
Mr. Zhang Li (*Chief Executive Officer*)
Mr. Xiang Junjie

Independent Non-executive Directors:

Mr. Tsui Pui Hung
Mr. Tang Ping Sum
Mr. Chiu Sin Nang, Kenny

COMPANY SECRETARY

Ms. Tsang Wing Man

AUTHORISED REPRESENTATIVES

Ms. Qian Ling Ling
Mr. Zhang Li

AUDITOR

Grant Thornton Hong Kong Limited
Level 12, 28 Hennessy Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank
of China Limited
Industrial and Commercial Bank
of China (Asia) Limited
Dongguan Rural Commercial Bank
Company Limited
Bank of China (Hong Kong) Limited

AUDIT COMMITTEE

Mr. Tang Ping Sum (*Chairman*)
Mr. Tsui Pui Hung
Mr. Chiu Sin Nang, Kenny

REMUNERATION COMMITTEE

Mr. Chiu Sin Nang, Kenny (*Chairman*)
Mr. Tang Ping Sum
Mr. Tsui Pui Hung

NOMINATION COMMITTEE

Mr. Tsui Pui Hung (*Chairman*)
Mr. Tang Ping Sum
Mr. Chiu Sin Nang, Kenny

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor North Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 54
Hopewell Centre
183 Queen's Road East
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REGISTERED OFFICE

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2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPANY WEBSITE

www.keyneltd.com



The board (the “**Board**”) of directors (the “**Directors**”) of KEYNE LTD (formerly known as Nine Express Limited) (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2020 with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	Notes	HK\$'000	HK\$'000
		(unaudited)	(unaudited) (restated)
Continuing operations			
Revenue	5	15,231	25,265
Cost of sales		(8,746)	(18,521)
Gross profit		6,485	6,744
Other income		316	1,310
Gain on disposal of subsidiaries		–	6,084
Gain on disposal of property, plant and equipment		–	13,839
Impairment loss on investment in an associate		(7,513)	(36,148)
Properties under development written down		(23,834)	(2,344)
Loss on early redemption of convertible notes		–	(474)
Administrative expenses		(21,753)	(22,639)
Selling and marketing expenses		(1,716)	(1,440)
Operating loss	8	(48,015)	(35,068)
Finance income	7	147	22
Finance costs	7	(68,005)	(29,180)
Finance costs – net	7	(67,858)	(29,158)
Share of profits of associates		1,063	1,519
Loss before income tax		(114,810)	(62,707)
Income tax expense	9	(819)	(677)



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

For the six months ended 30 June 2020

		Six months ended 30 June	
	<i>Notes</i>	2020	2019
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
			(restated)
Loss for the period from continuing operations		(115,629)	(63,384)
Discontinued operations			
Profit for the period from discontinued operations	<i>11</i>	–	754
Loss for the period attributable to owners of the Company		(115,629)	(62,630)
Loss per share	<i>12</i>		
From continuing and discontinued operations			
Basic		HK(3.24) cents	HK(1.75) cents
Diluted		HK(3.24) cents	HK(1.75) cents
From continuing operations			
Basic		HK(3.24)cents	HK(1.78)cents
Diluted		HK(3.24)cents	HK(1.78)cents

Details of the dividend are disclosed in note 10 to the condensed consolidated interim financial statements.



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited) (restated)
Loss for the period attributable to owners of the Company	(115,629)	(62,630)
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences arising on translation of foreign operations	(13,088)	7,438
Share of other comprehensive income of associates accounted for using the equity method	(102)	(31)
Other comprehensive income for the period, net of tax	(13,190)	7,407
Total comprehensive income for the period attributable to owners of the Company	(128,819)	(55,223)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30 June 2020	31 December 2019
	<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		432,541	406,507
Right-of-use assets	13	7,950	10,799
Land use rights		51,776	56,630
Investment properties	14	219,226	223,489
Investments in associates	15	501,239	507,789
Prepayments and other receivables		1,271	1,271
Total non-current assets		1,214,003	1,206,485
Current assets			
Properties for sale or under development		1,542,887	1,542,654
Trade and rental receivables	16	7,534	7,175
Prepayments and other receivables		71,527	36,056
Restricted bank deposits		6,377	11,026
Cash and cash equivalents		3,282	2,683
Total current assets		1,631,607	1,599,594
LIABILITIES			
Current liabilities			
Trade payables	17	106,203	121,376
Other payables, accruals and deposits received		420,301	311,813
Lease liabilities	18	5,378	5,435
Contract liabilities		85,035	94,802
Amount due to an associate		151	151
Borrowings	19	777,795	789,363
Tax payables		1,815	1,459
Total current liabilities		1,396,678	1,324,399
Net current assets		234,929	275,195
Total assets less current liabilities		1,448,932	1,481,680



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2020

		30 June	31 December
		2020	2019
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(audited)
Non-current liabilities			
Lease liabilities	18	2,806	5,447
Deposits received		2,390	2,436
Borrowings	19	725,740	624,374
Deferred tax liabilities		149,178	151,786
Total non-current liabilities		880,114	784,043
Net assets		568,818	697,637
EQUITY			
Equity attributable to owners of the Company			
Issued share capital	21	35,688	35,688
Reserves		533,130	661,949
Total equity		568,818	697,637

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Issued share capital HK\$'000	Share premium HK\$'000	Contributed surplus ¹ HK\$'000	Equity component of the convertible notes HK\$'000	Exchange reserve HK\$'000	Special reserve ² HK\$'000	Share options reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 January 2019	35,688	2,174,200	459,047	87,994	(30,704)	17,926	4,362	(79)	(1,743,479)	1,004,955
Loss for the period	-	-	-	-	-	-	-	-	(62,630)	(62,630)
Other comprehensive income	-	-	-	-	7,438	-	-	(31)	-	7,407
Total comprehensive income for the period	-	-	-	-	7,438	-	-	(31)	(62,630)	(55,223)
Early redemption of convertible notes (note 20(c))	-	-	-	(3,897)	-	-	-	-	-	(3,897)
Change in equity for the period	-	-	-	(3,897)	7,438	-	-	(31)	(62,630)	(59,120)
Balance at 30 June 2019 (unaudited)	35,688	2,174,200	459,047	84,097	(23,266)	17,926	4,362	(110)	(1,806,109)	945,835
Balance at 1 January 2020	35,688	2,174,200	459,047	-	(45,088)	17,926	4,362	(166)	(1,948,332)	697,637
Loss for the period	-	-	-	-	-	-	-	-	(115,629)	(115,629)
Other comprehensive income	-	-	-	-	(13,088)	-	-	(102)	-	(13,190)
Total comprehensive income for the period	-	-	-	-	(13,088)	-	-	(102)	(115,629)	(128,819)
Change in equity for the period	-	-	-	-	(13,088)	-	-	(102)	(115,629)	(128,819)
Balance at 30 June 2020 (unaudited)	35,688	2,174,200	459,047	-	(58,176)	17,926	4,362	(268)	(2,063,961)	568,818

¹ Contributed surplus of the Group arose from the Company's capital reorganisation on 6 September 2010 and 24 May 2012.

² Special reserve of the Group mainly represents the sum of the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the group reorganisation in 2001 of HK\$10,420,000 and the consideration for the acquisition of additional interests in jointly-controlled entities which became wholly-owned subsidiaries by the substantial shareholder of the Company prior to the group reorganisation of HK\$7,506,000.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited) (restated)
Net cash used in operating activities	(62,472)	(581,112)
Cash flows from investing activities		
Proceeds from disposal of subsidiaries	–	2,414
Purchase of property, plant and equipment	(30,308)	(8,516)
Proceeds from disposal of property, plant and equipment	–	14,819
Capital contribution to an associate	(2)	–
Proceeds from disposal of other financial assets	–	99,800
Decrease/(Increase) in restricted bank deposits	4,464	(2,173)
Interest received	68	22
Net cash (used in)/from investing activities	(25,778)	106,366
Cash flows from financing activities		
Proceeds from borrowings	305,521	746,216
Repayment of borrowings	(197,895)	(285,595)
Payment of lease liabilities	(2,645)	(1,970)
Interest paid on lease liabilities	(440)	(518)
Interest paid on borrowings and commitment fees	(21,446)	(24,215)
Net cash from financing activities	83,095	433,918
Net decrease in cash and cash equivalents	(5,155)	(40,828)
Cash and cash equivalents at beginning of the period	2,683	2,862
Effect of foreign exchange rate changes, net	5,754	40,800
Cash and cash equivalents at end of the period	3,282	2,834
Analysis of the balance of cash and cash equivalents		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	3,282	2,834



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

KEYNE LTD (formerly known as Nine Express Limited) (the “**Company**”) was incorporated in Bermuda on 9 May 2001 as an exempted company with limited liability and its issued shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company’s registered office address is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the head office and principal place of business in Hong Kong of the Company is located at Room 4101, 41st Floor, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

Pursuant to the special resolution passed on 15 January 2020 and approved by the Registrar of Companies in Bermuda with effect from 5 February 2020, the Company’s English name was changed from “Nine Express Limited” to “KEYNE LTD” and a new Chinese name “金奧國際股份有限公司” for identification purpose only to replace the existing secondary name in Chinese of the Company, namely “九號運通有限公司”, was adopted.

The Company acts as an investment holding company. The principal activities of the Group consist of film distribution and licensing, film processing, rental of property, property and hotel development and investment in centralised heat supply. The film distribution and licensing and film processing segments are presented in discontinued operations to the condensed consolidated interim financial statements.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

2.1 *Going concern basis*

As at 30 June 2020, the Group had accumulated losses of HK\$2,063,961,000 (31 December 2019: HK\$1,948,332,000) and net cash outflows from operating activities of HK\$62,472,000 (six months ended 30 June 2019: HK\$581,112,000 (unaudited and restated)). As at the same date, the Group’s total borrowings amounted to HK\$1,503,535,000 (31 December 2019: HK\$1,413,737,000), of which current borrowings amounted to HK\$777,795,000 (31 December 2019: HK\$789,363,000), while its cash and cash equivalents amounted to HK\$3,282,000 (31 December 2019: HK\$2,683,000), and restricted bank deposits amounted to HK\$6,377,000 (31 December 2019: HK\$11,026,000).



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

2 BASIS OF PREPARATION *(continued)*

2.1 *Going concern basis (continued)*

As at 30 June 2020, certain borrowings whose principal amount of HK\$183,711,000 and interest payable of HK\$18,492,000, relating to certain borrowings with a total principal amount of HK\$444,161,000 (“**Overdue Borrowings**”) were overdue. The entire principal amount of HK\$444,161,000 were all due for repayment within one year as at 30 June 2020 and would be immediately repayable if requested by the lenders.

Subsequent to 30 June 2020, the Group entered into a revised repayment agreement to defer the repayment date of one of the Overdue Borrowings with a lender relating to loan principal of HK\$151,154,000 from May and June 2020 to November and December 2020 (note 19(vi)). The Group is in active negotiation with all of the above lenders for renewal and extension of the repayment of loan principal totaling HK\$293,007,000 and interest totaling HK\$18,492,000 that remain overdue as at the date of this report, and the Directors are confident that agreements will be reached in due course.

Because of the aforementioned actions taken, management is confident that the lenders of the borrowings in respect of which there were delay in loan principal and interest repayments will not enforce their rights of requesting for immediate repayment. Management is also confident that lenders of the cross-default borrowings will not exercise their rights of requesting for immediate repayment under the cross-default provisions.

All of the above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group’s ability to continue as a going concern.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

2 BASIS OF PREPARATION *(continued)*

2.1 *Going concern basis (continued)*

In view of such circumstances, the Directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but are not limited to, the following:

- (i) The Group is negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future. During the six months ended 30 June 2020, loans with aggregate principal amount of HK\$1,379,396,000 have been successfully obtained;
- (ii) The Group has accelerated the pre-sales and sales of its properties under development and completed properties. The properties from Xiangtan Project is expected to give further substantial sales for 2020. Overall, the Group expects to gradually launch a major project upon obtaining the pre-sales permits starting from the second half quarter of 2020; and
- (iii) The Group will continue to take active measures to control administrative costs through various channels including human resources optimisation and management remuneration adjustments and containment of capital expenditures.

The Directors, including members of the audit committee, have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of twelve months from 30 June 2020. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2020. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

2 BASIS OF PREPARATION *(continued)*

2.1 *Going concern basis (continued)*

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

- (i) Successful negotiations with the lenders for the renewal of or extension for repayments beyond 30 June 2021 for those borrowings that (a) are scheduled for repayment (either based on the original agreements or the existing arrangements) in the year subsequent to 30 June 2020; (b) were overdue as at 30 June 2020 because of the Group's failure to repay either the loan principal or the interests on or before the scheduled repayment dates; and (c) became or might become overdue in year subsequent to 30 June 2020;
- (ii) Successful obtaining of additional new sources of financing as and when needed;
- (iii) Successful accelerating of the pre-sales and sales of properties under development and completed properties; and controlling costs and containing capital expenditures so as to generate adequate net cash inflows; and
- (iv) Successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in default, including those with cross-default terms.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

3 ACCOUNTING POLICIES

New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2020

The condensed consolidated interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with the accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of the following new and amended HKFRSs effective as of 1 January 2020. The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

Amendments to HKFRS 3	Definition of Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Issued but not yet effective HKFRSs

At the date of authorisation of these condensed consolidated interim financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ¹
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020 ³

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective date not yet determined

⁵ Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The new and amended HKFRSs are not expected to have a material impact on the Group's condensed consolidated interim financial statements.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

4 ESTIMATES

When preparing the condensed consolidated interim financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expense. The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgments, estimates and assumptions applied in the condensed consolidated interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's annual financial statements for the year ended 31 December 2019. The only exceptions are the estimate of income tax liabilities which is determined in the condensed consolidated interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

5 REVENUE FROM CONTINUING OPERATIONS

The Group's operations and main revenue streams are those described in the annual financial statements for the year ended 31 December 2019.

Revenue is disaggregated in the following table.

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited) (restated)
Revenue from contracts with customers		
Sales of properties	7,623	17,332
Revenue from other sources		
Property rental income	7,608	7,933
	15,231	25,265

6 SEGMENTAL INFORMATION

For management purposes, the Group is organised into three business units – property rental, property and hotel development and centralised heat supply.

During the six months ended 30 June 2019, two operating segments (film distribution and licensing and film processing) were discontinued upon the disposed of the entire equity interest in Mandarin International Motion Picture Holdings Limited. The segment information reported does not include any amounts for these discontinued operations, which are described in more details in note 11.

These business units are the basis on which the Group reports its segment information. Segment information about the revenue and the results of these business units is presented below.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

6 SEGMENTAL INFORMATION *(continued)*

For the six months ended 30 June 2020 (unaudited)

	Property rental <i>HK\$'000</i>	Property and hotel development <i>HK\$'000</i>	Centralised heat supply <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:				
External revenue from contracts with customers by timing of revenue recognition				
– Point in time	–	7,623	–	7,623
External revenue from other sources	7,608	–	–	7,608
Total revenue	7,608	7,623	–	15,231
Segment results	3,577	(32,896)	(6,460)	(35,779)
Unallocated corporate expenses				(11,173)
Finance income				147
Finance costs				(68,005)
Loss before income tax				(114,810)
Income tax expense				(819)
Loss for the period				(115,629)



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

6 SEGMENTAL INFORMATION *(continued)*

For the six months ended 30 June 2019 (unaudited and restated)

	Property rental <i>HK\$'000</i>	Property and hotel development <i>HK\$'000</i>	Centralised heat supply <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:				
External revenue from contracts with customers by timing of revenue recognition				
– Point in time	–	17,332	–	17,332
External revenue from other sources	7,933	–	–	7,933
Total revenue	7,933	17,332	–	25,265
Segment results	16,663	(8,664)	(34,636)	(26,637)
Unallocated corporate expenses				(6,912)
Finance income				22
Finance costs				(29,180)
Loss before income tax				(62,707)
Income tax expense				(677)
Loss for the period from continuing operations				(63,384)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

6 SEGMENTAL INFORMATION *(continued)*

The following table presents segment assets of the Group's reportable segments as at 30 June 2020 and 31 December 2019:

As at 30 June 2020 (unaudited)

	Property rental <i>HK\$'000</i>	Property and hotel development <i>HK\$'000</i>	Centralised heat supply <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	230,029	2,096,868	–	2,326,897
Unallocated corporate assets				17,474
Investments in associates	216,327	–	284,912	501,239
Total assets				<u>2,845,610</u>

As at 31 December 2019 (audited)

	Property rental <i>HK\$'000</i>	Property and hotel development <i>HK\$'000</i>	Centralised heat supply <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	234,896	2,039,846	–	2,274,742
Unallocated corporate assets				23,548
Investments in associates	216,327	–	291,462	507,789
Total assets				<u>2,806,079</u>



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

7 FINANCE COSTS – NET

An analysis of finance costs and income is as follows:

	Six months ended 30 June	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited) (restated)
Finance costs:		
Interest on bank borrowings wholly repayable within five years	6,705	13,951
Interest on other borrowings	73,589	35,635
Interest on convertible notes	–	5,440
Finance charges on lease liabilities	440	429
Foreign exchange difference, net	(849)	(386)
	79,885	55,069
Less: Amounts capitalised on qualifying assets	(11,880)	(25,889)
Total finance costs	68,005	29,180
Finance income:		
Interest income on short-term bank deposits	(68)	(22)
Interest income from financial assets measured at amortised cost	(79)	–
Total finance income	(147)	(22)
Finance costs – net	67,858	29,158

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

8 OPERATING LOSS FROM CONTINUING OPERATIONS

The Group's operating loss has been arrived at after charging:

	Six months ended 30 June	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited) (restated)
Auditors' remuneration	945	780
Cost of properties sold*	7,623	17,332
Direct operating expenses of investment property that generate rental income*	1,122	1,224
Lease charges – short-term leases with lease term shorter than 12 months	200	450
Depreciation – owned assets	306	596
Depreciation – right-of-use assets [^]	2,548	2,264
Professional fees	3,507	1,954

* The cost of properties sold and direct operating expense of investment property that generate rental income for the period are included in “cost of sales” on the condensed consolidated statement of profit and loss.

[^] The depreciation of a right-of-use asset of approximately HK\$249,000 is included in “wages and salaries” as the right-of-use asset is a staff quarter provided by the Group to its employees.

9 INCOME TAX EXPENSE FROM CONTINUING OPERATIONS

No provision for Hong Kong profits tax is required since the Group has no assessable profits in Hong Kong from continuing operations. The applicable tax rate for the Group's operation in the Mainland China is 25%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited) (restated)
Current tax	386	326
Deferred tax	433	351
Total tax expense	819	677



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

10 DIVIDENDS

No dividend was paid or proposed during the period, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

11 DISCONTINUED OPERATIONS

Pursuant to a sales and purchase agreement dated 29 April 2019, the Group has disposed the entire issued share capital of Mandarin International Motion Picture Holdings Limited, which carried out the Group's film distribution and licencing and film processing operations, at a consideration of HK\$2,430,000. The disposal was completed on 29 April 2019.

As detailed in note 6, the results of the film distribution and licencing and film processing segments are accounted for as a discontinued operation in the condensed consolidated statement of profit or loss for the six months ended 30 June 2019.

	30 June 2019 HK\$'000 (unaudited)
Revenue	1,479
Cost of sales	(685)
Gross profit	794
Other income and gains	90
Administrative expenses	(123)
Profit before income tax	761
Income tax expense	(7)
Profit for the period from discontinued operations	754

During the six months ended 30 June 2019, the discontinued operations paid cash flows of HK\$1,422,000 in respect of operating activities, paid cash flows of HK\$Nil in respect of investing activity and contributed cash flows of HK\$258,000 in respect of financing activities.

Profit for the six months ended 30 June 2019 from discontinued operations has been arrived at after charging:

	30 June 2019 HK\$'000 (unaudited)
Auditor's remuneration	35

Directors' and chief executive's remuneration, disclosed pursuant to the applicable Listing Rules and Companies Ordinance for the six months ended 30 June 2019 is HK\$Nil.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

12 LOSS PER SHARE

(a) *Basic*

From continuing operations

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
		(restated)
Loss figures are calculated as follows:		
Loss for the period attributable to owners of the Company	(115,629)	(62,630)
Less: Profit for the period from discontinued operations attributable to owners of the Company	–	(754)
Loss for the purpose of basic loss per share from continuing operations	(115,629)	(63,384)
Number of shares (in thousand)	Six months ended 30 June	
	2020	2019
Weighted average number of ordinary shares for the purpose of basic loss per share	3,568,791	3,568,791

From continuing and discontinued operations

The calculation of the basic loss per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
		(restated)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(115,629)	(62,630)



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

12 LOSS PER SHARE *(continued)*

(a) *Basic (continued)*

From discontinued operations

Basic earnings per share for the discontinued operations is HK0.02 cent per share for the six-months ended 30 June 2019, based on the profit for the period from discontinued operations attributable to owners of the Company of HK\$754,000 and the denominators detailed above for basic loss per share.

(b) *Diluted*

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had one (2019: two) category of dilutive potential ordinary shares, share options (2019: share options and convertible notes), for the period ended 30 June 2020.

From continuing operations

For the share options, calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. As the exercise price of the share options granted by the Company was higher than the average annual market price of the Company's shares for the six months ended 30 June 2020 and 2019, the outstanding share options had no dilutive effect on loss per share. Therefore, diluted loss per share for the six months ended 30 June 2020 and 2019 equals basic loss per share.

For the six months ended 30 June 2019, the convertible notes were calculated assumed to have been converted into ordinary shares, and the net loss was adjusted to eliminate the interest expense less the tax effect. In calculating the diluted loss per share for the six months ended 30 June 2019, the potential ordinary shares arising from the assumed conversion of the convertible notes has no dilutive effect on loss per share. Therefore, diluted loss per share equals basic loss per share.

From discontinued operations

The effect of outstanding share options and convertible notes had no dilute effect on earnings per share, based on the profit for the six months ended 30 June 2019 from discontinued operations and the denominators detailed above for diluted loss per share.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

13 RIGHT-OF-USE ASSETS

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Buildings carried at cost:		
At 1 January	10,799	4,761
Additions	–	11,177
Depreciation	(2,797)	(5,078)
Exchange realignment	(52)	(61)
	7,950	10,799

14 INVESTMENT PROPERTIES

As at 30 June 2020, the Group's investment properties with a net carrying amount of HK\$219,226,000 (2019: HK\$223,489,000) were pledged to secure borrowings granted to a related party (note 24(i)).

15 INVESTMENTS IN ASSOCIATES

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Unlisted investments:		
Share of net assets	221,812	220,851
Goodwill	1,040,373	1,040,373
Loan to an associate	1,159	1,157
Accumulated impairment loss	(762,105)	(754,592)
	501,239	507,789

The loan to an associate is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the Directors, the loan is considered as quasi-equity investment in an associate.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

16 TRADE AND RENTAL RECEIVABLES

The aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of expected credit loss allowance, is as follows:

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
0 – 90 days	–	–

The Group has a policy of allowing its trade customers credit periods normally ranging from 90 to 120 days. Before accepting any new customers, the Group uses an internal credit assessment process to assess the potential customers' credit quality and defines credit limits by customers. Credit limits attributed to customers are reviewed regularly.

17 TRADE PAYABLES

The aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
0 – 90 days	103,120	117,823
91 – 180 days	191	150
181 – 365 days	1,981	1,986
Over 1 year	911	1,417
	106,203	121,376

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

18 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Total minimum lease payments:		
Due within one year	5,893	6,196
Due in the second to fifth years	2,894	5,732
	8,787	11,928
Future finance charges on lease liabilities	(603)	(1,046)
Present value of lease liabilities	8,184	10,882
Present value of minimum lease payments:		
Due within one year	5,378	5,435
Due in the second to fifth years	2,806	5,447
	8,184	10,882
Less: Portion due within one year included under current liabilities	(5,378)	(5,435)
Portion due after one year included under non-current liabilities	2,806	5,447

During the six months ended 30 June 2020, the total cash outflows for the leases are HK\$3,285,000 (2019: HK\$2,938,000).

As at 30 June 2020 and 31 December 2019, the Group has entered into leases for two office and one staff quarter. The Group considered that no extension option or termination option would be exercised at the lease commencement date.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

19 BORROWINGS

	Maturity	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Current			
Bank borrowings – secured (<i>note i</i>)	April 2021	115,936	53,642
Entrusted bank borrowings – secured (<i>note ii</i>)	July 2020	–	164,268
Other borrowings – secured (<i>note iii</i>)	January 2021	293,007	294,349
Borrowings from a related party – unsecured (<i>note iv</i>)	December 2020	13,500	13,500
Other borrowings – unsecured (<i>note v</i>)	On demand	55,609	38,595
Other borrowings – secured (<i>note vi</i>)	May and June 2020	151,154	155,740
Other borrowings – secured (<i>note vii</i>)	May, June 2022 and January 2023	134,826	52,520
Other borrowings – unsecured (<i>note viii</i>)	December 2020	3,841	3,841
Other borrowings – unsecured (<i>note ix</i>)	June 2021	9,922	12,908
		777,795	789,363
Non-current			
Bank borrowings – secured (<i>note i</i>)	April 2021	–	64,535
Other borrowings – secured (<i>note vii</i>)	May, June 2022 and January 2023	724,665	559,839
Other borrowings – unsecured (<i>note x</i>)	June 2022	1,075	–
		725,740	624,374
		1,503,535	1,413,737

Notes:

- (i) At 30 June 2020, the Group's bank borrowings of HK\$115,936,000 (2019: HK\$118,177,000) were secured by the Group's land use rights and construction in progress with a net carrying amount of HK\$51,776,000 (2019: HK\$56,630,000) and HK\$431,161,000 (2019: HK\$404,826,000) respectively. According to the repayment terms, the bank borrowings will be repayable by instalments from 2016 to 2021. The bank borrowings were interest-bearing per annum at the benchmark interest rate determined by the People's Bank of China for loans over 5 years granted by financial institutions (2019: same).



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

19 **BORROWINGS** *(continued)*

Notes: (continued)

- (ii) At 30 June 2020, the Group's entrusted bank borrowings were fully repaid and the security was released accordingly. At 31 December 2019, the Group's entrusted bank borrowings of HK\$164,268,000 were secured by the Group's properties under development with a net carrying amount of HK\$443,884,000.
- (iii) At 30 June 2020, the Group's other borrowings of HK\$293,007,000 (2019: HK\$294,349,000) were interest bearing at 8% per annum (2019: same) and repayable by instalments from 2018 to 2021.

The other borrowings were secured and guaranteed by:

- (a) equity interests in three subsidiaries of the Group including Brilliant Field Corporation Limited and Profit Source International Limited;
 - (b) first fixed charge over 2,010,501,197 shares (2019: 2,010,501,197 shares) of the Company owned by Keyne Holdings Limited, the substantial shareholder of the Company. The controlling shareholder of this company is Mr. Zhu Boheng (the controlling shareholder of the Company);
 - (c) a fixed charge over a bank account;
 - (d) corporate guarantees executed by three related companies, Ever Harmony Enterprises Limited, Yangzhou Ya Tai Zhi Ye Company Limited* (揚州亞太置業有限公司) ("**Yangzhou Ya Tai**") and Nanjing Jin Gao Real Estate Company Limited* (南京金高房地產開發有限公司). The ultimate controlling shareholder of these companies is Mr. Zhu Boheng (the controlling shareholder of the Company); and
 - (e) personal guarantee executed by Ms. Qian Ling Ling (a director of the Company), Mr. Peter Zhu (the spouse of Ms. Qian Ling Ling) and Mr. Zhu Boheng (the controlling shareholder of the Company).
- (iv) At 30 June 2020 and 31 December 2019, the Group's borrowings from a related party of HK\$13,500,000 were unsecured and interest-free and repayable in December 2020.
 - (v) At 30 June 2020 and 31 December 2019, the Group's other borrowings from related parties were interest-free, unsecured and repayable on demand.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

19 BORROWINGS *(continued)*

Notes: (continued)

- (vi) At 30 June 2020, the Group's other borrowings of HK\$151,154,000 (2019: HK\$155,740,000) were secured, interest bearing at 15% per annum (2019: unsecured, interest bearing at 5% per annum) and were repayable in May and June 2020 (2019: repayable in November and December 2019). On 25 August 2020, the maturity dates of the other borrowings were extended to November and December 2020 and repayable by instalments.

The other borrowings were guaranteed by:

- (a) personal guarantee executed by Mr. Zhu Boheng (the controlling shareholder of the Company), Ms. Qian Ling Ling (a director of the Company) and Mr. Peter Zhu (the spouse of Ms. Qian Ling Ling); and
- (b) a corporate guarantee executed by Shanghai Jin Da Di Investment Company Limited* (上海金大地投資有限公司) (“**Shanghai Jin Da Di**”). The controlling shareholder of this company is Mr. Zhu Boheng (the controlling shareholder of the Company).

At 30 June 2020, the other borrowings were additionally secured by:

- (a) a share charge over the equity interest in an associate; and
- (b) certain properties for sale or under development executed by related parties, Shanghai Hua Hu Yin Nian Investment Partnership Corporation (Limited Partnership)* (上海華滙銀年投資合夥企業(有限合夥)), the ultimate controlling shareholder of this company is Mr. Peter Zhu (the spouse of Ms. Qian Ling Ling), and Gaoyou Jin Ao Real Estate Development Company Limited* (高郵金奧房地產地產開發有限公司), the ultimate controlling shareholder of this company is Mr. Zhu Boheng (the controlling shareholder of the Company).

On 25 August 2020, the other borrowings were further guaranteed by:

- (a) a corporate guarantee executed by Shanghai Xin Rong Properties Development Limited* (上海新融置業有限公司). The controlling shareholder of this company is Mr. Zhu Boheng (the controlling shareholder of the Company).



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

19 **BORROWINGS** *(continued)*

Notes: (continued)

- (vii) At 30 June 2020, the Group's other borrowings of HK\$859,491,000 (2019: HK\$612,359,000) in total with maturity dates in May, June 2022 and January 2023 (2019: May and June 2022), respectively, were interest bearing at 12% per annum and will be repayable by instalments.

The other borrowings were secured and guaranteed by:

- (a) certain properties under development, with a net carrying amount of HK\$1,438,264,000;
 - (b) a corporate guarantee executed by a related company, Yangzhou Ya Tai and Shanghai Jin Da Di. The ultimate controlling shareholder of these companies are Mr. Zhu Boheng (the controlling shareholder of the Company); and
 - (c) personal guarantee executed by Ms. Qian Ling Ling (a director of the Company), Mr. Peter Zhu (the spouse of Ms. Qian Ling Ling) and Mr. Zhu Boheng (the controlling shareholder of the Company).
- (viii) At 30 June 2020, the Group's other borrowings from a related party were interest-free, unsecured and repayable on or before 31 December 2020.
- (ix) At 30 June 2020, the Group's other borrowings from a related party were interest bearing at 5% per annum, unsecured and repayable in June 2021.
- (x) At 30 June 2020, the Group's other borrowings from a related party were interest bearing at 5% per annum, unsecured and repayable in June 2022.

* For identification purpose only



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

20 CONVERTIBLE NOTES

On 30 March 2016, the Company issued convertible notes carrying at zero coupon rate of an aggregate principal amount of HK\$822,000,000. The notes are convertible at the option of the noteholders into fully paid ordinary shares with a par value of HK\$0.01 each at any time from the date of the issue of the notes up to and including 30 September 2019 at an initial conversion price of HK\$0.80 (subject to anti-dilutive adjustments). Any convertible notes not converted would be redeemed on 30 September 2019 at face value of the principal amount.

- (a) The convertible notes recognised at initial recognition on 30 March 2016 are calculated as follows:

	<i>HK\$'000</i>
Fair value of convertible notes issued	973,202
Equity component	<u>(435,900)</u>
Liability component	<u>537,302</u>

- (b) Movements of the liability component of the convertible notes during the year ended 31 December 2019 are as follows:

	31 December 2019 <i>HK\$'000</i> (audited)
At 1 January	104,051
Redemption	(105,765)
Derecognise upon maturity	(3,841)
Interest expense	<u>5,555</u>
At 31 December	<u>–</u>

On 31 May 2019, as a result of the non-fulfillment of the profit guarantee given by the Sky-Linked International Limited (the “Vendor”) pursuant to a sale and purchase agreement, certain convertible notes held in escrow on behalf of the Vendor were used to settle the shortfall in this respect. Accordingly, convertible notes with principal amount of HK\$110,136,000 were cancelled and accounted for as an early redemption.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

20 CONVERTIBLE NOTES *(continued)*

- (c) The shortfall was allocated to the liability and equity component of the convertible notes. An amount of HK\$106,239,000 was allocated to the liability component, being calculated as the fair value of the liability extinguished measured using a current market interest rate for a similar liability that does not have an equity conversion option. A difference of HK\$474,000 between the fair value of HK\$106,239,000 and the carrying amount of liability component of HK\$105,765,000 is recognised in profit or loss for the year ended 31 December 2019. The residual consideration of HK\$3,897,000 was allocated to the equity component and debited to the equity component of the convertible notes reserve. The balance in the convertible notes reserve was transferred to accumulated losses upon maturity of the convertible notes on 30 September 2019.

The Vendor has agreed to convert the outstanding balance of convertible notes amounted to HK\$3,841,000 to a loan to the Company (note 19(viii)). The loan is interest-free, unsecured and repayable on or before 31 December 2020.

21 SHARE CAPITAL

	30 June 2020	31 December 2019
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Authorised:		
100,000,000,000 (2019: same) ordinary shares of HK\$0.01 (2019: same) each	1,000,000	1,000,000
Issued and fully paid:		
3,568,790,629 (2019: same) ordinary shares of HK\$0.01 (2019: same) each	35,688	35,688

There were no movements in the Company's share capital during the six months ended 30 June 2020.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

22 SHARE-BASED PAYMENTS

Share options are granted to Directors, employees and certain eligible persons. The options are exercisable in ten years starting from the grant date. The Group has no legal or constructive obligation to repurchase or settle the options in cash. All the outstanding options were exercisable as at 30 June 2020. The fair value of options granted was determined using the binomial valuation model. The significant inputs into the model were stated as follows:

Grant date	23 January 2018	29 March 2018
Share price at date of grant	0.345	0.285
Exercise price	0.362	0.292
Number of options granted		
– Directors	24,711,625	–
– employees and eligible persons	74,134,875	49,423,250
Risk free rate	2.021%	1.902%
Expected dividend yield	Nil	Nil
Expected volatility	85.64%	85.32%
Post-vesting exit rate	3.36%	3.36%
Expected exercise multiple		
– Directors	2.80x	–
– employees and eligible persons	2.20x	2.20x
Fair value per option		
– Directors	0.211	N/A
– employees and eligible persons	0.176	0.148

There were no options granted or exercised during the six months ended 30 June 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

23 COMMITMENTS

(a) *Lease commitments*

(i) *As lessor*

The Group leases its investment property under non-cancellable lease arrangements, with leases negotiated for terms ranging from 2 to 14 years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable leases with its tenants falling due as follows:

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Within 1 year	15,916	16,012
After 1 year but within 2 years	16,030	15,890
After 2 years but within 3 years	16,106	16,342
After 3 years but within 4 years	16,192	16,445
After 4 years but within 5 years	16,925	16,685
After 5 years	32,832	46,443
	114,001	127,817

(ii) *As lessee*

At the end of the reporting period, the lease commitments for short-term leases are as follows:

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Within one year	81	115

At 30 June 2020 and 31 December 2019, the Group leases certain staff quarters and carparks with a lease period of less than 12 months, which are qualified to be accounted for under short-term lease exemption under HKFRS 16.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

23 COMMITMENTS *(continued)*

(b) Capital commitments

At the end of the reporting period, the Group had capital commitments for the following expenditures in respect of:

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Contracted but not provided for: Property and hotel development	1,717,907	1,745,898

24 RELATED PARTY DISCLOSURES

(i) Related party transactions

At 30 June 2020, an investment property held by Chengdu Zhongfa Real Estate Development Co. Limited (“**Chengdu Zhongfa**”), an indirect wholly owned subsidiary of the Company with a net carrying amount of HK\$219,226,000, was pledged as security for an entrusted bank borrowing of RMB500,000,000 (equivalent to approximately HK\$548,065,000) granted to a related party, Yangzhou Ya Tai. During the six months ended 30 June 2020, Yangzhou Ya Tai agreed to repay the entrusted bank borrowings in full and is now in the course of negotiation with the bank to release the pledge as security of the investment property held by Chengdu Zhongfa. As at the date of this report, the bank has principally agreed to release the pledge. The ultimate controlling shareholder of Yangzhou Ya Tai is Mr. Zhu Boheng (the controlling shareholder of the Company). As such, the transaction constituted a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. Further details are disclosed in the Company’s announcement dated 28 April 2020.

(ii) Compensation of key management personnel

The remunerations of the Directors during the six months ended 30 June 2020 included short-term benefits of HK\$1,755,000 (2019: HK\$2,102,000). It is determined by reference to market terms, individual responsibilities and performance.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

25 CONTINGENT LIABILITIES

(i) *Provision of contingent withholding EIT*

According to Tax Circular 698 and Public Notice [2015] No. 7 (“**Public Notice 7**”) of the State Administration of Taxation (the “**SAT**”), the Group’s acquisition of 49% equity interest in Ever-Grand Development Limited (“**Ever-Grand**”) during the year ended 31 December 2016 had led to an indirect acquisition of subsidiaries of Ever-Grand in the PRC, including 東莞市德晉能源科技有限公司 (Dongguan City Dejin Energy Technology Company Limited) and 東莞市德晉熱力有限公司 (Dongguan City Dejin Thermal Power Company Limited). Such arrangement shall be recharacterised as a direct transfer by the PRC tax authorities and the capital gain derived will be subject to EIT. The Group should act as EIT withholding agent and report the indirect equity transfer (and settle the EIT, if applicable) to the PRC tax authorities within 30 days after the equity transfer agreement is concluded.

In case the Group fails to fulfill its withholding obligation and the Vendor has not paid the EIT, the PRC tax authorities would demand the Vendor for the payment of EIT and impose penalty of 50% to 3 times of the unpaid EIT on the Group. The penalty may be relieved if the indirect transfer has been voluntarily reported to the PRC tax authorities by the Group.

The Company has already held back a sum of HK\$60,000,000 payable to the Vendor to serve as withholding EIT and further made an EIT provision of HK\$28,200,000, but has not yet reported the transaction or paid EIT to the PRC tax authorities. After consulting PRC legal counsel, the Directors are of the opinion that the Group has already substantially fulfilled the withholding obligation, thereby containing the risk of penalty to reasonably low level.

According to sale and purchase agreement dated 16 November 2015 entered into among the Company, the Vendor and the Guarantors, namely Guarantor C and Guarantor L, the Vendor is responsible for the filing and the settlement of the EIT arising from the indirect equity transfer in accordance to the relevant PRC tax laws and regulations. The Vendor shall compensate the Company in case the Vendor fails to report and payment of the EIT on the indirect equity transfer. In addition, such arrangement was further formally executed through a deed of tax indemnity entered into among the Company, the Vendor and the Guarantors on 30 March 2016. Therefore, the Directors believe the Vendor, who still own 51% equity interest in Ever-Grand, would voluntarily report and pay the EIT to the PRC tax authorities, as well as compensating the Group for any penalty to be imposed to the Group, if any. The Directors do not consider it is probable that a claim will be made against the Group regarding the penalty mentioned above.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

25 CONTINGENT LIABILITIES *(continued)*

(ii) Pending litigation

During the year ended 31 December 2019, the Group filed legal proceedings against a construction contractor, demanding to rescind the construction contracts, in respect of the construction contractor's failure to perform certain contractual duties over a property development project in Xiangtan which constitute a breach of construction contracts. The construction contractor filed a counterclaim against the Group for payment of outstanding construction costs and the penalty to compensate its financial loss during the suspension period of construction (the "**Penalty Claim**"). The Group has made a provision amounting to HK\$47,732,000 (equivalent to RMB43,546,000) based on the Directors' best estimation of the value of the construction work completed by the construction contractor. However, in respect of the Penalty Claim, the Directors considered that the construction contractor has breached the construction contracts, and based on the legal opinion, the outcome of Penalty Claim is highly uncertain and no provision has made for the year ended 31 December 2019. Up to the date of this report, the litigation is still in progress.

Except as above, the Group has no material contingent liabilities as at 30 June 2020 and 31 December 2019.

26 APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 28 August 2020.



MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2020, the Group focus on (i) property and hotel development (the “**Xiangtan Project**”) in Xiangtan, Hunan Province, (ii) property rentals (the “**Chengdu Project**”) in Chengdu, Sichuan Province and (iii) investment in centralised heat supply business.

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2020, the Group recorded a revenue of approximately HK\$15,231,000 (2019 (restated): HK\$25,265,000). Property rental income dropped to approximately HK\$7,608,000 (2019: HK\$7,933,000) to the total revenue, as a result of the rent concessions. Income from sales of properties contributed approximately HK\$7,623,000 (2019: HK\$17,332,000) to the total revenue.

Loss attributable to owners of the Company was approximately HK\$115,629,000 (2019: HK\$62,630,000). Basic loss per share was approximately HK3.24 cents (2019: HK1.75 cents). The Board does not recommend dividend payout for the six months ended 30 June 2020 (2019: Nil). As at 30 June 2020, cash and cash equivalents were approximately HK\$3,282,000 (31 December 2019: HK\$2,683,000).

BUSINESS REVIEW

(i) *Xiangtan Project*

Situated in the Jiuhua Economic Zone of Xiangtan City, Hunan Province, the Xiangtan Project encompasses a land area of 559,696 square meters for the development of a five-star hotel and residential properties with ancillary commercial space, etc.

For the six months ended 30 June 2020, the Group had recognised revenues of approximately HK\$7,623,000 (2019: HK\$17,332,000), which was delivered to the customers during the period. Certain units of semi-detached villas pre-sold but not delivered to customers, will be recognised in subsequent financial periods.

The Xiangtan Project currently focuses on the development, construction and sales of high-rise residential buildings, as well as the hotel’s interior decoration and exterior landscape construction. In the first half of this year, despite slowdown in construction progress due to the impact of the COVID-19 epidemic, the Xiangtan Project has still overcome difficulties and obtained pre-sale permits for two high-rise commercial residential buildings with a saleable area of 28,590 square meters. Such residences received overwhelming market response and recorded a high sell-through rate after coming into the market. In the second half of the year, the Xiangtan Project will speed up the development of high-rise residential buildings to successively launch all remaining high-rise residences in Phase I and accelerate the construction and sales of high-rise residences in Phase II, in the hope of launching relevant products into the market by the end of the year. The continual launches and high sell-through rate of high-rise residential products will further improve the financial position of the Group while effectively supplementing the cash flow of the project.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

(ii) Chengdu Project

For the six months ended 30 June 2020, the Group's five-storey shopping centre located in No. 19 Yongling Road, Jinniu District, Chengdu City, Sichuan Province, the PRC, held for commercial use, remained almost fully leased and occupied, become the main steady income driver for the Group. Revenues of approximately HK\$7,608,000 (2019: HK\$7,933,000) from property rental were recorded for the six months ended 30 June 2020. The decrease in rental income was mainly due to the rent concessions.

(iii) Centralised Heat Supply Business

As of 30 June 2020, an independent valuation was carried out to determine the recoverable amount of 49% equity interests in Ever-Grand Development Limited (“**Ever-Grand**”), for the purpose of assessment of an indication of asset impairment in complying with HKAS 36. The recoverable amount was determined at approximately HK\$284,910,000 (2019: HK\$291,462,000), which was approximately 10.01% (2019: 10.4%) to the Group's total assets of approximately HK\$2,845,610,000 (2019: HK\$2,806,079,000). The management of Ever-Grand has adopted “Discounted cashflows method” under “Income approach” as the valuation methodology.

The major inputs used were: (i) the approved budgeted future cashflows of Ever-Grand for the financial periods for five years (2019: same); (ii) pre-tax discount rate of 13.9% (2019: 16.4%); and (iii) terminal growth rate of 3% (2019: same).

Currently, the Group is supplying steam to around 29 (2019: 35) active customers in Humen Town through steam transmission pipelines of approximately 4.6km (2019: same). During the reporting period, the centralised heat supply business, generating revenue of approximately HK\$19,109,000 (2019: HK\$23,226,000) to Ever-Grand, representing a decrease of 17.7% as compared with the last reporting period. In the ChangAn town, as a result of the continuous delay of the pipeline deployment plan rolled out in ChangAn town, coupled with the sustained delay of the public release from the local and central government of the Changan Binhai New Area's “Guangdong, Hong Kong, and Macau Greater Bay Area Development Plan Outline” and the Dawan District Plan, the business plan of the ChangAn town was further delayed and suspended with uncertainties.

As a result of the independent valuation, the Directors aware an indication of impairment of the related investment, the recoverable amount of approximately HK\$284,910,000 below the carrying amount of the investment of approximately HK\$292,423,000. The Directors considered to recognise an impairment loss of approximately HK\$7,513,000, for such investment.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCING ACTIVITIES

Affected by the COVID-19 epidemic, the sales of the Group have dropped significantly than expected. Therefore, the Group has proactively discussed with creditors for the extension of certain debts due in the first half of this year. According to the repayment agreement previously entered into between the Group and China Huarong Asset Management Company Limited (Beijing Branch), the Group shall repay a restructured debt of RMB30,000,000 on 19 May 2020, and shall repay a restructured debt of RMB17,000,000 on 25 June 2020. A new supplementary agreement has been signed to extend the repayment date to 19 May 2022 and 25 June 2022, respectively.

As at 30 June 2020, the Group holds US\$19,500,000 interest-bearing secured notes issued by Donghai International Financial Holdings Company Limited, of which US\$9,500,000 notes were due on 24 May 2020 and the other US\$10,000,000 notes were due in 8 June 2020. Subsequent to the six months ended 30 June 2020 and up to the date of this report, the Group has repaid US\$500,000 and has reached a new agreement with Donghai International Financial Holdings Company Limited to extend the repayment date of the above US\$19,000,000 interest-bearing secured notes to 23 November 2020 and 7 December 2020, respectively.

Meanwhile, the Group has proactively approached financial institutions in Mainland China such as Nanjing Branch of Zhejiang Chouzhou Commercial Bank Co., Ltd. (浙江稠州商業銀行股份有限公司) and Xiangtan Branch of China Everbright Bank Company Limited to explore the feasibility of development loans and operating property loans for real estate enterprises, to improve the Group's liquidity and financial position.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROSPECTS

In the first half of the year, the COVID-19 outbreak delivered a severe blow to the global economy, leading to a surge in unemployment and wild fluctuations in the financial market. Thanks to the resolute and effective measures taken by the PRC government for epidemic containment, the PRC economy suffered smaller losses. With resumption of full operation and production since the second quarter of the year, we witnessed slight growth in the GDP. However, the Central Government of China reiterated the main principle of “houses are for living instead of speculation” for the development of the real estate industry, and new first-tier inland cities represented by Changsha continued to implement stringent policies of restrictions on property purchase and mortgage loans. As a major development project of the Group, the Xiangtan Project, which is situated close to Changsha City, benefitted from the policy of “houses are for living instead of speculation”. Given the price advantage enjoyed by the Xiangtan Project over the similar residential properties in Changsha City, coupled with the relatively small impact on the property market of Xiangtan City from the policies of restrictions on property purchase and mortgage loans, the products under the Xiangtan Project of the Group became more attractive to investors in Changsha City. The Xiangtan Project launched the high-rise residential products at the end of June this year, which received warm response from the market, further reinforcing our confidence in the promising prospect of the property market of Xiangtan City in the long run.

In the first half of the year, the Guangdong-Hong Kong-Macau Greater Bay Area launched a number of supportive policies to drive rapid economic recovery of the city cluster in the Greater Bay Area. Leveraging on the favourable policies implemented by the government, the Dongguan Heat Supply Energy Project of the Group, which is situated at the heart of the Greater Bay Area, is expected to realise new growth by improving service quality and expanding business presence.

Meanwhile, the Group will focus on elderly care, property management services and other areas that are related to its core business as priority for future development, and will increase investments to nurture new growth drivers.

Looking forward, despite all the challenges ahead, the Group remains confident in its future development based on the solid foundation laid by the Group over the past years. The Group will continue to remain prudent and pragmatic, focus on the development of businesses with huge potential, and meanwhile pay close attention to the performance of other businesses and potential business opportunities, actively explore fresh concepts to strive for new development dimensions and profit growth.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group's net current assets were approximately HK\$234,929,000 (31 December 2019: HK\$275,195,000), with current assets of approximately HK\$1,631,607,000 (31 December 2019: HK\$1,599,594,000) and current liabilities of approximately HK\$1,396,678,000 (31 December 2019: HK\$1,324,399,000), representing a current ratio of approximately 1.17 (31 December 2019: 1.21). As at 30 June 2020, the Group had cash and cash equivalents of approximately HK\$3,282,000 (31 December 2019: HK\$2,683,000).

CAPITAL STRUCTURE

As at 30 June 2020, the Group's total equity amounted to approximately HK\$568,818,000 (31 December 2019: HK\$697,637,000).

BORROWING AND BANKING FACILITIES AND CHARGE ON GROUP ASSETS

As at 30 June 2020, the Group's outstanding borrowings were approximately HK\$1,503,535,000 (31 December 2019: HK\$1,413,737,000). The Group's bank borrowings of approximately HK\$115,936,000 (31 December 2019: HK\$118,177,000) were secured by the Group's land use right and construction in progress with a net carrying amount of approximately HK\$51,776,000 (31 December 2019: HK\$56,630,000) and approximately HK\$431,161,000 (31 December 2019: HK\$404,826,000) respectively. The Group's borrowings from a related party of approximately of HK\$13,500,000 was unsecured. The Group's other borrowings of approximately HK\$70,447,000 (31 December 2019: HK\$55,344,000) were unsecured. The Group's other borrowings of approximately HK\$151,154,000 (31 December 2019: HK\$155,740,000) were secured by share charge over the equity interest in Ever-grand and certain properties for sales or under development executed by certain related parties. The Group's other borrowings of approximately of HK\$293,007,000 (31 December 2019: HK\$294,349,000) were secured by share charges given by Keyne Holdings Limited ("**Keyne**"), the controlling shareholder of the Company and certain related parties, and equity pledges given by certain subsidiaries of the Company and certain related parties. The Group's other borrowings of approximately of HK\$859,491,000 (31 December 2019: HK\$612,359,000) were secured by certain properties development in progress, with a net carrying amount of approximately HK\$1,438,264,000. The gearing ratio based on borrowings over total equity as at 30 June 2020 was approximately 2.64 (31 December 2019: 2.03).



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

GOING CONCERN AND MITIGATION MEASURES

The Group had accumulated losses of HK\$2,063,961,000 at 30 June 2020 and net cash outflows from operating activities of HK\$62,472,000 for the six months ended 30 June 2020. As at the same date, the Group's total borrowings amounted to HK\$1,503,535,000, of which current borrowings amounted to HK\$777,795,000, while its cash and cash equivalents amounted to HK\$3,282,000, and restricted bank deposits amounted to HK\$6,377,000. In addition, as at 30 June 2020, loan principal repayments and interest payments of HK\$202,203,000 relating to certain borrowings of the Group of principal amount of HK\$444,161,000 were not repaid in accordance with the repayment schedules pursuant to the borrowing agreements. These conditions, together with other matters described in note 2.1 to the condensed consolidated interim financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. However, the Directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which include:

- (i) The Group is negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future. During the six months ended 30 June 2020, loans with aggregate principal amount of HK\$1,379,396,000 have been successfully obtained;
- (ii) The Group has accelerated the pre-sales and sales of its properties under development and completed properties. The properties from Xiangtan Project is expected to give further substantial sales for 2020. Overall, the Group expects to gradually launch a major project upon obtaining the pre-sales permits starting from the second half quarter of 2020.
- (iii) The Group will continue to take active measures to control administrative costs through various channels including human resources optimisation and management remuneration adjustments and containment of capital expenditures.

Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis.

EXPOSURE TO FOREIGN EXCHANGE

The Group's assets and liabilities are mainly denominated in Hong Kong Dollars, United States Dollars and Renminbi. Income and expenses derived from the operations in the PRC were mainly denominated in Renminbi. There is no significant exposure to the fluctuation of foreign exchange rate, however, the Group will closely monitor the market and make appropriate adjustments and measures when necessary.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

CONTINGENT LIABILITIES

Save for those disclosed in note 25 to the condensed consolidated interim financial statements, there were no contingent liabilities that the Group is aware of.

EMPLOYEES AND REMUNERATION POLICIES

Staff costs for the period ended 30 June 2020 was approximately HK\$9,512,000 (2019: HK\$10,557,000). The Group had a workforce of 68 (2019: 70). Salaries of employees were maintained at competitive levels while bonuses were granted on a discretionary basis.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020 (2019: Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the existing 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”)) which are 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 in which they are deemed or taken to have under such provisions of the SFO) or which are required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company or which are required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in the Listing Rules to be notified to the Company and the Stock Exchange are as follows:

Long positions

Ordinary shares of HK\$0.01 each of the Company

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of the issued share capital of the Company <i>(Note 2)</i>
Mr. Zhang Li	Beneficial owner	14,655,625(L)	0.41%(L)

Notes:

1. The letter “L” denotes the person’s long position in such shares.
2. The percentage is calculated on the basis of 3,568,790,629 shares in issue as at 30 June 2020.



CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation *(continued)*

Long positions (continued)

Ordinary shares of HK\$0.01 each of the Company (continued)

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executive of the Company have any interests or short positions in the existing shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are 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 in which they are deemed or taken to have under such provisions of the SFO) or which are required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company or which are required pursuant to the Model Code contained in the Listing Rules to be notified to the Company and the Stock Exchange.

Directors' rights to acquire shares or debentures

At no time during the period was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

Share options

The Company adopted a share option scheme (the “**Scheme**”) on 2 September 2013. The purpose of the Scheme is to attract and retain talented personnel for future development of the Group; to provide incentive to encourage Participants (as defined below) to perform their best in achieving the goals of the Group and allow the Participants to enjoy the results of the Group attained through their efforts and contributions.

The eligible participants of the Scheme (the “**Eligible Participants**”) are (i) any employees or officer (whether full time or part time, and including any executive director) of any member of the Group; (ii) or any non-executive director (including independent non-executive director) of any member of the Group; (iii) any supplier of goods or services to any member of the Group; (iv) any customer of any member of the Group; (v) any holder of any securities or securities convertible into any securities issued by any member of the Group; (vi) any person or entity that provides advisory, consultancy or professional services to any member of the Group or any director or employee of any such entity; and (vii) any other group or classes of participants from time to time determined by the Directors as having contributed to the development and growth of the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

Share options *(continued)*

Details of the share options granted under the Scheme to the Eligible Participants of the Company to subscribe for the shares in the Company are as follows:

	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options				Outstanding as at 30.06.2020	Approximate percentage of the issued share capital of the Company % ⁽⁴⁾
				Outstanding as at 01.01.2020	Granted during the review period	Exercised during the review period	Cancelled/ Lapsed during the review period		
Employees	23.01.2018	23.01.2018 to 22.01.2028	0.362	24,711,625 ⁽¹⁾	-	-	-	24,711,625	0.69
				24,711,625	-	-	-	24,711,625	0.69

Notes:

- (1) The closing price of the Company's shares immediately before the date on which the share options were granted was HK\$0.355.
- (2) The total number of the Company's share available for issue under the Scheme was 98,846,500 which represented approximately 2.77% of the issued share capital of the Company as at the date of this report.
- (3) There is no minimum period for which the share options must be held before the share options can be exercised unless otherwise determined by the Board.
- (4) As at 30 June 2020, the number of issued shares of the Company, which is 3,568,790,629 shares, has been used for the calculation of approximate percentage shareholding in the Company.



CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

Substantial shareholders' and other person's interests and short positions in the shares and underlying shares of the Company

As at 30 June 2020, the register of substantial shareholders and other person's maintained by the Company under Section 336 of the SFO showed that the following persons notified the Company of the relevant interests in the issued share capital of the Company:

Long positions

Ordinary shares of HK\$0.01 each of the Company

Name of Shareholder	Capacity	Number of ordinary shares held/Number of underlying shares held under equity interest	Approximate percentage of the issued share capital of the Company <i>(Note 7)</i>
Zhu Boheng <i>(Note 1)</i>	Interest of controlled corporation	2,163,869,860(L)	60.63%(L)
Keyne Holdings Limited <i>(Note 1)</i>	Beneficial owner	2,163,869,860(L)	60.63%(L)
Cheng Cong <i>(Note 2)</i>	Interest of controlled corporation	221,544,000(L)	6.21%(L)
Asia Glory International Development Limited <i>(Note 2)</i>	Beneficial owner	221,544,000(L)	6.21%(L)
Cheng Ngok Fai <i>(Notes 3 and 4)</i>	Interest of controlled corporation	205,175,000(L)	5.75%(L)
Connected-World Group Limited <i>(Notes 3 and 4)</i>	Beneficial owner	205,175,000(L)	5.75%(L)
China Huarong International Holdings Ltd. ("CHIH") <i>(Note 5)</i>	Person having a security interest in shares	2,010,501,197(L)	56.34%(L)
China Huarong Asset Management Co., Ltd. ("CHAMC") <i>(Note 5)</i>	Interest of controlled corporation	2,010,501,197(L)	56.34%(L)
Jovial Paradise Limited ("JP") <i>(Note 6)</i>	Person having a security interest in shares	263,441,663(L)	7.38%(L)
Chen Wai Wai Vivien <i>(Note 6)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
Crosby Investment Holdings Inc. ("CIH") <i>(Note 6)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
Vervain Enterprises Limited ("VE") <i>(Note 6)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
Vervain China Development Holdings Limited ("VCDH") <i>(Note 6)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
Vervain Consolidated Investments Limited ("VCI") <i>(Note 6)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)

CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

Substantial shareholders' and other person's interests and short positions in the shares and underlying shares of the Company *(continued)*

Long positions *(continued)*

Ordinary shares of HK\$0.01 each of the Company *(continued)*

Name of Shareholder	Capacity	Number of ordinary shares held/Number of underlying shares held under equity interest	Approximate percentage of the issued share capital of the Company <i>(Note 7)</i>
InfraRed NF China Holdings Limited (“ INFCH ”) <i>(Note 6)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
InfraRed NF China Investors III Limited (“ INFCI ”) <i>(Note 6)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
InfraRed NF China Real Estate Fund III L.P. (“ INFCREF ”) <i>(Note 6)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
InfraRed Partners LLP (“ IP ”) <i>(Note 6)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
InfraRed Capital Partners (Management) LLP (“ ICPM ”) <i>(Note 6)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
Soaring Sky Worldwide Limited (“ SSW ”) <i>(Note 6)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
Unicorn Star Properties Limited (“ USP ”) <i>(Note 6)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
Ong Jenn <i>(Note 6)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
Ong Sek Hian <i>(Note 6)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
Metro Holdings Limited (“ MH ”) <i>(Note 6)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
Metro China Holdings Pte Ltd (“ MCH ”) <i>(Note 6)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
Crown Investments Limited (“ CI ”) <i>(Note 6)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)
Firewave Management Limited (“ FM ”) <i>(Note 6)</i>	Interest of controlled corporation	263,441,663(L)	7.38%(L)



CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

Substantial shareholders' and other person's interests and short positions in the shares and underlying shares of the Company *(continued)*

Long positions (continued)

Ordinary shares of HK\$0.01 each of the Company (continued)

Notes:

1. The entire issued share capital of Keyne Holdings Limited is owned by Mr. Zhu Boheng.
2. The entire issued share capital of Asia Glory International Development Limited is owned by Mr. Cheng Cong.
3. The entire issued share capital of Connected-World Group Limited (“**Connected-World**”) is owned by Mr. Cheng Ngok Fai.
4. According to the DI Form filed by Connected-World dated 21 June 2019, Connected-World is deemed to be interested in 4,801,250 shares (the “**Remaining Notes**”) which fall to be allotted and issued by the Company following the exercise of the conversion rights attached to the Convertible Notes (assuming full conversion of the Convertible Notes). On 30 September 2019, the Company and Connected-World entered into a settlement deed (the “**Settlement Deed**”), pursuant to which, Connected-World has agreed that the outstanding amount of HK\$3,841,000 from the Remaining Notes was converted to a loan (the “**Loan**”) to the Company. The Loan is interest-free and repayable by the Company to Connected-World on or before 31 December 2020.
5. As disclosed in the DI Form filed by China Huarong International Holdings Ltd. (“**CHIH**”) dated 6 December 2018, CHIH has direct interest in 2,010,501,197 shares. Based on the DI Form filed by China Huarong Asset Management Co., Ltd. (“**CHAMC**”) dated 6 December 2018, approximately 88.10% of the entire issued share capital of CHIH is owned by Huarong Real Estate Co., Ltd (“**HREC**”), a wholly-owned subsidiary of CHAMC, a company listed on the Main Board of the Stock Exchange (Stock Code: 2799). HREC and CHAMC are in turn deemed to be interested in the Shares held by CHIH by virtue of the provisions of the SFO.



CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

Substantial shareholders' and other person's interests and short positions in the shares and underlying shares of the Company *(continued)*

Long positions (continued)

Ordinary shares of HK\$0.01 each of the Company (continued)

Notes: (continued)

6. As disclosed in the DI Form filed by Jovial Paradise Limited (“**JP**”) dated 29 October 2018, JP has direct interest in 263,441,663 shares. JP is held as to 56.23% by Unicorn Star Properties Limited (“**USP**”) and 43.77% by Firewave Management Limited (“**FM**”). USP is held as to 78.26% by Soaring Sky Worldwide Limited (“**SSW**”), a wholly-owned subsidiary of InfraRed NF China Real Estate Fund III L.P. (“**INFCREF**”). InfraRed NF China Investors III Limited (“**INFCI**”), the General Partner of INFCREF, is a wholly-owned subsidiary of InfraRed NF China Holdings Limited (“**INFCH**”). INFCH is held as to 50% by Vervain Consolidated Investments Limited (“**VCI**”) and 50% by InfraRed Partners LLP (“**IP**”) which is entirely owned by InfraRed Capital Partners (Management) LLP (“**ICPM**”). VCI is a wholly-owned subsidiary of Vervain China Development Holdings Limited (“**VCDH**”). VCDH is a wholly-owned subsidiary of Vervain Enterprises Limited (“**VE**”). VE is a wholly-owned subsidiary of Crosby Investment Holdings Inc. (“**CIH**”). CIH is wholly-owned by Ms. Chen Wai Wai Vivien. FM is a wholly-owned subsidiary of Crown Investments Limited (“**CI**”). CI is a wholly-owned subsidiary of Metro China Holdings Pte Ltd (“**MCH**”). MCH is a wholly-owned subsidiary of Metro Holdings Limited (“**MH**”). MH is held as to 34.43% by Mr. Ong Jenn and 34.43% by Mr. Ong Sek Hian, respectively. USP, SSW, INFCREF, INFCI, INFCH, VCI, IP, ICPM, VCDH, VE, CIH, FM, CI, MCH, MH, Ms. Chen Wai Wai Vivien, Mr. Ong Jenn and Mr. Ong Sek Hian are deemed to be interested in the Shares held by JP by virtue of the Provisions of the SFO.
7. These percentages are calculated on the basis of 3,568,790,629 shares in issue as of 30 June 2020.
8. The letter “L” denotes the person’s long position in such shares and the underlying shares.

Save as disclosed above, as at 30 June 2020, the Company has not been notified of any other interests or short positions in the shares or underlying shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.



CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

Connected transaction and advance to an entity

On 27 March 2018 and 9 April 2019, Chengdu Zhongfa Real Estate Development Co. Ltd* (成都中發黃河實業有限公司) (“**Chengdu Zhongfa**”), an indirect wholly-owned subsidiary of the Company, entered into the collateral agreements (collectively, the “**Collateral Agreements**”) in favour of a PRC bank to pledge the piece and parcel of land and the properties erected thereon (the “**Chengdu Property**”) owned by Chengdu Zhongfa in Chengdu, Sichuan Province, the PRC, as collaterals for the repayment obligations of Yangzhou Ya Tai Zhi Ye Company Limited* (揚州亞太置業有限公司) (“**Yangzhou Ya Tai**”) under an entrusted loan agreement entered into among Yangzhou Ya Tai and a PRC bank (the “**Entrusted Loan Agreement**”) for the entrusted loan of RMB500,000,000 (the “**Entrusted Loan**”) at an interest rate of 9.5% per annum for a term of three years commencing from the date of drawdown.

Pursuant to the Collateral Agreements, the pledge became effective from the date of the respective Collateral Agreements and shall expire upon full settlement of the Entrusted Loan under the Entrusted Loan Agreement. The provision of collaterals under the Collateral Agreements to secure the repayment obligation of the Borrower under the Entrusted Loan Agreement is a form of financial assistance given by the Group to Yangzhou Ya Tai. In addition, the asset ratio for the provision of financial assistance under each of the Collateral Agreements exceeded 8%, the provision of financial assistance constituted advances to an entity under Rule 13.13 of the Listing Rules.

As at the date of each of the Collateral Agreements, Yangzhou Ya Tai, was indirectly owned as to 30% by Ms. Qian Ling Ling (“**Ms. Qian**”), an executive Director and chairman of the Board, and as to 70% by Mr. Zhu Boheng (“**Mr. Zhu**”), son of Ms. Qian and a controlling shareholder of the Company. Being an associate of Ms. Qian and Mr. Zhu, Yangzhou Ya Tai is a connected person of the Company. As such, the provision of financial assistance to Yangzhou Ya Tai constituted a connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

The Company acknowledges its failure to comply with the requirements under Chapter 14A of the Listing Rules in a timely manner. For details of the transactions and the remedial measures for the non-compliance, please refer to the announcement of the Company dated 28 April 2020. Save as disclosed above, none of the related party transactions as disclosed in note 24 to the condensed consolidated interim financial statements constituted connected transactions under Chapter 14A of the Listing Rules.

* *For identification purpose only*

CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

Continuing obligation under Chapter 13 of the Listing Rules

1. As disclosed in the announcement made by the Company on 18 December 2017 (the “**2017 Announcement**”), the Company as borrower entered into the facility agreement (the “**Facility Agreement**”) with China Huarong International Holdings Limited (中國華融國際控股有限公司) as lender (the “**Lender**”), pursuant to which the Lender agreed to make available a loan facility of up to US\$42,000,000 (the “**Commitment**”) to the Company. Pursuant to the Facility Agreement, if Keyne Holdings Limited (“**Keyne**”), being the substantial shareholder of the Company and the guarantor to the Facility Agreement, ceases to be the single largest shareholder of the Company or Ms. Qian Ling Ling, being the executive Director and Chairman of the Company and one of the guarantors to the Facility Agreement, ceases to be a Director: 1. the Company shall promptly notify the Lender upon becoming aware of the event; 2. the Lender shall not be obliged to fund a utilisation; and 3. if the Lender so requires, the Lender shall, by notice to the Company, cancel the Commitment and declare all outstanding loans under the Facility Agreement, together with accrued interest, and all other amounts accrued under the Finance Documents (as defined in the 2017 Announcement) immediately due and payable, whereupon the Commitment shall be cancelled and all such outstanding loans and amounts shall become immediately due and payable. The loan facility has a term of 3 years from its first utilisation date and can be extended for a further 1 year pursuant to the terms of the Facility Agreement.

According to the Facility Agreement, as security for the obligations of the Company under the Facility Agreement, Keyne, as the controlling shareholder of the Company, is required to execute the share charge, pursuant to which Keyne has agreed to charge to the Lender by way of first fixed charge as beneficial owner of 2,010,501,197 ordinary shares of the Company owned by it.

2. As disclosed in the announcement made by the Company on 27 November 2018 (the “**2018 Announcement**”), the Company entered into the subscription agreement (the “**Subscription Agreement**”) with Donghai International Financial Holdings Company Limited (東海國際金融控股有限公司) (“**Donghai Financial**”) as the subscriber, and Mr. Peter Zhu, Ms. Qian Ling Ling, Mr. Zhu Boheng (“**Mr. Zhu**”), and Shanghai Jin Da Di Investment Company Limited* (上海金大地投資有限公司) as guarantors, pursuant to which the Company has agreed to issue the Series 1 Notes and Series 2 Notes (As defined in the 2018 Announcement) in the aggregate principal amount of US\$20,000,000 in favour of Donghai Financial (the “**Notes**”). The Notes shall mature on the date falling 364 days from the closing date of the Series 1 Notes and Series 2 Notes respectively pursuant to the terms of the Subscription Agreement and the conditions to the Notes (the “**Note Conditions**”).

As at the date of the 2018 Announcement, Mr. Zhu owns 100% of the issued share capital of Keyne Holdings Limited, which in turn holds approximately 60.20% of the total issued share capital of the Company. As such, Mr. Zhu is the controlling shareholder of the Company pursuant to the Listing Rules.



CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

Continuing obligation under Chapter 13 of the Listing Rules *(continued)*

2. *(continued)*

Pursuant to the Subscription Agreement and the conditions to the Notes, the Notes are, and they will become, immediately due and repayable, upon the occurrence of any of the following events, among others: 1. if Mr. Zhu ceases to be the largest shareholder of the Company, directly or indirectly holding not less than 51% of the issued share capital of the Company, at any time; 2. save as previously disclosed, if Mr. Zhu incurs, creates or permits to subsist or has outstanding any Financial Indebtedness (as defined in the 2018 Announcement) or enters into any agreement or arrangement whereby it is entitled to incur, create or permit to subsist any Financial Indebtedness (as defined in the 2018 Announcement) without Donghai Financial's prior written consent; 3. if Mr. Zhu enters into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any of his material assets or material part of his business without Donghai Financial's prior written consent; 4. save as previously disclosed, if Mr. Zhu creates or permits to subsist any Security Interest (as defined in the 2018 Announcement) over any shares in the Company he legally and/or beneficially holds; or 5. if Mr. Zhu sells, transfers or otherwise disposes of any shares in the Company he legally and/or beneficially holds on terms where it is or may be leased to or re-acquired or acquired by him or any of his related entities, or enters into any other preferential arrangement having a similar effect.

Purchase, redemption and sale of shares

During the period, the Company has not redeemed any of its shares and neither the Company nor any of its subsidiaries purchased, or sold any of the Company's shares.

Changes in Directors' information

In accordance with Rule 13.51B of the Listing Rules, changes of the information of Directors required to be disclosed is set out below:

Ms. Qian Ling Ling, an executive Director and the chairman of the Company, put forward a proposal to reduce her director's basic remuneration from HK\$130,000 to HK\$60,000 per month for the period from 1 January 2020 to 31 March 2020. The Remuneration Committee considered that it was in the interest of the Company and the Group as a whole.



CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

Corporate governance

The Company has complied with the code provisions (the “**Code Provisions**”) as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules throughout the period under review.

Model Code for Directors’ securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the requirement set out under the Model Code during the six months ended 30 June 2020.

Sufficiency of public float

The Company has maintained a sufficient public float up to the date of this report.

Audit committee

The Audit Committee, comprises three independent non-executive Directors, has reviewed the accounting policies and practices adopted by the Group with the management and has discussed internal controls and financial reporting matters, including a review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020.

Acknowledgement

On behalf of the Board, I would like to express my sincere gratitude to all our staff for their dedication and contribution to the Group. In addition, I would like to thank all our shareholders and investors for their support and our customers for their patronage.

By Order of the Board

KEYNE LTD

Zhang Li

Executive Director and Chief Executive Officer

Hong Kong, 28 August 2020