ANNUAL 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

CONTENTS

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
Dongguan Rural Commercial Bank Company Limited
Zhejiang Chouzhou Commercial Bank Co. Ltd.
Nanjing Branch

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
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business in Hong Kong

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Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Company Website

www.keyneltd.com

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors" and each a "Director") of KEYNE LTD (the "Company"), I am pleased to present you with the annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020 ("FY2020" or the "Year under Review").

In 2020, under the principle of "houses are for living instead of speculation" and against the backdrop of overall tightening regulation, local governments across the country implemented the strategy of "differentiated policies for various cities", launched a series of regulation policies to promote "stabilisation of land premiums, property prices and market expectations", and introduced the "Three Red Lines" policy to curb lending to the real estate sector. Despite this, China's property market remained solid in general. In view of the thriving market sentiment, the Group is optimistic about the prospects for the development of property sector. In 2020, a number of residential products under the Xiangtan Project were launched, which achieved robust sales and received warm welcome by local customers with rigid demand and improvement-oriented demands as well as investment customers from Changsha and other surrounding areas. Meanwhile, the Group will expedite the construction of the ancillary five-star hotel in Xiangtan, in an effort to complete the construction and commence pilot operation during this year. In addition, the infrastructure projects in the surrounding area of the project have been gradually completed. We expect that the increasingly-sophisticated recreational facilities and transportation network will help attract more robust traffic, providing favorable conditions for the Group's future sales of residential property and operation of the hotel.

Due to the outbreak of the COVID-19 epidemic in early 2020, the Chengdu Huanghe Commercial City Project suspended operation for about one month. With resumption of operation and production, and in an active effort to fulfill our corporate social responsibility, we offered rental concession to the tenants. Due to its excellent geographical location and with its stable customer base, we are expected sustainable and stable cash inflow from the Chengdu Huanghe Commercial City Project for the development of the Group in the subsequent development of the project. The Dongguan Heat Energy Project continued to maintain stable development momentum in 2020. In light of the rapid development of the Greater Bay Area and the implementation of a series of relevant favourable policies, the Group is anticipated to witness speedy development of the Dongguan Heat Energy Project. In addition, while focusing on the real estate development business which is the Group's core business, the Group also seized opportunities to cooperate with international well-known healthcare institutions to explore the development mode of "real estate + healthcare", with an aim to nurture new profit growth driver.

In 2020, with the stabilisation of the COVID-19 epidemic and the implementation of policies by the government to promote economic development, the PRC economy gradually recovered. The Group is confident about the prospect of the PRC economy and the positive and stable development trend of the real estate market in China, and will continue to take a proactive and pragmatic approach to seek change while maintaining stability. We will also take stock of the situation, and will make proactive effort to capture the opportunities arising from the market while developing the major property business of the Group.

Last but not least, I would like to express my heartfelt gratitude to the shareholders, investors and business partners of the Group for their great trust and support. In addition, I would like to take this opportunity to extend my sincere appreciation to members of the Board, senior management and all employees for their tireless efforts, excellent teamwork and contributions to the Group. Looking forward, we will continue to push forward the development of the Group and create maximum return for our shareholders.

Qian Ling Ling
Chairman

Hong Kong, 30 March 2021

Management Discussion and Analysis

During the year 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 year ended 31 December 2020, the Group recorded a revenue of approximately HK$80,466,000 (2019: HK$39,919,000). Property rental income dropped to approximately HK$15,698,000 (2019: HK$16,606,000), as a result of rental concessions offered to tenants due to the COVID-19 pandemic in the reporting period. Income from sales of properties contributed approximately HK$64,768,000 (2019: HK$23,313,000) to the total revenue.

Loss attributable to owners of the Company was approximately HK$597,189,000 (2019: HK$288,950,000). Basic loss per share was approximately HK16.73 cents (2019: HK8.10 cents). The Board does not recommend dividend payout for the year ended 31 December 2020 (2019: Nil). As at 31 December 2020, cash and cash equivalents were approximately HK$9,687,000 (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.

With the recent development and operation of the infrastructure works in the few years, for example, the Maglev train between the Changsha airport and the core areas of the Changsha city and operation of the Intercity Railway which run across the major cities in Hunan, that where the core cities, namely Changsha, Xiangtan and Zhuzhou, made into a convenient living circle to the surrounding areas.

For the year ended 31 December 2020, the Group had recognised 31 units of semi-detached villas with the total revenues of approximately HK$64,768,000 (2019: 11 units of semi-detached villas with the total revenue of approximately HK$23,313,000), which was delivered to the customers during the year. Certain units of semi-detached villas were 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. 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 high-rise commercial residential buildings with a saleable area of 140,742 square meters. Such residences received overwhelming market response and recorded a high sell-through rate after coming into the market.

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 in 2021. 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.

(ii) Chengdu Project

For the year ended 31 December 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$15,698,000 (2019: HK$16,606,000) from property rental were recorded for the year ended 31 December 2020. The decrease in rental income was mainly due to the rent concessions offered to tenants.

The legal dispute with a KTV tenant without paying the rental and the Company had taken legal action to claim against the outstanding rental and illegal occupancy costs from the non-performing tenant. The Company won in the final trial on 23 April 2020 and the judgment was issued from the People's Court of Chengdu in the PRC.

The Group also invested in a limited partnership which is included in the segment of "Property rental".

On 8 February 2018, Shanghai Dongyuan Huixin Equity Investment Fund Management Company Limited* (上海東源匯信股權投資基金管理有限公司) ("**Dongyuan Huixin**") as the General Partner and Shanghai Dongxing Investment Holding Development Company Limited* (上海東興投資控股發展有限公司) ("**Dongxing Investment**") (as the Preferential Limited Partner and the Intermediate Limited Partner), Beijing Jinye Changfeng Industry Company Limited* (北京金業長豐實業有限公司) ("**Jinye Changfeng**") (as the Deferred Limited Partner) and Chengdu Zhongfa Real Estate Development Co., Ltd* (成都中發黃河實業有限公司) ("**Chengdu Zhongfa**"), a wholly-owned subsidiary of the Company, as the Second Deferred Limited Partner with capital contribution of RMB190,000,000 (equivalent to HK$216,327,000) (the "**Limited Partnership Investment**"), collectively as the Limited Partners entered into the Limited Partnership Agreement of Shanghai Jiaguan Tianqi Investment Centre (Limited Partnership) (the "**Limited Partnership**").

The total capital contribution of Limited Partnership was RMB1,150,100,000. The capital contributions of each partner were as follows: Dongyuan Huixin with RMB100,000; Dongxing Investment with RMB820,000,000; Jingye Changfeng with RMB140,000,000 and Chengdu Zhongfa with RMB190,000,000.

The investment project of the Limited Partnership is to acquire the restructured Debts of Jiangsu Wanbao Real Estate Company Limited* (江蘇萬寶房地產有限公司) ("**Jiangsu Wanbao**"), which is a company established in the PRC with limited liability in 2010, whose principal business is development and sales of the real estate properties, lease of the self-owned properties, property management and parking lot management. Jiangsu Wanbao is holding a real property project through its wholly-owned subsidiary (the "**Real Estate Project**") in Suzhou City, Jiangsu Province, the PRC.

The Real Estate Project is located in the Wujiang District, Suzhou City, and is close to the bus stations and metro station. As the real estate market keeps thriving in the PRC, it is expected that the Real Estate Project will generate a considerable revenue and profits, which will in turn benefit the Limited Partnership since the Limited Partnership is entitled to a fixed return on the Debts and a floating income equal to 20% of the net profits generated by Jiangsu Wanbao. Pursuant to the Limited Partnership agreement, the Group is entitled to the remainder of the Limited Partnership after distribution, which enables the Group to enjoy the future upside potential of the financial performance of Jiangsu Wanbao.

The original investment term was not exceed three years from the date on which the first capital contribution by the Limited Partners is made which shall be ended in February 2021. However, the COVID-19 epidemic cause significant damage on the daily operation and the value of the Real Estate Project. The Limited Partnership believes that with the mass vaccination, the COVID-19 epidemic would be overcome and the economy would recover, so the Limited Partnership decided to extend the investment period in June 2020 until March 2021, and further extend the investment period in February 2021 for three years until February 2024.

As at 31 December 2020, an independent valuation was carried out to determine the recoverable amount of the Limited Partnership Investment, for the purpose of assessment of an indication of asset impairment in complying with HKAS 36. The recoverable amount was determined at approximately HK$678,000 which was less than the investment cost of approximately HK$216,327,000 (2019: the recoverable amount exceeded the investment cost). The valuation has adopted "Discounted cash flows method" under "Income approach" with Monte Carlo simulation as the valuation methodology.

The major inputs used in Monte Carlo simulation were: (i) underlying asset value of RMB533,000,000, which is comprised of the market value of the properties and the net asset value of the remaining assets and liabilities; (ii) volatility of 21.21%; (iii) expect return of 2.71%; (iv) investment horizon of 6 years and (v) time to exit of 3.11 years.

At 31 December 2020, Jiangsu Wanbao has sold about 10,000 sq.m properties to pay the debt held by the Limited Partnership, therefore cause a significant drop in both the market value and the book value of the underlying asset. In addition, the profitability of Jiangsu Wanbao deteriorated due to the COVID-19 epidemic, which further lower the value of underlying asset.

* *For identification purpose only*

As a result of the independent valuation, the Directors aware an indication of impairment of the Limited Partnership Investment, the recoverable amount of approximately HK$678,000 below the carrying amount of the investment of approximately HK$216,327,000. In keeping with the principle of prudence, the Directors considered to recognise an impairment loss of approximately HK$213,059,000, for such investment. The impairment was mainly attributable to the following factors which was significantly influenced by the COVID-19 epidemic: i) the market price of the Real Estate Project (RMB36,000/sq.m) barely increased compared to 9 February 2018 (RMB35,600/sq.m), only 1.1% rise; and ii) the rental income of the Real Estate Project did not increase to the level at which it would generate profit. However, the management is confident that the economy will recover when the COVID-19 epidemic is finally under control. Jiangsu Wanbao will resume operation and rental income will continue to grow, while the value of commercial properties will rebound, and thus the Group's investment in the Limited Partnership will eventually pay off.

VALUATION METHOD AND THE REASON FOR USING THE VALUATION METHOD

In deriving the value of Limited Partnership, Income Approach in the form of a discounted cash flow ("**DCF**") methodology with Monte Carlo simulation is applied.

As the Group would be entitled to the residual return of Limited Partnership after all capital contributions and expected returns to the other partners have been distributed. Due to significant uncertainties involved in the future liquidation value of the underlying assets and the residual payoff to the Group, Monte Carlo simulation is performed to assess the conditional payoff under different scenarios.

The Monte Carlo simulation estimates the expected value of variables by repetitive experiment. Large volume of controlled random numbers is generated according to prescribed underlying probability distribution. Conditional values of financial instruments based on a particular set of random variables are derived and multiplied with relevant probability distribution to arrive at their expected value(s).

In determining the residual payoff to the Group, a total of 10,000 simulations were undertaken for each Valuation Date. In each trial, different levels of liquidation value were simulated. The underlying asset value of the Limited Partnership was assumed to follow Geometric Brownian Motion.

Major Assumptions

The following inputs are adopted in the simulation process:

– Underlying asset value – Underlying asset value represents the expected exit price upon liquidation of the Limited Partnership after the investment period. The value of the underlying asset is comprised of the market value of the properties and the net asset value of the remaining assets and liabilities.

– Volatility – Volatility measures the variation of underlying asset value over time. It is measured by the historical volatility of relevant property price index since the largest portion of assets of the underlying entity are property assets.

– Expected returns – The expected returns represent the expected rate of change in net asset values over time. It is calibrated with transaction price at initial recognition and change with market rate of returns over time.

– Investment horizon – The maximum investment horizon of 6 years as stated in the Limited Partnership agreement and the extension agreement is applied in the valuation model.

(iii) Centralised Heat Supply Business

As of 31 December 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$257,112,000 (2019: HK$291,462,000), which was approximately 8.2% (2019: 10.4%) to the Group's total assets of approximately HK$3,128,554,000 (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 14% (2019: 16.4%); and (iii) terminal growth rate of 2.6% (2019: 3%).

Currently, the Group is supplying steam to around 33 (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$45,590,000 (2019: HK$45,234,000) to Ever-Grand, representing an increase of 0.8% as compared with the last reporting period. However, 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$257,112,000 below the carrying amount of the investment of approximately HK$294,942,000. The Directors considered to recognise an impairment loss of approximately HK$37,830,000, for such investment. The impairment was mainly attributable to the following factors: i) the business plan of the ChangAn town, of the Ever-Grand Group was further delayed and suspended with uncertainties, which affected the financial projection adopted by Ever-Grand Group; and ii) the capital investment plan of Ever-Grand Group was not carried out as planned.

Therefore, the delay of the capital investment plan 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 was yet to issue as scheduled from the local and central government of the PRC authority.

Based on the above reasons, the financial projections, in particular, the capital expenditures ("**CAPEX**") plan of Ever-Grand have been delayed from the period from 31 December 2020 to 31 December 2022, further delayed to the period from 31 December 2022 to 31 December 2024, thus the revenue projections for Ever-Grand have been delayed accordingly and the revenue projection decreased as compared the 2020 Valuation with 2019 Valuation. The Management of the Ever-Grand Group have then revised the financial forecast of Ever-Grand as at 31 December 2021 in arriving at a more conservative estimate which better reflect the industry outlook. As a result of the decrease in revenue projection of Ever-Grand, the cost of goods sold, management expense, business tax and surcharge and staff expense in respect of Ever-Grand have been reduced accordingly.

VALUATION METHOD AND THE REASONS FOR USING THE VALUATION METHOD

In applying the Income Approach to the valuation of the fair value of the 49% equity interest in Ever-Grand, DCF methodology was used. The DCF methodology views a company as an operating entity, with the principal focus of the analysis on the operating entity's ability to generate debt-free cash flow in the future. Debt-free cash flow is defined as cash that is available either to invest in new or existing businesses or to distribute to investors (both debt and equity investors). Reasonable projections of revenues, expenses, and reinvestment requirements (i.e. working capital and capital expenditures) form the basis for estimating the future debt-free cash flows that a company will likely generate from its existing business. The Management of the Ever-Grand provided the financial projections for the financial year ending from 31 December 2021 to 31 December 2025. These projections formed the basis of the DCF analysis. The DCF analysis was based on key qualitative factors applicable to the valuation of the 49% equity interest in Ever-Grand, outlook for the general economy of the territory in which it operates, and discussions with and projections prepared by the management of the Ever-Grand.

The debt-free cash flow for each year of the projection period was calculated by adding back after tax interest expenses and other items affecting cash flows to net profit. Non-cash expenses, such as depreciation and amortisation, were then added and incremental investments in working capital, and capital expenditures ("**CAPEX**") were deducted, all of which were provided by management of the Ever-Grand.

In addition to calculating the debt-free cash flows throughout the projection period, it was necessary to calculate the terminal value of Ever-Grand, which reflects the value of the total capital at the end of the projection period. The terminal value was calculated by applying the Gordon Growth Model with a long term growth rate. The projected free cash flows, including the terminal value, were discounted to present value at an appropriate rate of return, or "discount rate."

In determining the fair value of the 49% equity interest in Ever-Grand, the independent valuer (the "**Valuer**") based on the share of the present value of the estimated future cash flows expected to be generated by the Ever-Grand, including the cash flows from the operation of the Ever-Grand during the forecast period and the terminal value. Unless otherwise noted, in estimating the fair value of the subject assets, the Valuer assumed the assets will remain a going concern in accordance with the relevant accounting literature. In estimating the fair value of the common equity of the Company, the Valuer relied primarily on the Income Approach in the form of a DCF methodology.

The Valuer has referenced to HKAS 36 and adopted income-based approach in valuing the fair value of Ever-Grand, in which five-year financial forecasts were adopted in measuring the fair value of Ever-Grand as at 31 December 2020. Under the income-based approach, the Valuer has adopted the discounted cash flow method to discount all future cash flows into present value.

As such, fair value less cost of disposal was adopted as the recoverable amount of the CGU, assuming immaterial disposal cost. The valuation method of discounted cash flow has been consistently applied in the valuation 49% equity interest in Ever-Grand since year ended December 2016, for annual financial reporting purpose.

Discount Rate

The pre-tax discount rate adopted for determining the fair value of the 49% equity interest in Ever-Grand was decreased from 16.4% in the valuation as at 31 December 2019 to 14% in the valuation as at 31 December 2020. With the set of comparable companies, the decrease in discount rate was mainly due to the increase in comparable companies' debt to equity ratio and the decrease in comparable companies' beta coefficient as extracted from Bloomberg.

Major Assumptions

Set out below are the major assumptions adopted by in the 2020 Valuation are, among others, as follows:

– the valuation was mainly based on the projections of the future cash flows for the period from year ending 31 December 2021 to 31 December 2025, as provided by the management of the Ever-Grand Group (the "**Management**"). The projections outlined in the financial information provided are reasonable, reflecting market conditions and economic fundamentals, and will be materialised;

– the projection adopted in the valuation was relied on the information provided by the Management, which included but not limited to revenue, cost of sales, business tax and surcharge, administrative expense and capital expenditure;

– the unaudited management accounts of Ever-Grand as at 31 December 2020 can reasonably represent its financial position since an audited financial account was not available;

– Ever-Grand will be operated and developed as planned by the Management;

– Ever-Grand will retain and have competent management, key personnel, and technical staff to support its ongoing operation;

– All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Ever-Grand operates or intends to operate has or would be officially obtained and renewable upon expiry;

– there will be no major changes in the current taxation laws in the localities in which Ever-Grand operate or intend to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

– there will be no major change in the political, legal, economic or financial conditions in the localities in which Ever-Grand operate or intend to operate, which would adversely affect the revenues attributable to and profitability of Ever-Grand; and

– interest rates and exchange rates in the localities for the operation of Ever-Grand will not differ materially from those presently prevailing.

FINANCING ACTIVITIES

According to the repayment agreement previously entered into between the Group and China Huarong Asset Management Company Limited (Beijing Branch) (中國華融資產管理股份有限公司(北京市分公司)), 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.

On 22 January 2020, the Group has obtained borrowings of principal amount of RMB330,000,000 from China Huarong Asset Management Company Limited (Beijing Branch) (中國華融資產管理股份有限公司(北京市分公司)) and on 22 January 2020, make a repayment of the entrusted bank borrowings, including the repayment of principal and interest of RMB147,004,000 and RMB7,316,000 respectively.

As at 31 December 2020, the Group holds US$19,000,000 interest-bearing secured notes issued by Donghai International Financial Holdings Company Limited, of which US$9,000,000 notes were due on 23 November 2020 and US$10,000,000 notes were due on 7 December 2020. Subsequent to the year ended 31 December 2020 and up to the date of this report, the Group has repaid US$500,000.

On 2 December 2020, the Company has obtained borrowings of principal amount of RMB250,000,000 from Zhejiang Chouzhou Commercial Bank Co. Ltd. Nanjing Branch (浙江稠州商業銀行股份有限公司南京分行).

Prospects

The outbreak of COVID-19, regarded as a black swan event in 2020, dealt a heavy blow to the global economy. Under this circumstance, the real estate sector in China recorded historic decline in sales and new developments. In addition, due to the principle of "houses are for living instead of speculation" upheld by various local governments during the epidemic and the introduction of the "Three Red Lines" policy, property developers were faced with an overall challenging operation environment.

However, since late February 2020, the epidemic was basically under control in China, with more and more enterprises beginning to resume operation, laying a very solid foundation for the smooth operation of the economy. Moreover, in order to attract outstanding talents and labor force, many cities across the country introduced a variety of talent recruitment policies, which were complemented with a series of house purchase subsidy policies announced by various local governments, including the implementation of a "zero-barrier" household registration policy in many cities. Given a series of policies introduced by the government to promote economic growth such as the talent policies and household registration policies, the Group believes that the real estate market in China will maintain the growth momentum in 2021. As a result, while continuing to consolidate the real estate development business which is the Group's core business, the Group will focus on property management, commerce, healthcare, elderly care and other areas as priority for development.

In this year, the Group will explore the real estate markets in Changsha and Xiangtan, step up the development of the existing Xiangtan Project and speed up sales pace, so as to accelerate cash collection and relieve capital pressure. In addition, on the land bank front, the Group will proactively seize opportunities to acquire lands and carry out acquisitions and mergers in the first and second-tier cities with better fundamentals, metropolitan areas and city clusters with great development potential, so as to ensure long-term sustainable development.

Being affected by the outbreak of COVID-19, most industries are faced with unprecedented impacts and challenges, while the healthcare industry bucked the trend with excellent performance due to its irreplaceable role in fighting against the epidemic, demonstrating its counter-cyclical investment attribute and distinct value. Against the aforesaid backdrop, the Group will leverage on its advantage in real estate development, explore the "real estate + healthcare" mode, and cooperate with international well-known healthcare institutions to introduce sophisticated community healthcare, Medical Mall, community elderly care and other operation modes from overseas, so as to create new profit growth drivers.

In 2020, the Group maintained stable development in the centralised heat supply business. Coupled with the gradual implementation of the Greater Bay Area Master Plan and the fact that environmental heat energy business is in line with China's development direction to reduce emission and save energy, the Group is optimistic about the prospects for the centralised heat supply business. In 2021, by increasing its investments and in conjunction with the implementation of the Greater Bay Area Initiative, the Group will speed up the deployment of steam transmission pipelines. In conjunction with the gradual roll out of stringent regulatory policies, the Group believes that more customers will switch to the cost-effective steam heating, thereby bringing sustainable revenue to the Group in the long run.

To further expand our business, the Group is taking active measures to accelerate its pace of acquisitions, aiming to focus on the investment and development of tourism, commercial property and hotel projects. Moreover, the Group also plans to expand beyond China by seeking high-quality overseas assets for acquisitions, with a view to further enriching the Group's business portfolio and broadening our geographical footprint.

Looking forward into 2021, with the recovery of the global economy, the rollout of the massive COVID-19 vaccination programme and the ease in the tension between the US and China, China is going to embrace a new historic development opportunity. Meanwhile, 2021 marks the beginning year of the "14th Five-Year Plan" of mainland China, and is the year to witness the achievement of the first centenary goal and the commencement of the second centenary goal. The business sector is generally optimistic about the development prospect of the PRC economy in 2021, and is confident about the growth potential of the Chinese companies. As opportunities and challenges coexist, the Group will take measures to overcome challenges and capture opportunities, and remain prudent and pragmatic, meanwhile actively exploring fresh concepts to strive for new development dimensions with high quality and profit growth.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group's net current liabilities were approximately HK$627,061,000 (2019: net current assets were approximately HK$275,195,000), with current assets of approximately HK$2,215,357,000 (2019: HK$1,599,594,000) and current liabilities of approximately HK$2,842,418,000 (2019: HK$1,324,399,000), representing a current ratio of approximately 0.78 (2019: 1.21). As at 31 December 2020, the Group had cash and cash equivalents of approximately HK$9,687,000 (2019: HK$2,683,000).

CAPITAL STRUCTURE

As at 31 December 2020, the Group's total equity amounted to approximately HK$126,529,000 (2019: HK$697,637,000).

BORROWING AND BANKING FACILITIES AND CHARGE ON GROUP ASSETS

As at 31 December 2020, the Group's outstanding borrowings were approximately HK$1,715,989,000 (2019: HK$1,413,737,000). The Group's bank borrowings of approximately HK$116,091,000 (2019: HK$118,177,000) were secured by the Group's land use rights (first priority charge) and construction in progress (first priority charge) with a net carrying amount of approximately HK$44,083,000 (2019: HK$56,630,000) and approximately HK$396,084,000 (2019: HK$404,826,000) respectively. The Group's bank borrowings of approximately HK$Nil as at 31 December 2020 (2019: HK$164,268,000) were secured by the Group's properties under development with a net carrying amount of approximately HK$Nil (2019: HK$443,884,000). The Group's bank borrowings of approximately HK$297,974,000 (2019: HK$Nil) were secured by the Group's investment properties with a net carrying amount of approximately HK$207,390,000 (2019: N/A) and a property owned by a related party.

The Group's borrowings from a former shareholder of approximately of HK$13,500,000 (2019: HK$13,500,000) was assigned to a related party upon the execution of a deed of assignment, were unsecured. The Group's other borrowings of approximately HK$55,384,000 (2019: HK$55,344,000) were unsecured. The Group's other borrowings of approximately HK$147,307,000 were secured by share charge over the equity interest in Ever-Grand and certain properties for sales or under development owned by certain related parties (2019: HK$155,740,000 were unsecured). The Group's other borrowings of approximately of HK$260,501,000 (2019: HK$294,349,000) were secured by share charges given by KEYNE HOLDINGS LTD, 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$825,232,000 (2019: HK$612,359,000) were secured by certain properties under development, with a net carrying amount of approximately HK$1,446,902,000 (2019: HK$1,006,734,000). The gearing ratio based on borrowings over total equity as at 31 December 2020 was approximately 13.56 (2019: 2.03).

GOING CONCERN AND MITIGATION MEASURES

The Group had accumulated losses of approximately HK$2,545,521,000 and current liabilities exceeded its current assets by approximately HK$627,061,000 as at 31 December 2020. Also, the Group had net cash outflows from operating activities of approximately HK$106,637,000 for the year ended 31 December 2020. As at the same date, the Group's total borrowings amounted to approximately HK$1,715,989,000, of which current borrowings amounted to approximately HK$1,714,914,000, while its cash and cash equivalents amounted to approximately HK$9,687,000, and restricted bank deposits amounted to approximately HK$40,800,000. In addition, as at 31 December 2020, the Group was in default in respect of principal amount of borrowings totaling approximately HK$1,349,131,000 due to the events of default of late or overdue payment of loan principal and interest during the year ended or as at 31 December 2020. These conditions, together with other matters described in note 2.1 to the consolidated 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;

(ii) The Group will seek to accelerate the pre-sales of its properties under development including remaining units of property projects and saleable car parks. The properties from Xiangtan Project is expected to give further substantial sales for 2021. Overall, the Group expects to gradually launch a major project upon obtaining the pre-sales permits starting from the second quarter of 2021;

(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;

(iv) In light of the COVID-19 outbreak, the Group is closely monitoring the latest development and will continue to assess the impact of the epidemic, as well as any government's stimulus in response, on the Group's operations from time to time and adjust its sales and marketing strategy for its property sales to generate sufficient cash flows from its operations.

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

The Group has been actively implementing the aforementioned measures in the past year. As a result of the efforts over such period, a number of financial data has once improved, including growth in property pre-sales and decrease of operating net cash outflow. As the execution of the Group's business plan for 2020 has been lagged behind due to the COVID-19 epidemic, certain projects that were scheduled to reach pre-sale status in the second half 2020 have failed to release the new launch of properties due to delay in the pace of construction, this resulted in an operating net cash outflow position again in 2020 and ultimately caused a failure in achieving the business plan target of lowering the Group's borrowings. Despite the above, in the second half of 2020, the Group has ensured the construction progress of certain high-rise residences properties in the Xiangtan Project, which obtained the pre-sale permit as scheduled, as well as to speed up the sales of the remaining units in Xiangtan project, both of which ensured the Group to improve cash flows for 2020. The Group will actively implement the business plan in 2021, on one hand to adhere to the business plan to construct and launch sale of the property projects so as to increase the cash inflow, on the other hand to actively negotiate with financial institutions to renew and extend the bank loans and other borrowings, and to identifying opportunities to obtain new borrowings so as to improve the Group's debt structure.

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.

CONTINGENT LIABILITIES

Save for those disclosed in note 43 to the consolidated financial statements, there were no contingent liabilities that the Group is aware of.

EMPLOYEES AND REMUNERATION POLICIES

Staff costs for the year ended 31 December 2020 was approximately HK$17,705,000 (2019: HK$21,107,000). The Group had a workforce of 75 (2019: 59). Salaries of employees were maintained at competitive levels while bonuses were granted on a discretionary basis.

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the year ended 31 December 2020 (2019: Nil).

The Group is committed to establish and maintain good corporate governance practices and procedures. For the year ended 31 December 2020, the Company complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). This report describes the Company's corporate governance practices and explains its applications.

DIRECTORS' SECURITIES TRANSACTIONS

The Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules was adopted by the Company. Specific enquiry of all Directors who were in office during the Year under Review was made and they have confirmed compliance with the Model Code during the financial year.

BOARD OF DIRECTORS

(I) Composition of the Board

The Board currently comprises 6 Directors, with 3 executive Directors and 3 independent non-executive Directors whose biographical details are set out in "Biographical Details of Directors" on pages 54 to 55. The Directors for the year and up to the date of this report were as follows:

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

The Board is comprised of experienced and high competence individuals and a balanced composition of executive and non-executive Directors.

Each Director has been appointed on the strength of his/her calibre, experience and stature, and his/her potential contribution to the growth and development of the Group and its businesses. The Directors had no financial, business, family or other material/relevant relationship with each other during the Year under Review.

(II) Operation of the Board

The Company is headed by the Board which takes decisions objectively in the interests of the Company. To provide effective supervision of and proper guidance to the management, the Board is required to consider and approve decisions in relation to the Group's long-term strategy, annual business plan and financial budget, major acquisition and disposal, dividend policy, appointment of Directors, remuneration policy, risk management and internal control. Apart from formal meetings, matters requiring Board approval were arranged by means of circulation of written resolutions and telephone conference/physical meeting.

A clear division of responsibilities is evident between the Board and the management. Decisions on important matters, such as the Group's strategic policies, major investment, funding decisions and major commitments relating to the Group's operations, are specifically reserved to the Board while decisions on the Group's general day-to-day operations are delegated to the management.

(III) Directors' training and continuous professional development

Newly appointed Directors have received briefings and orientation on their legal and other responsibilities as a Director and the role of the Board. The Directors are kept informed of the Group's affairs and development in a timely manner so as to enable them to make an informed decision and to discharge their duties and responsibilities as Directors effectively.

The Company continuously provides updates and presentations to Directors on the latest developments relating to the Group's business and the legislative regulatory requirements to keep them abreast of their responsibilities and of the conduct, business activities and development of the Group.

During the year, the Directors have also participated the following:

Directors	Attending seminar(s) and/or conference(s) on regulations and updates and/or reading materials relating to business and operation of the Company, and legal and regulatory updates
Ms. Qian Ling Ling	✓
Mr. Zhang Li	✓
Mr. Xiang Junjie	✓
Mr. Tsui Pui Hung	✓
Mr. Tang Ping Sum	✓
Mr. Chiu Sin Nang, Kenny	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In order to have a clear division between the management of the Board and the day-to-day management of the business operation of the Group, the role of the chairman is separate from that of the chief executive officer. During the Year under Review, the chairman, Ms. Qian Ling Ling, focused on the overall corporate development and strategic direction of the Group and provides leadership for the Board and oversees the efficient functioning of the Board. The chief executive officer, Mr. Zhang Li, was responsible for all day-to-day corporate management matters as well as assisting the chairman in planning and developing the Group's strategies. Such division of responsibilities helps to reinforce their independence and to ensure a balance of power and authority.

NON-EXECUTIVE DIRECTORS

All non-executive Directors are appointed for a specific term of one year from the dates of their appointments which will be renewed automatically unless early terminated by either party with at least one month prior written notice. However, they are appointed subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the provisions of the bye-laws of the Company (the "Bye-laws").

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors independent.

REMUNERATION COMMITTEE

The remuneration committee (the "Remuneration Committee") consists of 3 independent non-executive Directors and Mr. Chiu Sin Nang, Kenny is the chairman of the Remuneration Committee.

The Remuneration Committee shall meet at least once a year. 1 meeting was held during FY2020, during which the remuneration policy of the Company and the remuneration packages of the Directors and senior management of the Group were reviewed. None of the Directors participated in the determination of his/her own remuneration. Attendance of the members of the Remuneration Committee is set out in "Attendance Records at Meetings" on page 23.

According to the terms of reference of the Remuneration Committee, its major roles and functions, inter alias, include making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management of the Company and on the establishment of a formal and transparent procedure for establishing remuneration policy as well as reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives. The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

The emolument payable to Directors depends on their respective terms under the service contracts (if any), and as recommended by the Remuneration Committee. Details of the Directors' emolument are set out in note 10(a) to the consolidated financial statements.

Details of the remuneration paid to members of senior management of the Group (including the Directors) by band for the year ended 31 December 2020 are set out below:

Remuneration band	**Number of senior management**
Below HK$1,000,000	6
HK$1,000,001 to HK$2,000,000	3

Details of the Directors' and chief executive's emoluments and five highest paid individuals are set out in note 10 to the consolidated financial statements.

NOMINATION COMMITTEE

The Company has set up a nomination committee (the "Nomination Committee") in compliance with the CG Code. The Nomination Committee consists of 3 independent non-executive Directors and Mr. Tsui Pui Hung is the chairman of the Nomination Committee.

The Nomination Committee shall meet at least once a year. 1 meeting was held during FY2020, during which the retirement and re-election of Directors at the AGM in 2021 was discussed; and the suitability of the structure, size and composition based on a range of diversity perspectives (including but not limited to gender, age, ethnicity, professional experience, skills, knowledge and length of service) of the Board with respect to the corporate strategy and future development of the Company were reviewed. Attendance of the members of the Nomination Committee is set out in "Attendance Records at Meetings" on page 23.

The major duties and functions of the Nomination Committee, inter alias, include reviewing the structure, size and composition of the Board at least annually and make recommendations to the Board on the nomination and appointment or re-appointment of Directors and the succession planning of the Directors and assess the independence of independent non-executive Directors.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Board Diversity Policy") in relation to the nomination and appointment of new directors, which sets out: the selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural and educational background, industrial and professional experience, skills, knowledge and length of service.

The above measurements were also reviewed and adopted when the Nomination Committee reviewed the composition of the Board. After assessing the suitability of the Directors' skills and experience to the Company's business, the Nomination Committee confirmed that the existing Board was appropriately structured and no change was required.

NOMINATION POLICY

The Board has adopted a nomination policy (the "Nomination Policy") with effect from 1 January 2019. The Nomination Policy aims at setting out the processes and criteria for nomination of directorships.

(I) Selection criteria

The Nomination Committee will take into account the following factors, which are not exhaustive and the Nomination Committee has the discretion to consider any other factors, in assessing the suitability of a proposed candidates is qualified for directorship.

- Character and integrity;
- Skills, knowledge and experience relevant and beneficial to the Company's business and strategy;
- Commitment in respect of available time and attention to the Company's businesses;
- Diversity perspectives with reference to the Board Diversity Policy (as amended from time to time);
- Compliance with the independence requirement as prescribed under the Rule 3.13 of the Listing Rules for the appointment of an independent non-executive Director.

(II) Nomination procedures

1. For appointment as an additional Director or to fill a casual vacancy to the Board, the Nomination Committee shall identify candidate, including, amongst others, considering referrals from the Board members, management and advisors of the Company, and evaluate the candidate based on the relevant selection criteria and undertaking of adequate due diligence in respect of such candidate to determine whether he/she is qualified for directorship. If the candidate is considered qualified, the Nomination Committee shall recommend to the Board for its consideration and approval.

2. For proposing candidate to stand for election at a general meeting, the Nomination Committee shall review the contribution made by the retiring Director and evaluate whether he/she can continue to fulfill his/her role in accordance with the relevant selection criteria and make recommendation to the Board for consideration.

3. The ultimate responsibility for selection and appointment of Directors rests with the entire Board.

4. The Board shall have the final decision on all matters relating to the recommendation of candidate to stand for election (and re-election) at a general meeting.

The terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

AUDIT COMMITTEE

The Company has set up an audit committee (the "Audit Committee") consisting of 3 independent non-executive Directors and one of them has appropriate professional qualifications or accounting or related financial management expertise. Mr. Tang Ping Sum is the chairman of the Audit Committee. No member of the Audit Committee is a member of the former or existing auditors of the Company. 3 Audit Committee meetings were held during FY2020. The work and findings of the Audit Committee has been reported to the Board. During FY2020, no issue brought to the attention of the Board was of sufficiently important to require disclosure in this report. Attendance of the members is set out in "Attendance Records at Meetings" on page 23.

According to the existing terms of reference of the Audit Committee, its major roles and functions, inter alias, are to review the half-year and annual financial statements before submission to the Board and to review the Company's statement on risk management and internal control systems and effectiveness of the internal audit. The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

On 30 March 2021, the Audit Committee reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed with the external auditors about the content of the auditor's report. The Group's consolidated financial statements for the year ended 31 December 2020 have been reviewed and approved by the Audit Committee, and the Audit Committee is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements. The Audit Committee therefore recommended the Board's approval of the Group's consolidated financial statements for the year ended 31 December 2020.

ATTENDANCE RECORDS AT MEETINGS

There were four regular Board meetings, one annual general meeting and one special general meeting held during FY2020. Additional Board meetings are held when necessary. Due notice and Board papers are given to all Directors prior to a meeting in accordance with the Listing Rules and the CG Code. The attendance records of each Director at the various meetings of the Company during FY2020 are set out below. All business transacted at the below meetings has been duly documented and is maintained in accordance with applicable laws and regulations.

	Attendance/Number of meetings held during FY2020					
	Annual general meeting	Special general meeting	Board meetings	Remuneration committee meeting	Nomination committee meeting	Audit committee meetings
Number of meetings	1	1	19	1	1	3
Executive Directors						
Ms. Qian Ling Ling	1/1	1/1	17/19	N/A	N/A	N/A
Mr. Zhang Li	1/1	1/1	19/19	N/A	N/A	N/A
Mr. Xiang Junjie	1/1	1/1	19/19	N/A	N/A	N/A
Independent Non-Executive Directors						
Mr. Tang Ping Sum	1/1	1/1	19/19	1/1	1/1	3/3
Mr. Tsui Pui Hung	1/1	1/1	19/19	1/1	1/1	3/3
Mr. Chiu Sin Nang, Kenny	1/1	1/1	19/19	1/1	1/1	3/3

AUDITORS' REMUNERATION

The fee in relation to the audit services for FY2020 provided by Grant Thornton Hong Kong Limited, the external auditor of the Company, amounted to HK$2,070,000.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

All Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2020 and of ensuring that the preparation of the consolidated financial statements of the Group is in accordance with the applicable standards and requirement.

GOING CONCERN AND MITIGATION MEASURES

Multiple uncertainties relating to going concern

The Group had accumulated losses of approximately HK$2,545,521,000 and current liabilities exceeded its current assets by approximately HK$627,061,000 as at 31 December 2020. Also, the Group had net cash outflows from operating activities of approximately HK$106,637,000 for the year ended 31 December 2020. As at the same date, the Group's total borrowings amounted to approximately HK$1,715,989,000, of which current borrowings amounted to approximately HK$1,714,914,000, while its cash and cash equivalents amounted to approximately HK$9,687,000, and restricted bank deposits amounted to approximately HK$40,800,000. In addition, as at 31 December 2020, the Group was in default in respect of principal amount of borrowings totaling approximately HK$1,349,131,000 due to the events of default of late or overdue payment of loan principal and interest during the year ended or as at 31 December 2020. These conditions, together with other matters described in note 2.1 to the consolidated 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 remediation certain delayed repayments to financial institutions, which are set out in note 2.1 to the consolidated financial statement. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) the successful negotiations with the lenders for the renewal of or extension for repayment of outstanding borrowings, including those with overdue principals and interests; (ii) the successful obtaining of additional new sources of financing as and when needed; (iii) the successful accelerating the pre-sales of properties under development; (iv) the controlling costs and containing capital expenditure so as to generate adequate net cash inflows; (v) the successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand for immediate repayment of the borrowings in default, including those with cross-default terms; and (vi) successfully managing the impact of the COVID-19 outbreak, as well as any Government's stimulus in response, on the Group's operations from time to time and adjusting its sales and marketing strategy for its property sales to generate sufficient cash flows from its operations. 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. The effects of these adjustments have not been reflected in these consolidated financial statements.

The Directors, including members of audit committee, have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of twelve months from 31 December 2020. They are of the opinion that taking into account the above-mentioned 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 31 December 2020. Accordingly, the Directors, including members of the audit committee are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

COMPANY SECRETARY

During the Year under Review, the Company engages Ms. Tsang Wing Man ("Ms. Tsang"), who is the Assistant Manager of SWCS Corporate Services Group (Hong Kong) Limited, as its company secretary. Ms. Tsang is an associate of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom, and in performing her duties as the company secretary of the Company, she reports to the Board and her primary contact person is the chief executive officer of the Company.

Ms. Tsang has confirmed that she had received no less than 15 hours of relevant professional training for FY2020.

RISK MANAGEMENT AND INTERNAL CONTROL

Goals and Objectives

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. The Board acknowledged that the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Main features of the risk management and internal control systems

The Group's risk governance structure and the main responsibilities are summarised below:

Board

- evaluates and determines the nature and extent of significant risks it is willing to take in achieving in the Group's strategic objectives;

- ensures the implementation of an effective risk management and internal control systems;

- ensures the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions; and

- oversees the management in the design, implementation and monitoring of the risk management and internal control systems.

Management

- assists the Board to perform its responsibilities of risk management and internal control systems and ensure such review cover all material controls, including financial, operational and compliance controls;

- develops the internal control audit plan and effective control activities to mitigate risks;

- identifies major and significant risks which threaten the achievement of the strategic objectives; and

- summarises the results of such risk assessment, evaluation and mitigation of the major subsidiaries and associates in risk register.

Process used to identify, evaluate and manage significant risks

The Board and the senior management led by the chief executive officer of the Company (the "Responsible Management"), with the assistance of the Internal Control & Compliance Department, are responsible for designing implementing and monitoring of the risk management and internal control systems.

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk identification

- identifies significant risks through interviewing with the management and directors of major subsidiaries and associates. "CG Code Compliance and CG Report Disclosure Questionnaire" and "Risk Identification and Management Questionnaire" are used to document the risk identified by the management and directors of major subsidiaries and associates.

Risk assessment

- performs risk assessment on the key audit matters identified by the external auditor;

- assesses and evaluates significant risks identified by the subsidiaries and associates; and

- considers the range of potential consequences and how likely those consequences are to occur.

Risk response

- evaluates and prioritises the risk identified by the major subsidiaries and associates from perspective of the Group level as a whole; and

- updates the risk register by the Responsible Management.

Risk monitoring and reporting

- performs ongoing communication of monitoring results to the Board which enables it to assess control of the Group and the effectiveness of risk management;

- presents the risk questionnaires completed by the management of selected subsidiaries and associates, risk register and Internal Control Audit Plan to the Board; and

- delivers the fact-findings report with recommendations on the review and testing of internal controls on certain operating cycles and areas performed by the internal control department to the Audit Committee and the Board.

INTERNAL AUDIT FUNCTION

The Group's risk management and internal control framework is consistent with the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) framework. The Group's internal audit function is performed by the Responsible Management who reports to the Audit Committee and the Board on a regular basis. The Responsible Management, with the assistance of internal control department, performs risk assessment process, review the Group's internal audit function and executes the internal audit plan, including performing testing of control on selected cycles in accordance with agreed upon procedures determined by the Responsible Management, for the year.

Based on the information, including the measures and actions taken by the Company as disclosed in the announcement of the Company dated 28 April 2020, submitted by the Responsible Management, the Board conducted an annual review on the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2020. The Board concluded that the risk management and internal control systems of the Group are adequate and effective in all material respects during the Year under Review.

INSIDE INFORMATION

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is fully aware of its obligations under the new Part XIVA of the Securities and Futures Ordinance, Chapter 571 and the Listing Rules. The Board has adopted a policy which contains the guidelines to the Directors, officers and relevant employees of the Company to ensure that the inside information of the Company is to be disseminated to public in an equal and timely manner in accordance with the applicable laws and regulations.

CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during the year ended 31 December 2020.

COMMUNICATION WITH SHAREHOLDERS

The Company recognises the importance in engaging in regular, effective and fair communication with its shareholders and is committed to conveying important and relevant information to the shareholders on a timely basis.

The Company strives to ensure that information is made publicly available in a prompt and timely disseminated manner. Disclosure of information is made through announcements on the Stock Exchange, the Company's annual and interim reports, press releases, as well as the Company website (http://www.keyneltd.com).

SHAREHOLDERS' RIGHTS

(i) Convening a special general meeting by shareholders

Pursuant to Bye-law 58, Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of section 74(3) of the Companies Act of Bermuda.

(ii) Putting forward proposals at general meetings

A Shareholder shall make a written requisition to the Board or the company secretary of the Company at the head office address of the Company, specifying his/her/its shareholding information, his/her/its contact details and the proposal he/she/it intends to put forward at the general meeting regarding any specified transaction/business with supporting documents.

(iii) Putting forward enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's head office in Hong Kong at Room 4101, 41/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

DIVIDEND POLICY

The Company has adopted a dividend policy ("Dividend Policy") with effect from 1 January 2019. The Dividend Policy aims to maintain sufficient reserve for future development to create stable and sustainable returns to shareholders.

According to the Dividend Policy, the declaration of dividend and the amount of dividend are subject to, including but not limit to, the following factors: (1) financial performance of the Group; (2) retained earnings and distributable reserves of the Group; (3) expected working capital requirements, capital expenditure requirements and future development plan of the Group; (4) liquidity position of the Group; (5) any restriction under the Companies Act of Bermuda, any applicable laws, rules and regulations and the Articles of Association of the Company; and (6) any other factors the Board may consider appropriate.

The Board will review the Dividend Policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it deem fit and necessary.

SCOPE AND REPORTING PERIOD

This Environmental, Social, and Governance (the "ESG") report by the Group, highlights its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by the Stock Exchange.

The principal activities of the Group include rental of property, property and hotel development, and investment in centralised heat supply. This ESG report covers the Group's overall performance in two subject areas, namely, environmental and social aspects of the business operations in the headquarters office in Causeway Bay, Hong Kong; property development in Hunan, Mainland China; and the centralised heat supply and distribution project in Dongguan, Mainland China from 1 January 2020 to 31 December 2020, unless otherwise stated.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report on for this ESG report, key stakeholders including investors, shareholders and employees have been involved in regular engagement sessions as shown in the table below to discuss and to review areas of attention which will help the business meets its potential growth and be prepared for future challenges.

Stakeholders	Engagement Channels
Shareholders	• Annual General Meetings • Special General Meetings • Email, telephone communication and corporate's website • Publication of notices, circulars, interim and annual reports
Potential Investors	• Regular meetings • Telephone conference • Email and telephone communication
Employees	• Regular meetings • Employees' survey • Staff activities
Suppliers	• Management meetings • Regular communications

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our environmental, social and governance approach and performance. Please give your suggestions or share your views with us via email at ir@keyneltd.com.

SUSTAINABILITY MISSION AND VISION

Mission

To diversify on the Group's business portfolio, create sustainable wealth and well-being to stakeholders:

- to develop centralised heat supply project, providing green energy and substantial benefits for environment, climate and health; and

- to develop property and hotel development project, establishing environmental friendly and lively society and enhance the quality of life.

VISION ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Higher standards for environmental, social and governance have been an increasing demand alongside our living standards. Not only does the Group concern meeting the needs of our generation but also the needs of our future generations, as well as sustainable development, stability and prosperity of our society. As an environmental enterprise, the Group recognises its imperative social responsibility to take lead to protect the environment and will pursue higher priority on minimising impacts on climate changes and reducing greenhouse gases emissions, especially through the centralised heat supply and distribution project.

A. Environmental

Type of emission the Group involved in the reporting period were mainly petrol, electricity, water, paper and business air travel. The business does not involve in consumption of packaging materials, production-related air, water, and land pollutions which are regulated under national laws and regulations. The Group recognises its operation that contributes to considerable amount of greenhouse gases emission and therefore strive to reduce its emission through implementing initiatives on saving natural resources.

In this ESG report, the total floor area coverage for the Group was 3,893 m^2.

1. *Greenhouse gas emission*

Scope of Greenhouse Gas Emissions	Emission Sources	Emission[1] (in tonnes of CO_2e)		Total Emission (in percentage)	
Year		**2020**	2019	**2020**	2019
Scope 1					
Direct Emission	Unleaded Petrol consumed by Company Owned Fleet	**81.77**	105.95	**19.10%**	40.88%
Scope 2					
Indirect Emission	Purchased Electricity[2]	**310.47**	117.65	**72.50%**	45.39%
Scope 3					
Other Indirect Emission	Paper Consumption	**3.91**	2.39	**0.91%**	0.92%
	Freshwater Consumption	**13.35**	8.42	**3.12%**	3.25%
	Business Air Travel	**18.72**	24.79	**4.37%**	9.56%
Total		**428.22**	259.20	**100%**	100%

Notes:

1. Emission factors were made reference to Appendix 27 of the Listing Rules and their referred documentation as set out by the Stock Exchange, unless stated otherwise.

2. Combined margin emission factor (average) of 0.88 tonnes of CO_2-e/MWh was used for purchased electricity in Mainland China.

There were 428.22 tonnes of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation in the reporting period (2019: 259.20 tonnes). The annual emission intensity was 0.100 tonnes of CO_2-e/m^3 (2019: 0.061 tonnes of CO_2-e/m^3).

2. *Direct emission*

A total of 30,226.04 litres of petrol (2019: 39,335.14 litres) was used for Group-owned vehicles in the reporting period, contributing to 81.77 tonnes (2019: 105.95 tonnes) of carbon dioxide equivalent and a total of 0.44 kg (2019: 0.58 kg) of sulphur oxides emission. Nitrogen oxides and particulate matter emissions are not reported due to lack of data, they will be included in the next reporting period.

3. *Electricity*

The electricity consumption by the Group was 352,274 kWh (2019: 144,094 kWh), with an energy intensity of 82.46 kWh/m^2 (2019: 33.73 kWh/m^2). It contributes to a total of 310.47 tonnes (2019: 117.65 tonnes) of carbon dioxide equivalent emission. The Group saves energy by:

- installing thermostat in air conditioners to allow flexible adjustment to temperature according to needs;
- keeping room temperature at 24-26 ^{o}C;
- turning off lightings when leaving office;
- switching off computers and other electronic devices when leaving office; and
- setting printers into energy-saving mode.

4. *Water*

The offices for Hunan and the centralised heat supply project in Dongguan and Hunan consumed 32,817 m^3 (2019: 20,703 m^3) of freshwater in the reporting period, contributing to 13.69 tonnes (2019: 8.42 tonnes) of carbon dioxide equivalent greenhouse gases, with a water intensity of 8.43 m^3/m^2 (2019: 4.85 m^3/m^2). The consumption of its headquarters office is managed by the office building's Management Office, respective data is not available for calculation. However, it is noteworthy that freshwater consumption of the headquarters office is insignificant.

5. *Non-hazardous waste*

The Group generates no hazardous waste in its operation. Non-hazardous waste from the Group's operation are mainly office paper.

(i) Office paper

The Group practices paper saving initiatives, such as promoting e-filing, pre-setting printer to double-sided printing, posting reminders on printers to encourage double-sided printing, and allocating collection area for used paper and envelopes so that they can be reused whenever possible. Recycling bins for wastepaper are also provided to facilitate paper recycling.

A total of 0.813 tonnes (2019: 0.497 tonnes) of paper has been used for daily office operations such as documents printing and deliverables packaging, contributing to 3.91 tonnes (2019: 2.39 tonnes) of carbon dioxide equivalent greenhouse gases.

(ii) Waste reduction initiatives

Apart from the above initiatives to reduce paper waste, the Group also look for opportunities to utilise resources and reduce waste. For example, the Group centralises stationary supply in an allocated area so that resources can be utilised effectively and reused when possible. In addition, office pantries are provided with durable and reusable dishes and tableware. Employees are encouraged to use reusable tableware and avoid disposable tableware when having meals.

6. *Business air travel*

During the reporting period, employees travelled by air for meeting potential investors and suppliers for business projects, and attending seminars, resulting in a relative total amount of 18.72 tonnes (2019: 24.79 tonnes) of CO_2 emitted. The Group encourages video conference and tele-conference in office to reduce carbon emissions.

B. Social

1. *Employment and labour practices*

(i) Employment

The Group offers competitive remuneration, promotional opportunity, compensation and benefit packages to attract and retains talents. The Group possesses a Remuneration Committee, which is responsible for Director's remuneration review. For general staff and the management, salary is reviewed on a yearly basis taking reference to the market trend, employee's qualification, experience and performance. In this ESG report, the Group had a total number of 79 employees as of 31 December 2020, all of them were working as full time staff. All employees are from Hong Kong and different provinces in Mainland China.

Employee's Age Distribution	**18-25**	**26-35**	**36-45**	**46-55**	**56 and above**
2020	15%	53%	15%	11%	6%
2019	11%	38%	16%	20%	15%

Employee's Gender Distribution	**Male**	**Female**
2020	54%	46%
2019	59%	41%

The Group complies with all applicable employment and labour laws of the People's Republic of China (the "PRC") and Hong Kong. Employees are entitled to double pay, bonus, mandatory provident fund, pension, medical insurance, life insurance, dental insurance, unemployment insurance, work-related injury insurance and maternity insurance. Various types of paid leave are also offered including annual leave, sick leave, maternity leave, paternity leave, and compassionate leave. The employment contract also set up mediation and arbitration procedures to settle any disputes.

The annual turnover rates (categorised by different age groups) in the reporting period are as follows.

Annual Turnover Rate (By Age Group)	**18-25**	**26-35**	**36-45**	**46-55**	**56 and above**
2020	45%	38%	50%	67%	20%
2019	0%	34%	71%	18%	0%

Annual Turnover Rate (By Gender)	**Male**	**Female**
2020	30%	17%
2019	26%	11%

The Group commits to ensuring a safe and healthy working environment for employees and to inspire and strengthens workforce regardless of their age, gender and ethnic backgrounds. It will continue to provide a well-structured and caring environment to employees to raise their sense of belonging and work efficiency in the Group.

(ii) Employee health and safety

The Group abides by all national regulations on labor protection, including provisions on the prevention and control of occupational diseases and the special provisions on female labor protection. Occupational health and safety guidelines established by the Group highlighted potential hazards in office and provided precautionary measures to avoid them. Regular briefing, reminders, inspection and maintenance refresh employees of the safety measures and avoid injury caused by equipment. Employees regularly participate in fire safety seminars and fire evacuation drills organised by the management office. There was no work-related fatality and lost days due to work injury in the reporting period.

Employees, who handle special equipment in the centralised heat supply project, are required to obtain safety management certificates issued by the Bureau of Quality and Technology Supervision of Dongguan City through examinations.

Occupational Health and Safety Data	2020	2019
Work-related fatality	0	0
Work injury cases >3 days	0	0
Work injury cases <3 days	0	0
Lost days due to work injury	0	0

(iii) Development and training

The Group strives to raise the awareness of occupational safety and health at work and protect employees from occupational hazards. The centralised heat supply operation and property development operation launched health and safety training courses focusing on prevention of accidents in the workplace, prevention and control of epidemic infectious diseases, first aid for accidents and natural disasters, and improvement in mental health and wellbeing. A total of 4 hours of training courses was conducted in the reporting period. 48.10% (2019: 38.82%) of the employees was trained with an average training hours of 0.11 hours (2019: 0.12 hours) per employee.

(iv) Employment communication

Performance appraisal is an essential platform for the management and frontline staff to evaluate their performances and voice their expectations to the Group's future development. Workload of employees is also reviewed and adjusted during appraisals to avoid overloading employees.

To raise employees' sense of belonging, the Group organises celebratory activities during festivals such as Chinese New Year, Mid-Autumn Festival and Christmas. Regular lunch gatherings also allow interactive communication and create harmonious relationships among employees. The Group will continue to organise various recreational activities to strengthen bonds among employees.

(v) Labour standard

No child nor forced labour in the Group's operations in the reporting period. The Group is in compliance with the Employment Ordinance, Chapter 57 of the Laws of Hong Kong in terms of employment management, while Mainland China's operation is in compliance with the Labour Law of the PRC.

All resume, original identification card and original certificate are checked by the Human Resources ("HR") Department during interview, to avoid hiring child or forced labour.

(vi) Equal opportunity

The Group puts effort in ensuring equal opportunities are given to employees in respect of recruitment, training and development, job advancement, and compensation and benefits. The employees are not discriminated against or deprived of such opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable laws in the PRC and Hong Kong. To eliminate workspace discrimination, if employees are treated unfairly or feel discriminated against by action or speech, employees can report directly to the management. The management will investigate the reported case and take corresponding stringent disciplinary actions after verification. Employees can also report directly to the Equal Opportunities Commission.

2. *Operating practices*

(i) Supply chain management

The Group possesses a just and structured procurement procedure. Suppliers are screened by email, telephone communication and meetings. Management meeting is conducted to review and select qualified suppliers based on the product price, quality and supplier's reliability. Supplier performance is regularly evaluated to ensure supply chain quality. Whistleblowing policy and system established by the Audit Committee, allowing employees, customers or suppliers to raise concerns on any improprieties related to the Group.

(ii) Product responsibility

Product and service complaints

The Group strives to provide high quality product and service to the public, it received no complaints in the reporting period.

Intellectual property rights and confidentiality

Employees are responsible to protect the Group's intellectual property including trademarks, patents, copyrights, industrial designs and inventions, and trade secrets, as agreed in their employment contract with the Group.

Confidentiality

Confidential information all knowledge of the Group affairs, secrets or information of the Group. This includes but not limited to affairs, secrets and information relating to the scope of business, personnel, operation, policies, strategies, clientele, contracts and financial position. All employees acknowledge and warrant not to disclose the above information, within and after the period of employment, by signing the employee's contract. Employees violating the confidentiality-related regulations can be dismissed. Guidelines for safety use of information and confidentiality are also included in the staff handbook.

(iii) Anti-corruption

The Group commits to managing all business without undue influence and has regarded honesty, integrity, and fairness as its core values. All Directors and employees are required to strictly follow all applicable laws on prohibiting corruption and bribery of the PRC and Hong Kong and the Group's policy to prevent potential bribery, extortion, fraud and money laundering. Gifts or entertainment from persons dealing with the Group are not allowed unless it is in the normal course of company business or approved by the Board. All conflict of interest shall be avoided and declared to the management or Directors when it exists. The Group has whistleblowing policy concerning faults in financial reporting, misconduct and corruption. When confident suspicious case is received, the Group undergoes independent investigation on the case.

C. Community

1. Community investment

The Group focuses on contributing in environmental protection, and encourages staff to participate in voluntary and community services. Its employees actively engage in programmes organised by the property management office:

(i) Red Packets Recycling Programme 2020

The Red Packets Recycling Programme promotes environmental protection while celebrating the Chinese New Year. Staff is encouraged to recycle the large quantity of used or unused red packets for recycling.

(ii) Food Angel Volunteer Services

The Group encourages staff to participate volunteer service. During the Year under Review, employees participated in volunteer activities held by Food Angel for a total of 18 hours (2019: 27 hours).

FUTURE DIRECTIONS FROM THE GROUP

The Group will continue to hold its high standards and values, and have planned to:

- enhancing energy-saving initiatives in order to reduce greenhouse gas emissions;
- providing a sound workplace for employees to build harmonious relationships; and
- increasing community investment and staff voluntary services.

The Directors have pleasure in presenting to the shareholders the Company's annual report together with the audited consolidated financial statements for FY2020.

CHANGE OF COMPANY NAME, STOCK SHORT NAME AND COMPANY WEBSITE

Subsequent to the passing of a special resolution on 15 January 2020, the name of the Company was changed from "Nine Express Limited" to "KEYNE LTD" and a new Chinese name of "金奧國際股份有限公司" was adopted for identification purpose only, to replace the existing secondary name in Chinese, namely "九號運通有限公司" with effect from 16 January 2020. The certificate of incorporation on change of name was issued by the Registrar of Companies in Bermuda on 5 February 2020. The certificate of registration of alteration of name of registered non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 10 March 2020 confirming the registration of the new English name "KEYNE LTD" of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

The shares of the Company have been traded on the Stock Exchange under the new stock short name of "KEYNE LTD" in English and "金奧國際" in Chinese, in place of "NINE EXPRESS" in English and "九號通" in Chinese, with effect from 24 March 2020. The stock code of the Company remains unchanged as "00009". The website of the Company has been changed from "http://www.nine-express.com.hk" to "http://www.keyneltd.com" and launched with effect from 13 July 2020.

PRINCIPAL ACTIVITES AND BUSINESS REVIEW

The Company is an investment holding company. The Group is principally engaged in property rental and property and hotel development in the PRC as well as centralised heat supply.

Segment analysis of the Group for FY2020 is set out in note 6 to the consolidated financial statements. A list of the Company's subsidiaries, together with their places of incorporation, form of legal entity, principal activities and particulars of their issued shares/registered share capital, are set out in note 19 to the consolidated financial statements.

A review of business of the Group during the year and its future development, and an analysis of the Group's performance during the year using financial key performance indicators as required under Schedule 5 of the Companies Ordinance are set out in the "Chairman's Statement" on page 3 to 4 and the "Management Discussion and Analysis" on pages 5 to 16 of this annual report and the analysis of the key relationships of the Group with its stakeholders are set out in the "Environmental, Social and Governance Report" on pages 29 to 38 of this annual report. The above discussions constitute part of this report of the Directors.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out in the PRC and Hong Kong while the Company itself is listed on the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in the PRC, Hong Kong and Bermuda. During the year ended 31 December 2020 and up to the date of this report, we have complied, in all material respects, with all the relevant laws and regulations in the PRC, Hong Kong and Bermuda.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of Environmental Policies and performance are set out in the "Environmental, Social and Governance Report" on pages 29 to 38 in this annual report.

KEY RISK FACTORS

There are strategic risks, operation risks, financial risks, legal risks, compliance risks and market risks in the development process of the Company identified and assessed on an on-going basis, of which:

1. Strategic risks are mainly attributable to the domestic and overseas macro-economies, overall trend of industrial structures and the scientific and sustainable standards of comparable strategies of the Company;

2. Operation risks are mainly attributable to the supervision and control procedures of each business segments involved in the daily operation and management process of the Company;

3. Financial risks are mainly attributable to the supervision and control procedures of financial system including overall fund raising activities of the Company, investment management and revenue audit;

4. Legal risks are mainly attributable to the domestic and overseas policies and the changing regulations and the internal contract management capability of the Company and related legal litigations;

5. Compliance risks are mainly attributable to failure of the Company to act in accordance with the applicable laws and regulations, which causes legal and financial impact on the Company; and

6. Market risks are mainly attributable to the business workflow including marketing management of the Company, market demand and supply and business partnership.

FINANCIAL RESULTS

The financial results of the Group for FY2020 are set out in the consolidated statement of profit or loss on page 59 of the consolidated financial statements.

The Directors do not recommend the payment of a dividend for the year.

PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTIES

Details of the movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 15 and 18 to the consolidated financial statements, respectively.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 176 of this annual report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 34 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36 to the consolidated financial statements, and in the consolidated statement of changes in equity on page 63, respectively.

BORROWINGS

Particulars of the borrowings of the Group as at 31 December 2020 are set out in note 31 to the consolidated financial statements.

CAPITALISED BORROWING COSTS

Borrowing costs capitalised by the Group during the year amounted to approximately HK$3,484,000 (2019: HK$34,584,000).

MAJOR PROPERTIES

Major properties of the Group as at 31 December 2020 are set out on page 175 of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2020, the reserve of the Company available for distribution to the shareholders amounted to Nil. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTOR AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year and up to the date of this report were:

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

In accordance with Bye-laws 87(1) and 87(2), Mr. Xiang Junjie and Mr. Chiu Sin Nang, Kenny shall retire from office by rotation at the forthcoming annual general meeting, and being eligible, offer themselves for re-election as executive/independent non-executive Director (as the case may be).

In accordance with the code provision A.4.3 of the CG Code, Mr. Tsui Pui Hung and Mr. Tang Ping Sum have served as independent non-executive Directors for over 9 years from 10 September 2007 and 1 November 2010 respectively, each of their further appointments is subject to a separate resolution to be approved by Shareholders at the AGM in each year.

The term of office of each of the independent non-executive Directors is for an initial term of one year and renewable automatically for successive terms of one year. Either the independent non-executive Director or the Company may terminate the appointment by giving to the other party at least one month's prior notice in writing. All of the independent non-executive Directors are subject to retirement by rotation in accordance with the Bye-laws.

Each of the executive Directors has entered into a service contract with the Company for an initial term of one year and all of which shall continue thereafter unless and until terminated by either party by giving to the other party not less than three months' prior written notice.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors are set out on pages 54 to 55.

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

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

LONG POSITIONS

Ordinary shares of HK$0.01 each of the Company

Name of Director	Capacity	Number of ordinary share held	Approximate percentage of the issued share capital of the Company
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 31 December 2020.

Save as disclosed above, as at 31 December 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.

SHARE OPTIONS

The Company adopted a share option scheme (the "Scheme") on 2 September 2013. The major terms of the Scheme are as follows:

1. 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.

2. The eligible grantees of the Scheme are (i) any employee 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.

3. The subscription price determined by the Board will be at least the highest of (i) the closing price of the Company's share as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

4. The maximum number of shares which may be granted under the Scheme must not exceed 10% of the total number of Company's shares in issue as at the date of approval of the Scheme unless approved from its shareholders and which must not in aggregate exceed 30% of the total number of the share issued from time to time.

5. The total number of shares issued and to be issued upon exercise of the share options (the "Options") granted (including exercised, cancelled and outstanding Options) to each Participant, within the 12-month period immediately preceding the proposed date of grant, shall not exceed 1% of the total number of Company's share in issue. Any further grant shall be subject to the shareholders' approval of the Company with such Participant and his/her associates abstaining from voting.

6. The offer of a grant of the Options may be accepted within 28 days from the date of offer, HK$1 is payable by each of the Participants to the Company on acceptance of the Options as consideration for the grant.

7. There is no minimum period for which the Options must be held before the Options can be exercised unless otherwise determined by the Board.

8. The exercise period of the Options must be less than ten years from the date of grant.

9. The Scheme shall be valid and effective until 2 September 2023.

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

				Number of share options					
	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding as at 1.1.2020	Granted during the review period	Exercised during the review period	Cancelled/ Lapsed during the review period	Outstanding as at 31.12.2020	Approximate percentage of the issued share capital of the Company %(3)
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. As at 31 December 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.

Details of movements in the Company's share options during the year are set out in note 37 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme of the Company as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company or subsisting during the year ended 31 December 2020.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year 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 year.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2020, the register of substantial shareholders and other person's maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests disclosed in "Directors' and chief executive interests and short positions in shares, underlying shares and debentures of the Company", the following persons notified the Company of their relevant interests in the ordinary shares and underlying shares of the Company:

LONG POSITIONS

Ordinary shares of HK$0.01 each of the Company

Name of shareholder	Capacity	Number of Shares held/ Number of underlying Shares held under equity interest	Approximate percentage of the issued share capital of the Company *(Note 9)*
Zhu Boheng *(Note 1)*	Interest of controlled corporation	2,073,549,197(L)	58.10%(L)
KEYNE HOLDINGS LTD	Beneficial owner	2,073,549,197(L)	58.10%(L)
Cheng Cong *(Note 2)*	Interest of controlled corporation	221,544,000(L)	6.21%(L)
Asia Glory International Development Limited	Beneficial owner	221,544,000(L)	6.21%(L)
Cheng Ngok Fai *(Note 3)*	Interest of controlled corporation	205,175,000(L)	5.75%(L)
Connected-World Group Limited	Beneficial owner	205,175,000(L)	5.75%(L)
Jovial Paradise Limited ("JP") *(Note 4, 5, 6 & 7)*	Person having a security interest in shares	173,121,000(L)	4.85%(L)
	Beneficial owner	70,796,663(L)	1.98%(L)
	Interest of controlled corporation	2,073,549,197(L)	58.10%(L)
Unicorn Star Properties Limited ("USP") *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Soaring Sky Worldwide Limited ("SSW")*(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
InfraRed NF China Real Estate Fund III L.P. ("INFCREF") *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
InfraRed NF China Investors III Limited ("INFCI") *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
InfraRed NF China Holdings Limited ("INFCH") *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
InfraRed Partners LLP ("IP") *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Charles II Realisation LLP ("CIIR") *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Vervain Consolidated Investments Limited ("VCI") *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Vervain China Development Holdings Limited ("VCDH") *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Vervain Enterprises Limited ("VE") *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Crosby Investment Holdings Inc. ("CIH") *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Chen Wai Wai Vivien *(Note 5)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Firewave Management Limited ("FM") *(Note 6)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Crown Investments Limited ("CI") *(Note 6)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Metro China Holdings Pte Ltd ("MCH") *(Note 6)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Metro Holdings Limited ("MH") *(Note 6)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Ong Jenn (Wang Zhen) *(Note 6)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Ong Sek Hian (Wang Shixian) *(Note 6)*	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Fok Hei Yu (in the capacity as joint and several receiver) *(Note 7)*	Interest of controlled corporation	2,073,549,197(L)	58.10%(L)
Kenneth Fung (in the capacity as joint and several receiver) *(Note 7)*	Interest of controlled corporation	2,073,549,197(L)	58.10%(L)
China Huarong International Holdings Limited ("CHIH")	Person having a security interest in shares	2,010,501,197(L)	56.34%(L)
Huarong Real Estate Co., Ltd ("HREC") *(Note 8)*	Interest of controlled corporation	2,010,501,197(L)	56.34%(L)
中國華融資產管理股份有限公司 *(Note 8)*	Interest of controlled corporation	2,010,501,197(L)	56.34%(L)

Notes:

1. Mr. Zhu Boheng, being the sole shareholder of KEYNE HOLDINGS LTD, is deemed to be interested in the shares in which KEYNE HOLDINGS LTD is interested.

2. Mr. Cheng Cong, being the sole shareholder of Asia Glory International Development Limited, is deemed to be interested in the Shares in which Asia Glory International Development Limited is interested.

3. Mr. Cheng Ngok Fai, being the sole shareholder of Connected-World Group Limited, is deemed to be interested in the Shares in which Connected-World Group Limited is interested.

4. Based on the form of disclosure of interest filed by JP dated 4 January 2021, JP beneficially owns 70,796,663 Shares and is interested in 173,121,000 Shares in the capacity of being a person having securities interest in these Shares and is deemed to be interested in 2,073,549,197 Shares in which KEYNE HOLDINGS LTD is interested.

5. Based on the forms of disclosure of interest filed by (a) Chen Wai Wai Vivien dated 4 January 2021 and (b) IP dated 4 January 2021, (i) JP is owned as to 56.23% by USP, which, in turn, is owned as to 78.26% by SSW; (ii) SSW is wholly-owned by INFCREF, which is managed by INFCI as its general partner; (iii) INFCI is wholly-owned by INFCH, which, in turn, is owned as to 50% by IP and 50% by VCI; (iv) the substantial shareholder or directors of IP are accustomed to act in accordance with the directors of CIIR; (v) VCI is wholly-owned by VCDH, which, in turn, is wholly-owned by VE; and (vi) VE is wholly-owned by CIH, which, in turn, is wholly-owned by Chen Wai Wai Vivien. Therefore, each of USP, SSW, INFCREF, INFCI, INFCH, IP, CIIR, VCI, VCDH, VE, CIH and Chen Wai Wai Vivien is interested in the Shares in which JP is interested under the SFO.

6. Based on the forms of disclosure of interest filed by (a) Ong Jenn (Wang Zhen) dated 4 January 2021 and (b) Ong Sek Hian (Wang Shixian) dated 4 January 2021, (i) JP is owned as to 43.77% by FM, which, in turn, is wholly-owned by CI; (ii) CI is wholly-owned by MCH, which, in turn, is wholly-owned by MH; and (iii) MH is owned as to 35.4% by Ong Jenn (Wang Zhen) and 35.4% by Ong Sek Hian (Wang Shixian). Therefore, each of FM, CI, MCH, MH, Ong Jenn (Wang Zhen) and Ong Sek Hian (Wang Shixian) is interested in the Shares in which JP is interested under the SFO.

7. Based on the forms of disclosure of interest filed by (a) Fok Hei Yu dated 31 December 2020 and (b) Kenneth Fung dated 31 December 2020, Fok Hei Yu and Kenneth Fung were appointed as joint and several receivers (the "Receivers" or each "Receiver") over all the issued shares of KEYNE HOLDINGS LTD which holds approximately 58.10% shareholding in the Company, pursuant to (i) a security agreement over the shares of KEYNE HOLDINGS LTD dated 25 June 2018 between Zhu Boheng, the ultimate beneficial owner of KEYNE HOLDINGS LTD, as mortgagor, and JP, as lender, and (ii) the deed of appointment of the Receivers dated 30 December 2020.

8. Based on the form of disclosure of interest filed by 中國華融資產管理股份有限公司 (transliterated in English as China Huarong Asset Management Company Limited, "CHAMC") dated 6 December 2018, CHIH is owned as to approximately 88.10% by HREC, which, in turn, is wholly-owned by CHAMC. Each of CHAMC and HREC is therefore deemed to be interested in the Shares in which CHIH is interested under the SFO.

9. These percentages are calculated on the basis of 3,568,790,629 shares in issue as of 31 December 2020.

10. The letter "L" denotes the person's long position in such shares and the underlying shares.

Save as disclosed above, as at 31 December 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

CONNECTED TRANSACTIONS

During the Year under Review, the Company had no connected transaction which would be required to be disclosed under the Listing Rules.

None of the related party transactions set out in note 42 to the consolidated financial statements constitutes connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

DIRECTOR'S INTEREST IN TRANSACTIONS, ARRANGEMENTS, OR CONTRACTS

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 the PRC bank (the "Entrusted Loan Agreement") for the entrusted loan of RMB500,000,000 (the "Entrusted Loan") for a term of three years commencing from the date of drawdown.

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.

In December 2020, Yangzhou Ya Tai has repaid the Entrusted Loan in full and therefore the Bank has released the pledge on the Chengdu Property under the collateral agreement.

In November 2020, the PRC bank has granted a revolving loan of approximately RMB517 million to Chengdu Zhongfa for the sole use of the Group.

Save as disclosed above and in note 42 to the consolidated financial statements, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

* *For identification purpose only*

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save for the Collateral Agreements disclosed in the section headed "Director's Interest in Transactions, Arrangements, or Contracts", no contract of significance has been entered into between the Company or any of its subsidiaries and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

CHANGES IN DIRECTORS' INFORMATION

In accordance with Rule 13.51B(1) of the Listing Rules, changes of the information of Directors required to be disclosed are set out below:

1. With effect from 30 September 2020, Mr. Chiu Sin Nang, Kenny has been appointed as an independent non-executive director of Affluent Partners Holdings Limited (Stock Code: 1466), a company listed on the Main Board of the Stock Exchange.

2. Ms. Qian has voluntarily offered to waive approximately 53.85% of monthly remuneration from January to March 2020 and 100% of monthly remuneration from April to May 2020.

3. A proposal was put forward by the Directors of the Company, for the adjustment of the directors' basic remuneration (the "Basic Remuneration") of (i) Ms. Qian and (ii) Mr. Zhang Li ("Mr. Zhang"), the executive Directors of the Company, with effect from 1 January 2021. (i) The Company has entered into a side letter supplemental to the service agreement with Ms. Qian on 1 January 2021, pursuant to which, both parties mutually agreed to adjust the Basic Remuneration of Ms. Qian from HK$130,000 per month to HK$120,000 per month on 1 January 2021. (ii) The Company has entered into a side letter supplemental to the service agreement with Mr. Zhang on 1 January 2021, pursuant to which, both parties mutually agreed to adjust the Basic Remuneration of Mr. Zhang from HK$120,000 per month to HK$110,000 per month on 1 January 2021. The Remuneration Committee considered that these were in the interest of the Company and the Group as a whole.

EMOLUMENT POLICY

The Group remunerates its employees including the Directors, based on their performances, experiences and the prevailing market rate. Other employee benefits include insurance, medical cover and subsidised training programme. Emoluments of the Directors are determined after taking into consideration of their expertise and job specifications.

The Company has adopted a share option scheme as an incentive to Directors, employees and other eligible participants, details of the scheme is set out in note 37 to the consolidated financial statements.

RETIREMENT SCHEMES

The Group operates a defined contribution Mandatory Provident Fund Scheme for employees in Hong Kong. The Group's employees in the PRC, participate in a defined contribution central pension scheme operated by the local municipal government. As at 31 December 2020, there was no forfeited contribution receivable for reduction of future contribution (2019: Nil). Particulars of these schemes are set out in note 4.15 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors has an interest in any business constituting a competing business to the Group during the year and up to the date of this report.

PERMITTED INDEMNITY PROVISION

The Bye-laws provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

The Company has maintained Directors' and officers' liabilities insurance in respect of legal actions against its Directors, directors of subsidiaries and senior management arising out of corporate activities throughout the Year under Review. The level of the coverage is reviewed annually. Throughout the year, no claim had been made against the Directors and the officers of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 15.7% and 30.9%, respectively, of the Group's total revenue for the year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 21.3% and 74.6%, respectively, of the Group's total purchases for the year.

None of the Directors, their close associates, or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) has any interest in the Group's five largest customers and suppliers.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best of the knowledge of the Board, the Company has maintained a sufficient public float throughout the Year under Review.

CONTINUING OBLIGATIONS 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 LTD, 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 Agreements.

   According to the Facility Agreement, as security for the obligations of the Company under the Facility Agreement, KEYNE HOLDINGS LTD, as the controlling shareholder of the Company, is required to execute the share charge, pursuant to which KEYNE HOLDINGS LTD 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 LTD, 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.

* *For identification purpose only*

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.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period of the Group are set out in note 47 to the consolidated financial statements.

AUDITOR

On 12 December 2018, RSM Hong Kong resigned as auditor of the Company and Grant Thornton Hong Kong Limited ("Grant Thornton") was appointed to fill the causal vacancy.

Grant Thornton, the Company's auditor, will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Grant Thornton as the Company's auditor for the ensuring year will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Zhang Li
Director

Hong Kong, 30 March 2021

Biographical Details of Directors

EXECUTIVE DIRECTORS

Ms. QIAN Ling Ling, aged 56, is the Chairman of the Board and an executive Director. She has over 11 years of experience in hotel and commercial real estate management in the People's Republic of China (the "PRC"). Ms. Qian completed a three-year part-time course at Jiangsu Provincial Cadres College* (江蘇省省級機關幹部業餘大學) (now known as Jiangsu Provincial Management Cadres College* (江蘇省省級機關管理幹部學院)), the PRC, majoring in secretarial matters in December 1988. Prior to joining the Company, Ms. Qian has been a supervisor of Jiangsu Goldenland Real Estate Development Company Limited* (江蘇金大地房地產開發有限責任公司) since October 2007 and is responsible for the management of hotel and commercial real estate.

Ms. Qian is currently the deputy chairman of Shanghai Yuxing Charity Foundation* (上海宇興愛心慈善基金會), the vice president of Nanjing Jianye Hexi CBD Chamber of Commerce* (南京建鄴河西CBD商會) and the vice president of Jiangsu Chinese Overseas Friendship Association* (江蘇海外聯誼會).

Mr. ZHANG Li, aged 32, is the Chief Executive Officer and an executive Director. He has over 6 years of experience in financial management in the PRC. Mr. Zhang graduated from Hunan University of Commerce (湖南商學院), the PRC, with a bachelor's degree in finance in June 2010. He obtained a master's degree in science, specialising in quantitative finance, from DePaul University, the USA in March 2013. Mr. Zhang has passed the fund practitioner qualification examination* (基金從業人員資格考試) of the Asset Management Association of China (中國證券投資基金業協會). Prior to joining the Company, Mr. Zhang had worked as an investment manager in BOC Expresspay Company Limited (中銀通支付商務有限公司) and was responsible for equity investment and project analysis between July 2013 and September 2015. From March 2016, Mr. Zhang has been a senior investment manager in the securities investment department of Shanghai Huahu Golden Equity Investment Fund Management Company Limited* (上海華滬金瑞股權投資基金管理有限公司).

Mr. XIANG Junjie, aged 37, is an executive Director. He has over 11 years of experience in enterprise management in the PRC. Mr. Xiang graduated with a Bachelor's Degree in Electronic Commerce from the Department of Electronic Commerce at South China University of Technology, the PRC in July 2008. Prior to joining the Company, Mr. Xiang had been the chief executive officer of Dongguan Dejin Energy Technology Limited* (東莞市德晉能源科技有限公司) since 1 January 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TSUI Pui Hung, Walter, aged 46, is an independent non-executive Director, the chairman of Nomination Committee and a member of each Audit Committee and Remuneration Committee. He is a practicing solicitor of the High Court of Hong Kong. Mr. Tsui holds the degrees of a Master in Laws from University of London, a Bachelor of Laws (with Honours) from Manchester Metropolitan University, a Bachelor of Science (with Honours) from the Chinese University of Hong Kong, a Postgraduate Certificate in Laws from University of Hong Kong and a Diploma in Translation from the Chinese University of Hong Kong. Mr. Tsui has years of management experience and is familiar with internal control issues and regulatory rules of listed companies. He was an independent non-executive director of Easy Repay Finance & Investment Limited (formerly known as Unlimited Creativity Holdings Limited) (Stock Code: 8079) from 12 June 2007 to 30 June 2014.

Mr. TANG Ping Sum, aged 64, is an independent non-executive Director, the chairman of Audit Committee and a member of each Remuneration and Nomination Committee. He obtained a bachelor degree of commerce from University of Western Australia in December 1981 and a master degree of applied finance from Macquarie University, Australia in April 1992. He is a certified practicing accountant of Australia and was a fellow member of the Hong Kong Institute of Certified Public Accountants until 2007. Mr. Tang has over 18 years' experiences in the securities industry in Hong Kong.

From March 2003 to December 2006, Mr. Tang was an independent non-executive director of Cosmopolitan International Holdings Limited (Stock Code: 120), a company listed on the Stock Exchange. He was an independent non-executive director of Elife Holdings Limited (formerly known as Sino Resources Group Limited) (Stock Code: 223), a company listed on the Stock Exchange, from 30 April 2009 to 31 December 2010; and a non-executive director of Univision Engineering Limited (AIM code: UVEL), a company listed on the Alternative Investment Market of the London Stock Exchange, from December 2005 to December 2011. He was an independent non-executive director of China Investment Development Limited (Stock Code: 204), a company listed on the Stock Exchange, from 6 April 2011 to 1 February 2014.

Mr. CHIU Sin Nang, Kenny, aged 59, is an independent non-executive Director, the chairman of Remuneration Committee and a member of each Audit Committee and Nomination Committee. He has over 24 years of experience in accounting. He has held various senior accounting and finance positions in sectors of property investment and development, information technology development business.

Mr. Chiu is a fellow member of the Hong Kong Institute of Certified Public Accountants and the CPA Australia. He received a Master of Accountancy degree from The Chinese University of Hong Kong in December, 2006, a Bachelor of Laws degree from the Peking University, the PRC in July 1998, a degree of Master of Commerce in Accounting from The University of New South Wales, Australia in May 1989, a Bachelor of Administrative Studies degree and a Bachelor of Arts (Economics) degree from the York University, Canada in June 1986 and June 1985 respectively. He is an independent non-executive director of Kingston Financial Group Limited (Stock Code: 1031), Sincere Watch (Hong Kong) Limited (Stock Code: 444) and Affluent Partners Holdings Limited (Stock Code: 1466), all companies listed on the Stock Exchange.

* *For identification purpose only*

Grant Thornton
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TO THE MEMBERS OF KEYNE LTD
(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of KEYNE LTD (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 59 to 174, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of multiple uncertainties relating to going concern described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Multiple uncertainties relating to going concern

As described in note 2.1 to the consolidated financial statements, the Group had accumulated losses of approximately HK$2,545,521,000 and current liabilities exceeded its current assets by approximately HK$627,061,000 as at 31 December 2020. Also, the Group had net cash outflows from operating activities of approximately HK$106,637,000 for the year ended 31 December 2020. As at the same date, the Group's total borrowings amounted to approximately HK$1,715,989,000, of which current borrowings amounted to approximately HK$1,714,914,000, while its cash and cash equivalents amounted to approximately HK$9,687,000, and restricted bank deposits amounted to approximately HK$40,800,000. In addition, as at 31 December 2020, the Group was in default in respect of principal amount of borrowings totaling approximately HK$1,349,131,000 due to the events of default of late or overdue payment of loan principal and interest during the year ended or as at 31 December 2020. These conditions, together with other matters described in note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

Basis for Disclaimer of Opinion *(Continued)*

Multiple uncertainties relating to going concern *(Continued)*

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 are set out in note 2.1 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) the successful negotiations with the lenders for the renewal of or extension for repayment of outstanding borrowings, including those with overdue principals and interests; (ii) the successful obtaining of additional new sources of financing as and when needed; (iii) the successful accelerating the pre-sales of properties under development; (iv) the controlling costs and containing capital expenditure so as to generate adequate net cash inflows; (v) the successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand for immediate repayment of the borrowings in default, including those with cross-default terms; and (vi) successfully managing the impact of the COVID-19 outbreak, as well as any Government's stimulus in response, on the Group's operations from time to time and adjusting its sales and marketing strategy for its property sales to generate sufficient cash flows from its operations. Should the Group fail to achieve the abovementioned 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. The effects of these adjustments have not been reflected in these consolidated financial statements.

Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Finanical Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA and to issue an auditor's report. We report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981 and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

30 March 2021

Lau Kwong Kei
Practising Certificate No.: P07578

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Continuing operations			
Revenue	7	**80,466**	39,919
Cost of sales	9	**(66,797)**	(25,943)
Gross profit		**13,669**	13,976
Other income and gains	7	**10,104**	18,006
Gain on disposal of subsidiaries		**–**	6,084
Fair value loss on investment properties	18	**(29,243)**	(14,060)
Impairment loss on investments in associates		**(250,889)**	(133,033)
Reversal of/(Impairment on) expected credit loss ("ECL") on rental receivables	22	**907**	(3,255)
Written down of properties under development	21	**–**	(33,059)
Loss on early redemption of convertible notes		**–**	(474)
Loss on disposal of investment properties		**–**	(4,377)
Impairment loss on construction in progress	15	**(68,769)**	–
Impairment loss on land use rights	17	**(7,654)**	–
Administrative expenses	9	**(69,915)**	(44,625)
Selling and marketing expenses	9	**(7,469)**	(3,222)
Operating loss		**(409,259)**	(198,039)
Finance income	8	**266**	174
Finance costs	8	**(196,539)**	(96,076)
Finance costs – net	8	**(196,273)**	(95,902)
Share of profits of associates	20	**2,957**	2,584
Loss before income tax		**(602,575)**	(291,357)
Income tax credit	11	**5,386**	1,653
Loss for the year from continuing operations		**(597,189)**	(289,704)
Discontinued operations			
Profit for the year from discontinued operations	12	**–**	754
Loss for the year attributable to owners of the Company		**(597,189)**	(288,950)
(Loss)/Earnings per share attributable to owners of the Company			
Basic	14		
– Continuing operations		**HK(16.73) cents**	HK(8.12) cents
– Discontinued operations		**–**	HK0.02 cents
		HK(16.73) cents	HK(8.10) cents
Diluted	14		
– Continuing operations		**HK(16.73) cents**	HK(8.12) cents
– Discontinued operations		**–**	HK0.02 cents
		HK(16.73) cents	HK(8.10) cents

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
Loss for the year attributable to owners of the Company	**(597,189)**	(288,950)
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	**25,566**	(14,461)
Share of other comprehensive income of associates accounted for using the equity method	**515**	(87)
Item that has been reclassified to profit or loss		
Release of exchange reserve to profit or loss on deregistration of a subsidiary	**–**	77
Other comprehensive income for the year, net of tax	**26,081**	(14,471)
Total comprehensive income for the year attributable to owners of the Company	**(571,108)**	(303,421)

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**397,281**	406,507
Right-of-use assets	16	**5,263**	10,799
Land use rights	17	**44,083**	56,630
Investment properties	18	**207,390**	223,489
Investments in associates	20	**257,790**	507,789
Deposits, prepayments and other receivables	23	**1,390**	1,271
Total non-current assets		**913,197**	1,206,485
Current assets			
Properties for sale or under development and other contract costs	21	**1,770,026**	1,542,654
Rental receivables	22	**8,101**	7,175
Deposits, prepayments and other receivables	23	**350,176**	35,296
Pledged deposits in a financial institution	24	**36,567**	760
Restricted bank deposits	25	**40,800**	11,026
Cash and cash equivalents	26	**9,687**	2,683
Total current assets		**2,215,357**	1,599,594
LIABILITIES			
Current liabilities			
Trade payables	27	**57,540**	121,376
Other payables, accruals and deposits received	28	**649,858**	311,813
Lease liabilities	29	**4,915**	5,435
Contract liabilities	30	**404,962**	94,802
Amount due to an associate	20	**7,663**	151
Borrowings	31	**1,714,914**	789,363
Tax payables		**2,566**	1,459
Total current liabilities		**2,842,418**	1,324,399
Net current (liabilities)/assets		**(627,061)**	275,195
Total assets less current liabilities		**286,136**	1,481,680

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Lease liabilities	29	**619**	5,447
Deposits received	28	**2,598**	2,436
Borrowings	31	**1,075**	624,374
Deferred tax liabilities	33	**155,315**	151,786
Total non-current liabilities		**159,607**	784,043
Net assets		**126,529**	697,637
EQUITY			
Equity attributable to owners of the Company			
Issued share capital	34	**35,688**	35,688
Reserves		**90,841**	661,949
Total equity		**126,529**	697,637

Approved by the Board of Directors on 30 March 2021 and are signed on its behalf by:

Qian Ling Ling
Director

Zhang Li
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Issued share capital HK$'000 (note 34)	Share premium HK$'000 (note 36(b)(i))	Contributed surplus HK$'000 (note 36(b)(ii))	Equity component of the convertible notes HK$'000 (note 36(b)(iii))	Exchange reserve HK$'000 (note 36(b)(iv))	Special reserve HK$'000 (note 36(b)(v))	Share options reserve HK$'000 (note 36(b)(vi))	Other reserve HK$'000 (note 36(b)(vii))	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 year	–	–	–	–	–	–	–	–	(288,950)	(288,950)
Other comprehensive income:										
Exchange differences arising on translation of foreign operations	–	–	–	–	(14,384)	–	–	–	–	(14,384)
Share of other comprehensive income of associates accounted for using the equity method	–	–	–	–	–	–	–	(87)	–	(87)
	–	–	–	–	(14,384)	–	–	(87)	–	(14,471)
Total comprehensive income for the year	–	–	–	–	(14,384)	–	–	(87)	(288,950)	(303,421)
Early redemption of convertible notes	–	–	–	(3,897)	–	–	–	–	–	(3,897)
Release upon maturity of convertible notes	–	–	–	(84,097)	–	–	–	–	84,097	–
Balance at 31 December 2019 and 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 year	–	–	–	–	–	–	–	–	(597,189)	(597,189)
Other comprehensive income:										
Exchange differences arising on translation of foreign operations	–	–	–	–	25,566	–	–	–	–	25,566
Share of other comprehensive income of associates accounted for using the equity method	–	–	–	–	–	–	–	515	–	515
	–	–	–	–	25,566	–	–	515	–	26,081
Total comprehensive income for the year	–	–	–	–	25,566	–	–	515	(597,189)	(571,108)
Balance at 31 December 2020	35,688	2,174,200	459,047	–	(19,522)	17,926	4,362	349	(2,545,521)	126,529

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before income tax			
– From continuing operations		**(602,575)**	(291,357)
– From discontinued operations	12	**–**	761
		(602,575)	(290,596)
Adjustments for:			
Finance income	8	**(266)**	(174)
Finance costs	8	**199,946**	97,574
Depreciation			
– Owned assets	15	**610**	999
– Right-of-use assets	16	**5,628**	5,078
Gain on disposal of property, plant and equipment	7	**–**	(13,839)
Gain on disposal of subsidiaries		**–**	(6,084)
Fair value loss on investment properties	18	**29,243**	14,060
Impairment loss on investments in associates		**250,889**	133,033
Impairment loss on construction in progress	15	**68,769**	–
Impairment loss on land use rights	17	**7,654**	–
(Reversal of)/Impairment on ECL on rental receivables	22	**(907)**	3,255
Written down of properties under development	21	**–**	33,059
Loss on early redemption of convertible notes		**–**	474
Loss on disposal of investment properties		**–**	4,377
Net gain on written off of amount due to a contractor		**(1,685)**	–
Share of profits of associates	20	**(2,957)**	(2,584)
		(45,651)	(21,368)
Changes in working capital:			
Increase in properties for sale or under development and other contract costs		**(119,556)**	(578,633)
Increase/(Decrease) in rental receivables		**484**	(1,029)
Increase in deposits, prepayments and other receivables		**(564,697)**	(1,688)
Increase in trade payables		**264,209**	88,271
Increase/(Decrease) in other payables, accruals and deposits received		**109,859**	(27,262)
Increase/(Decrease) in contract liabilites		**248,715**	(6,012)
Cash used in operations		**(106,637)**	(547,721)
Income taxes paid		**–**	(1,238)
Net cash used in operating activities		**(106,637)**	(548,959)

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in capital contribution to associates		(8)	(7)
Proceeds from disposal of subsidiaries		–	2,414
Proceeds from disposal of other financial assets		–	99,800
Purchase of property, plant and equipment		(27,800)	(3,360)
Proceeds from disposal of investment properties		–	12,518
Proceeds from disposal of property, plant and equipment		–	14,443
Increase in pledged deposits		(33,742)	(772)
Increase in restricted bank deposits		(27,403)	(2,665)
Interest received	8	104	42
Net cash (used in)/from investing activities		(88,849)	122,413
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance from an associate	39	6,748	–
Receipt of government grants		–	71,023
Proceeds from borrowings	39	675,117	657,640
Repayment of borrowings	39	(427,286)	(259,689)
Payment of lease liabilities	39	(5,445)	(4,521)
Interest paid on lease liabilities	39	(763)	(1,078)
Interest paid on borrowings and commitment fee	39	(23,237)	(54,483)
Net cash from financing activities		225,134	408,892
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		29,648	(17,654)
Cash and cash equivalents at beginning of year		2,683	2,862
Effect of foreign exchange rate changes, net		(22,644)	17,475
CASH AND CASH EQUIVALENTS AT END OF YEAR		9,687	2,683

1. CORPORATE INFORMATION

KEYNE LTD (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 of the Company in Hong Kong 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 secondary name in Chinese of the Company, namely "九號運通有限公司", was adopted.

The Company's ultimate holding company is KEYNE HOLDINGS LTD ("KEYNE HOLDINGS"), a company incorporated in the Cayman Islands.

The Company acts as an investment holding company. The principal activities of the Company and its subsidiaries (collectively, the "Group") consist of rental of property, property and hotel development, and investment in centralised heat supply.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the disclosure requirements of the Hong Kong Companies Ordinance. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and amended HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

2. BASIS OF PREPARATION *(Continued)*

2.1 Going concern basis

As at 31 December 2020, the Group had accumulated losses of approximately HK$2,545,521,000 (2019: HK$1,948,332,000) and the Group's current liabilities exceeded its current assets by approximately HK$627,061,000 (2019: current assets exceeded its current liabilities by approximately HK$275,195,000). For the year ended 31 December 2020, the Group had net cash outflows from operating activities of approximately HK$106,637,000 (2019: HK$548,959,000). As at the same date, the Group's total borrowings amounted to approximately HK$1,715,989,000 (2019: HK$1,413,737,000), of which current borrowings amounted to approximately HK$1,714,914,000 (2019: HK$789,363,000), while its cash and cash equivalents amounted to approximately HK$9,687,000 (2019: HK$2,683,000), and restricted bank deposits amounted to approximately HK$40,800,000 (2019: HK$11,026,000).

As at 31 December 2020, certain borrowings whose principal amounts of approximately HK$227,321,000 and interest payable amounts of approximately HK$156,427,000, relating to borrowings with a total principal amounts of approximately HK$1,349,131,000 ("Overdue Borrowings") were overdue. The aggregate principal amount of the aforementioned borrowings of approximately HK$1,349,131,000 would be immediately repayable if requested by the lenders. This amount included borrowings of approximately HK$726,305,000 with original contractual repayment dates beyond 31 December 2021 have been reclassified as current liabilities as at 31 December 2020 (note 31).

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

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;

(ii) The Group will seek to accelerate the pre-sales of its properties under development including remaining units of property projects and saleable car parks. The properties from Xiangtan Project is expected to give further substantial sales for 2021. Overall, the Group expects to gradually launch a major project upon obtaining the pre-sales permits starting from the second quarter of 2021;

(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; and

(iv) In light of the COVID-19 outbreak, the Group is closely monitoring the latest development and will continue to assess the impact of the epidemic, as well as any government's stimulus in response, on the Group's operations from time to time and adjust its sales and marketing strategy for its property sales to generate sufficient cash flows from its operations.

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 not less than twelve months from 31 December 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 31 December 2020. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Subsequent to 31 December 2020, the Group has repaid loan principal of approximately HK$106,175,000 and interest of approximately HK$116,806,000 of the Overdue Borrowings up to the date of this report. The Group is in active negotiation with all the lenders in respect of the Overdue Borrowings for renewal and extension of the relevant borrowings and the directors are confident that agreements will be reached in due course.

2. BASIS OF PREPARATION *(Continued)*

2.1 Going concern basis *(Continued)*

Because of the aforementioned actions taken, management is confident that the lenders of the borrowings in respect of which there were delays in principal and interest repayments will not enforce their rights of requesting for immediate repayment.

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 year 2021 for those borrowings that (a) are scheduled for repayment (either based on the original agreements or the existing arrangements) in year 2021; (b) were overdue as at 31 December 2020 because of the Group's failure to repay either the principal or the interests on or before the scheduled repayment dates; and (c) became or might become overdue in year 2021;

(ii) 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;

(iii) Successful obtaining of additional new sources of financing as and when needed;

(iv) Successfully accelerating the pre-sales of properties under development; and controlling costs and containing capital expenditure so as to generate adequate net cash inflows; and

(v) Successfully managing the impact of the COVID-19 outbreak, as well as any government's stimulus in response, on the Group's operations from time to time and adjusting its sales and marketing strategy for its property sales to generate sufficient cash flows from its operations.

Should the Group fail to achieve the abovementioned 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.

3. ADOPTION OF NEW AND AMENDED HKFRSs

3.1 Amended HKFRSs that are effective for annual periods beginning or after 1 January 2020

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2020:

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

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

3.2 Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated 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 and related amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[5]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
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[6]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020[2]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[5]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 Effective date not yet determined
5 Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022
6 Effective for annual periods beginning on or after 1 June 2020

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 consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties which are stated at fair values. The measurement bases are fully described in the accounting policies below.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

4.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated exchange reserve relating to that subsidiary.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.1 Basis of consolidation *(Continued)*

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, unless the investments are classified as held for sale (or included in a disposal group that is classified as held for sale).

4.2 Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal.

Any impairment is recognised immediately as an expense and is not subsequently reversed.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.3 Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and consolidated statement of other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.4 Foreign currency translation *(Continued)*

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the exchange reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated statement of profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.5 Property, plant and equipment

Property, plant and equipment (other than construction in progress as described below and cost of right-of-use assets as described in note 4.8) are initially recognised at acquisition cost, manufacturing cost (including any cost directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management). They are subsequently stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line basis, at the following rates per annum:

Furniture and fixtures	20%
Leasehold improvements	Over the shorter of the lease terms or 20%
Motor vehicles	10% – 25%
Plant, machinery and equipment	10% – $33^1/_3$%

Accounting policy for depreciation of right-of-use assets is set out in note 4.8.

Estimates of residual value and useful life are reviewed, and adjusted if appropriate, at each reporting date.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 4.8) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

On initial recognition, investment property is measured at cost, and subsequently at fair value, unless fair value cannot be reliably determined at that time.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised at the reporting date reflect the prevailing market conditions at the reporting date.

When the use of a property changes such that it is reclassified as property, plant and equipment or properties held for sale, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in profit or loss in the period in which they arise.

4.7 Land use rights

"Land use rights" (which meet the definition of right-of-use assets) represent the upfront payment for long-term land lease in which the payment can be reliably measured. It is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight line basis over the term of the lease/right-of-use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Leases

(a) Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration".

To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Leases *(Continued)*

(a) Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Leases *(Continued)*

(a) Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee *(Continued)*

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less. Low value assets comprise an office equipment, a staff's quarter located in the PRC and a staff's vehicle.

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

On the consolidated statement of financial position, right-of-use assets have been presented separately under non-current assets. The prepaid lease payments for leasehold land are presented as "Land use rights" under non-current assets.

(b) The Group as lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Properties for sale or under development and other contract costs

(i) Properties for sale or under development

Properties for sale or under development are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments (which meet the definition of right-of-use assets of HKFRS 16 and represent the upfront payment for long-term land lease in which the payment can be reliably measured), construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

On completion, the properties under development are reclassified to properties for sale at the carrying amount.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as properties for sale or under development (see note 4.9(i)) or property, plant and equipment (see note 4.5).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained, e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as properties for sale or under development or property, plant and equipment are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Properties for sale or under development and other contract costs *(Continued)*

(ii) Other contract costs (Continued)

The Group applies the practical expedient in paragraph 94 of HKFRS 15 and recognises the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting periods as the date of entering into the contract.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 4.14.

4.10 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets but has not retained control on the financial assets.

Financial liabilities are derecognised when the obligation specified in the relevant contract is extinguished, discharged, cancelled or expires.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Financial instruments *(Continued)*

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss.

The Group classified its financial assets into (i) amortised cost; (ii) FVTPL; or (iii) fair value through other comprehensive income ("FVOCI"). The classification is determined by both (i) the entity's business model for managing the financial asset; and (ii) the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for expected credit losses ("ECL") of rental receivables which is presented separately on the consolidated statement of profit or loss namely "impairment loss on ECL of rental receivables".

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost
Financial asset are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

– they are held within a business mode whose objective is to hold the financial assets and collect its contractual cash flows; and

– the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income in the consolidated statement of profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, restricted bank deposits, pledged deposits in a financial institution, rental receivables and other receivables fall into this category of financial instruments.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Financial instruments *(Continued)*

Financial assets (Continued)

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group elects to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income and accumulated in "fair value reserve – non-recycling" in equity. Such elections are made on an instrument-by-instrument basis, but only be made if the investment meets the definition of equity from the issuer's perspective.

The equity instruments at FVOCI are not subject to impairment assessment. The cumulative gain or loss in "fair value reserve – non-recycling" will not be reclassified to profit or loss upon disposal of the equity investments, and will be transferred to accumulated losses.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Financial instruments *(Continued)*

Financial liabiliites

Classification and measurement of financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability under HKFRSs. The Group's financial liabilities include trade payables, other payables and accruals, amount due to an associate, borrowings and lease liabilities.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the consolidated statement of profit or loss are included within finance costs or finance income.

Accounting policies of lease liabilities are set out in note 4.8.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Financial instruments *(Continued)*

Financial liabiliites (Continued)

Classification and measurement of financial liabilities *(Continued)*

Convertible notes

Convertible notes which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound financial instruments consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible notes and the fair value assigned to the liability component, representing the embedded option for the holder to convert the notes into equity of the Group, is included in equity as "equity component of the convertible notes". The liability component is subsequently carried at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on their relative carrying amounts at the date of issue. The portion related to the equity component is charged directly to equity.

When the convertible notes are matured, the convertible notes reserve is released directly to accumulated losses.

Trade and other payables and accruals and amount due to an associate

Trade and other payables and accruals and amount due to an associate are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Impairment of financial assets

HKFRS 9's impairment requirements use more forward-looking information to recognise ECL – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and rental receivables.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

ECLs are measured on either of the following bases:

– 12-month ECL: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECL: these are losses that are expected to result from all possible default events over the expected life of the items to which the ECL model applies.

In applying this forward-looking approach, a distinction is made between:

– financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and

– financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Impairment of financial assets *(Continued)*

Rental receivables

The Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. The ECL on rental receivables are assessed individually based on the Group's past experience of collecting payments, observable changes in economic conditions that correlate with default on receivables, and/or adjusted for forward-looking factors.

Other financial assets measured at amortised cost

The Group measeures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

- an actual or expected significant deterioration in the operating results of the debtor.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Impairment of financial assets *(Continued)*

Other financial assets measured at amortised cost (Continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Detailed analysis of the ECL assessment of rental receivables and other financial assets measured at amortised cost are set out in note 45(c).

4.12 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 4.14). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 4.10).

For a single contract with customers, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 4.14).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

4.14 Revenue recognition

Revenue represents the net invoiced value of film rights licensed; the value of services rendered; sale of properties and rental income received and receivable from its investment property less value-added tax during the year.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when/as performance obligations are satisfied

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Further details of the Group's revenue and other income recognition policies are as follows:

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.14 Revenue recognition *(Continued)*

Revenue from sale of properties

Revenue is measured based on the consideration specified in a contract with a customer and recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the control of the completed property and the Group has present right to payment and the collection of the consideration is probable.

For contract where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a significant financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

Deposits and instalments received from purchasers prior to delivery of the properties to the customers are contract liabilities.

Revenue from film distribution and licensing

Revenue from the licensing of the distribution and broadcasting rights over films and television series is recognised, when the Group's entitlement to such payments has been established which, subject to the terms of the relevant agreements, is usually upon delivery of the film negatives to the customers.

Revenue from film processing

Revenue from the provision of film processing services is recognised, when the services are provided.

Rental income

Rental income from investment property is recognised in the consolidated statement of profit or loss on a straight-line basis over the term of the lease.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.14 Revenue recognition *(Continued)*

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

Dividend income

Dividend income is recognised, when the shareholder's right to receive payment has been established.

4.15 Employee benefits

Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all eligible employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.16 Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

4.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.18 Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

– income or loss excluding reversals of temporary differences; and

– reversals of existing temporary differences.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.18 Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4.19 PRC land appreciation tax ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. LAT is recognised as an income tax expense. LAT paid is a deductible expense for PRC Enterprise Income tax ("EIT") purposes.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 Impairment of non-financial assets

The carrying amounts of non-financial assets (including property, plant and equipment, right-of-use assets, investments in associates, other contract costs, land use rights and the Company's investments in subsidiaries) are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

Impairment losses for CGUs are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Corporate assets are allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified. Subsequent increases in the recoverable amount caused by the favourable changes in estimates are credited to profit or loss to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, that they reverse the impairment, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.21 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.22 Share capital

Ordinary shares are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.23 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

(i) has control or joint control over of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the construction of assets are included in other payables as "deferred government grants" in the consolidated statement of financial position and are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Government grants relating to income is presented in gross under "other income and gains" in the consolidated statement of profit or loss.

4.25 Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale. The component comprises operations and cash flows that can be clearly distinguished from the rest of the Group and represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount in the consolidated statement of profit or loss comprising the total of: (i) the post-tax profit or loss of discontinued operations and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

4.26 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined by the Groups major product and service lines.

5. CRITICAL JUDGMENTS AND KEY ESTIMATES

5.1 Critical judgments in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgments that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Going concern consideration

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgment that has the most significant effect on the amounts recognised in the consolidated financial statements. The assessment of the going concern assumption involves making a judgment by the directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt upon the going concern assumption are set out in note 2.1 to the consolidated financial statements.

(b) Classification of investment

Determining whether an investment in another entity should be classified as an investment in an associate requires judgment. Management considers all aspects of the relationship between the investor and the investee in order to determine whether the Group has significant influence over the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Management has performed an assessment and considered the current accounting treatments for its associates to be appropriate.

Ever-Grand Development Limited ("Ever-Grand") and Shanghai Jiaguan Tianqi Investment Centre (Limited Partnership) ("Shanghai Jiaguan"/the "Partnership") are accounted for as associates since the Group has significant influence on but no control or joint control over these entities. As the majority of the directors of Ever-Grand are nominated by the respective major shareholders, the Group does not control or joint control over Ever-Grand. For Shanghai Jiaguan, the Group has participated in policy-making processes through its voting right that contributes to significant influence on the Partnership.

5. CRITICAL JUDGMENTS AND KEY ESTIMATES *(Continued)*

5.1 Critical judgments in applying accounting policies *(Continued)*

(c) *Provision of contingent withholding EIT*

As described in notes 20 and 43 to the consolidated financial statements, the Group acquired 49% equity interest in Ever-Grand and its PRC subsidiaries during 2016, but had not yet reported the relevant transaction to the PRC tax authorities. The relevant PRC tax laws and regulations would enable the PRC tax authorities to impose a penalty of 50% to 3 times of the unpaid EIT.

After consulting PRC legal counsel, the directors are of the opinion that the Group has already substantially withheld the EIT and made adequate provision for the non-withheld portion, thereby containing the risk of penalty to reasonably low level.

The directors conclude that it is not probable that the Group will be required to pay the penalty and no provision in relation to any penalty is necessary as at 31 December 2020 and 2019. As a result, the directors classify the potential penalty as contingent liabilities and disclose as such in note 43.

(d) *Legal title of properties under development*

As stated in note 21 to the consolidated financial statements, as at 31 December 2020, the Group fails to develop a parcel of land in accordance with the prescribed period of time stipulated in land grant agreements, the vendor of the land (the "Land Vendor") can issue an order to confiscate the land whilst imposing certain penalties to the Group. Due to incomplete resident relocation compensation process caused by the government and the Group is struggle to develop part of land during the year by obtaining the construction permits from government authority, the governing agent of the relevant land has not yet launched the idle land investigation process. Based on the Group's PRC legal counsel, the directors are of the opinion that the risk of the relevant land being classified as idle land and/or subject to penalty by the relevant government agent is relatively low. The directors consider no penalty provision in respect of land is required to be recognised as at 31 December 2020 and 2019.

(e) *Determination of the discount rate in lease contracts*

In determining the discount rate, the Group is required to exercise considerable judgment in relation to determining the discount rate taking into account the nature of the underlying assets and the terms and conditions of the leases the commencement date.

5. CRITICAL JUDGMENTS AND KEY ESTIMATES *(Continued)*

5.2 Key source of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Estimation of fair value of investment properties

The fair value of investment properties are determined by using direct comparison approach with discount on asking price, tenure, size and existing tenancy. Details of the judgment and assumptions have been disclosed in note 46(c).

The carrying amount of investment properties as at 31 December 2020 is HK$207,390,000 (2019: HK$223,489,000).

(b) Useful life and depreciation of property, plant and equipment

Management determines the estimated useful life, and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful life of property, plant and equipment of similar nature and functions and with reference to the industry practices. It may also change significantly as a result of technical innovations and competitor actions in response to industry cycles.

Management will increase the depreciation charges where useful life are less than previously estimated life, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

The carrying amount of property, plant and equipment as at 31 December 2020 is HK$397,281,000 (2019: HK$406,507,000).

5. CRITICAL JUDGMENTS AND KEY ESTIMATES *(Continued)*

5.2 Key source of estimation uncertainty *(Continued)*

(c) Impairment of property, plant and equipment and land use rights

The Group assesses annually whether property, plant and equipment and land use rights have any indication of impairment. The recoverable amounts, if required, are determined based on value-in-use calculations or market valuations. These calculations require the use of judgment and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and affecting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of profit or loss.

Provision for impairment of property, plant and equipment and land use rights amounted to HK$68,769,000 (2019: HK$Nil) and HK$7,654,000 (2019: HK$Nil) respectively, is made for the year ended 31 December 2020.

5. CRITICAL JUDGMENTS AND KEY ESTIMATES *(Continued)*

5.2 Key source of estimation uncertainty *(Continued)*

(d) Net realisable value of properties for sale or under development

The Group writes down properties for sale or under development to their net realisable value based on assessment of the realisability of these properties.

Net realisable value for properties for sale or under development takes into account cost to completion based on management's experience and net sales value based on prevailing market conditions. If there is an increase in cost to completion or a decrease in net sales value, the net realisable value will decrease which may result in writing down properties for sale or under development to net realisable value.

Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value of properties for sale or under development is adjusted in the period in which such estimate is changed.

No impairment is made for the year ended 31 December 2020 (2019: properties under development written down of HK$33,059,000 is made for the year ended 31 December 2019).

(e) Impairment of rental receivables

Management regularly reviews the recoverability and/or aging of rental receivables. Appropriate impairment for estimated irrecoverable amounts is recognised in the consolidated statement of profit or loss when there is objective evidence that the asset is impaired.

In determining whether there is objective evidence of impairment loss, the Group's management determines the provision for impairment of rental receivables on a forward-looking basis and the expected lifetime losses are recognised from initial recognition of the assets. The ECL on rental receivables are assessed individually based on the Group's past experience of collecting payments, observable changes in economic conditions that correlate with default on receivables, and/or adjusted for forward-looking factors. In making the judgment, management considers available reasonable and supportable forward-looking information such as actual or expected significant changes in the operating results of tenants, actual or expected significant adverse changes in business and tenants' financial position. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed by the Group's management.

As at 31 December 2020, provision for impairment of rental receivables amounted to HK$7,939,000 (2019: HK$8,345,000).

5. CRITICAL JUDGMENTS AND KEY ESTIMATES *(Continued)*

5.2 Key source of estimation uncertainty *(Continued)*

(f) Impairment of investment in associates

At the end of each reporting period, the Group reviews internal and external sources of information to identify indicators that the Group's investment in associates may be impaired.

The recoverable amounts of the investments in associates are the higher of value-in-use and fair value less costs of disposal. In determining value-in-use, an entity estimates either: (a) its share of the present value of the estimated future cash flows expected to be generated by the associates and proceeds on disposal, or (b) the present value of estimated future cash flows expected to arise from dividends to be received and proceeds on disposal. Any impairment loss is recognised by writing down the investments in associates.

Impairment loss of HK$250,889,000 (2019: HK$133,033,000) for investments in associates is made for the year ended 31 December 2020.

(g) Income taxes (including LAT)

The Group is subject to income taxes mainly in statutory jurisdictions of Hong Kong and the PRC. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

During the years ended 31 December 2020 and 2019, income tax of HK$5,386,000 (2019: HK$1,653,000) was credited to profit or loss based on the estimated profit from the Group's operations.

6. SEGMENT INFORMATION

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

During the year ended 31 December 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.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before income tax. The profit/(loss) before income tax is measured consistently with the Group's profit/(loss) before income tax except that finance income, finance costs, as well as head office and corporate expenses, and certain other income are excluded from such measurement.

Segment assets exclude restricted bank deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a Group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities as these liabilities are managed on a Group basis.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

6. SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2020

	Property rental HK$'000	Property and hotel development HK$'000	Centralised heat supply HK$'000	Total HK$'000
Segment revenue:				
External revenue from contracts with customers by timing of revenue recognition				
– Point in time	–	64,768	–	64,768
External revenue from other sources	15,698	–	–	15,698
Total revenue	15,698	64,768	–	80,466
Segment results	(235,214)	(116,931)	(34,889)	(387,034)
Unallocated corporate expenses				(19,268)
Finance income				266
Finance costs				(196,539)
Loss before income tax				(602,575)
Income tax credit				5,386
Loss for the year				(597,189)

6. SEGMENT INFORMATION *(Continued)*

As at 31 December 2020

	Property rental HK$'000	Property and hotel development HK$'000	Centralised heat supply HK$'000	Unallocated HK$'000	Total HK$'000
Assets and liabilities:					
Segment assets	218,024	2,595,898	–	56,842	2,870,764
Investments in associates	678	–	257,112	–	257,790
Segment liabilities	352,101	1,855,732	–	794,192	3,002,025
Other segment information:					
Capital expenditure					
– Owned assets	–	27,773	–	27	27,800
Depreciation					
– Owned assets	243	112	–	255	610
– Right-of-use assets	1,737	–	–	3,393	5,130
Fair value loss on investment property	29,243	–	–	–	29,243
Impairment loss on investments in associates	213,059	–	37,830	–	250,889
Impairment loss on construction in progress	–	68,769	–	–	68,769
Impairment loss on land use rights	–	7,654	–	–	7,654
Share of profits of associates	–	–	2,957	–	2,957

6. SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2019

	Property rental HK$'000	Property and hotel development HK$'000	Centralised heat supply HK$'000	Total HK$'000
Segment revenue:				
External revenue from contracts with customers by timing of revenue recognition				
– Point in time	–	23,313	–	23,313
External revenue from other sources	16,606	–	–	16,606
Total revenue	16,606	23,313	–	39,919
Segment results	(15,676)	(47,722)	(130,457)	(193,855)
Unallocated corporate expenses				(1,600)
Finance income				174
Finance costs				(96,076)
Loss before income tax				(291,357)
Income tax credit				1,653
Loss for the year				(289,704)

6. SEGMENT INFORMATION *(Continued)*

As at 31 December 2019

	Property rental HK$'000	Property and hotel development HK$'000	Centralised heat supply HK$'000	Unallocated HK$'000	Total HK$'000
Assets and liabilities:					
Segment assets	234,896	2,039,846	–	23,548	2,298,290
Investments in associates	216,327	–	291,462	–	507,789
Segment liabilities	67,647	1,311,359	–	729,436	2,108,442
Other segment information:					
Capital expenditure					
– Owned assets	–	34,577	–	37	34,614
– Right-of-use assets	4,761	–	–	11,177	15,938
Depreciation					
– Owned assets	299	155	–	449	903
– Right-of-use assets	1,752	–	–	3,326	5,078
Written down on properties under development	–	33,059	–	–	33,059
Fair value loss on investment properties	14,060	–	–	–	14,060
Impairment loss on investments in associates	–	–	133,033	–	133,033
Share of profits of associates	–	–	2,584	–	2,584

6. SEGMENT INFORMATION *(Continued)*

(a) Geographical information

2020

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Revenue	**–**	**80,466**	**80,466**
Non-current assets (other than financial instruments)	**4,209**	**907,598**	**911,807**
Capital expenditure	**27**	**27,773**	**27,800**

2019

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Revenue	27	39,892	39,919
Non-current assets (other than financial instruments)	8,329	1,196,885	1,205,214
Capital expenditure	11,214	39,338	50,552

(b) Information about major customers

The Group's customer base include one (2019: one) customer in the property rental segment with whom transaction has exceed 10% of the Group's total revenue. Revenue from this customer amounted to approximately HK$12,620,000 (2019: HK$12,732,000) during the year ended 31 December 2020.

7. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of sales of properties and rental income received and receivable from its investment properties less value-added tax during the year.

	Note	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers			
Sales of properties		**64,768**	23,313
Revenue from other sources			
Property rental income		**15,698**	16,606
		80,466	39,919
Other income and gains			
Gain on disposal of property, plant and equipment		**–**	13,839
Government grants – Employment Support Scheme subsidies	(i)	**605**	–
Net foreign exchange gain		**7,388**	–
Others		**2,111**	4,167
		10,104	18,006

Note:

(i) During the year ended 31 December 2020, the Group received funding support amounting to approximately HK$605,000 from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

8. FINANCE COSTS – NET

	2020 HK$'000	2019 HK$'000
Finance costs:		
Interest on bank borrowings wholly repayable within five years	**12,868**	24,112
Interest on other borrowings	**151,792**	101,413
Interest on convertible notes	**–**	5,555
Finance charges on lease liabilities	**763**	1,078
Significant financing component of contract liabilities	**38,007**	–
Foreign exchange difference, net	**(3,407)**	(1,498)
	200,023	130,660
Less: amounts capitalised on qualifying assets	**(3,484)**	(34,584)
Total finance costs	**196,539**	96,076
Finance income:		
Interest income on short-term bank deposits	**(104)**	(42)
Interest income from financial assets measured at amortised cost	**(162)**	(132)
Total finance income	**(266)**	(174)
Finance costs – net	**196,273**	95,902

Borrowing costs of the loans used to finance the property development projects of the Group have been capitalised at a capitalisation rate of 8.55% (2019: 8.55%) during the year.

9. EXPENSES BY NATURE

	2020 HK$'000	2019 HK$'000
Employee benefit expenses (excluding directors' remuneration):		
Wages and salaries	13,678	16,111
Pension costs – defined contribution plans and social security costs (note)	442	809
	14,120	16,920
Lease charges:		
Short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16 on 1 January 2019	49	614
Leases of low value items	327	290
Total lease charges	376	904
Depreciation:		
Owned assets (note 15)	610	903
Right-of-use assets (note 16)^	5,130	4,580
Total depreciation	5,740	5,483
Directors' remuneration (note 10(a))	3,585	4,187
Auditors' remuneration	1,890	1,931
Cost of properties sold (note 21)*	64,267	23,313
Direct operating expenses of investment property that generate rental income*	2,530	2,630
Professional fees	6,113	5,859
Compensation to a contractor (note 43(ii))	30,829	–
Selling and marketing expenses	7,469	3,222
Others	7,262	9,341
Total cost of sales, administrative expenses and selling and marketing expenses	144,181	73,790

Note: No forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

* The cost of properties sold and direct operating expense of investment property that generate rental income for the year are included in "cost of sales" of the consolidated statement of profit or loss.

^ The depreciation of a right-of-use asset of approximately HK$498,000 (2019: HK$498,000) are included in "wages and salaries" as the right-of-use asset is a staff quarter provided by the Group to its employees.

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS AND INTEREST OF DIRECTORS

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

(a) Directors' and chief executive's emoluments

	2020 HK$'000	2019 HK$'000
Fees	312	312
Other emoluments:		
Salaries and allowances	3,255	3,857
Pension costs – defined contribution plans	18	18
	3,585	4,187

2020

	Fees HK$'000	Salaries and allowances HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive Directors:				
Mr. Xiang Junjie	–	600	18	618
Ms. Qian Ling Ling	–	1,155	–	1,155
Mr. Zhang Li	–	1,500	–	1,500
	–	3,255	18	3,273
Independent Non-Executive Directors:				
Mr. Tsui Pui Hung	120	–	–	120
Mr. Tang Ping Sum	96	–	–	96
Mr. Chiu Sin Nang, Kenny	96	–	–	96
	312	–	–	312
	312	3,255	18	3,585

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS AND INTEREST OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

2019

	Fees HK$'000	Salaries and allowances HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive Directors:				
Mr. Xiang Junjie	–	600	18	618
Ms. Qian Ling Ling	–	1,560	–	1,560
Mr. Zhang Li	–	1,697	–	1,697
	–	3,857	18	3,875
Independent Non-Executive Directors:				
Mr. Tsui Pui Hung	120	–	–	120
Mr. Tang Ping Sum	96	–	–	96
Mr. Chiu Sin Nang, Kenny	96	–	–	96
	312	–	–	312
	312	3,857	18	4,187

Ms. Qian Ling Ling, a director of the Company, waived her emoluments of HK$470,000 (2019: HK$Nil) during the year.

No emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2019: nil).

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS AND INTEREST OF DIRECTORS *(Continued)*

(b) Emoluments of five-highest paid individuals

In 2020, the five individuals whose emoluments were the highest in the Group included two (2019: two) directors whose emoluments are reflected in the analysis presented in note 10(a). The emoluments payable to the remaining three (2019: three) individuals during the year are as follows:

	2020 HK$'000	2019 HK$'000
Salaries and allowances	3,145	3,713
Pension costs – defined contribution plans	115	167
	3,260	3,880

The emoluments of the three (2019: three) individuals with the highest emoluments are within the following bands:

	2020	2019
Emolument bands (in HK dollar)		
HK$1,000,001 – HK$1,500,000	3	2
HK$1,500,001 – HK$2,000,000	–	1

11. INCOME TAX CREDIT

	2020 HK$'000	2019 HK$'000
Current tax – PRC		
Charge for the year	953	91
Deferred tax (note 33)	(6,339)	(1,744)
Total tax credit	(5,386)	(1,653)

No provision for Hong Kong Profit tax is required since the Group has no estimated assessable profit in Hong Kong.

The applicable tax rate for the Group's operations in 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.

11. INCOME TAX CREDIT *(Continued)*

A reconciliation of the income tax credit applicable to loss before income tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax credit is as follows:

	2020	2019
	HK$'000	HK$'000
Loss before income tax	**(602,575)**	(291,357)
Tax at the statutory tax rates	**(142,790)**	(57,311)
Tax effects of:		
– Expenses not deductible for tax purposes	**126,413**	44,921
– Income not subject to tax	**–**	(4,676)
– Tax losses for which no deferred income tax asset was recognised	**11,556**	15,102
– Associate's results reported net of tax	**(488)**	(426)
– Temporary difference not recognised	**(77)**	(47)
– Release of deferred income tax assets relating to temporary difference	**–**	784
Total tax credit	**(5,386)**	(1,653)

The weighted average effective tax rate was 23.7% (2019: 19.7%).

12. DISCONTINUED OPERATIONS

Pursuant to the a sales and purchase agreement dated 29 April 2019, the Group has disposed of the entire issued share capital of Mandarin International Motion Picture Holdings Limited, which carried out the Group's film distribution and licensing 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 licensing and film processing segments are accounted for as a discontinued operation in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019.

The profit for the period from 1 January 2019 to 29 April 2019 from discontinued operations (i.e. film distribution and licensing and film processing) included in the consolidated statement of profit or loss are set out below.

12. DISCONTINUED OPERATIONS *(Continued)*

	For the period from 1 January 2019 to 29 April 2019 HK$'000
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 period from 1 January 2019 to 29 April 2019, the discontinued operations paid cash flows of HK$1,422,000 in respect of operating activities and contributed cash flows of HK$258,000 in respect of financing activities.

Profit for the period from 1 January 2019 to 29 April 2019 from discontinued operations has been arrived at after charging:

	For the period from 1 January 2019 to 29 April 2019 HK$'000
Auditor's remuneration	35

Directors' and chief executive's remuneration, disclosed pursuant to the applicable Listing Rules and Companies Ordinance for the year ended 31 December 2019 is HK$Nil.

13. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

14. (LOSS)/EARNINGS PER SHARE

(a) Basic loss per share

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

	2020 HK$'000	2019 HK$'000
(Loss)/Profit for the year attributable to owners of the Company		
– Continuing operations	(597,189)	(289,704)
– Discontinued operations	–	754
	(597,189)	(288,950)

Number of shares (in thousand)	2020	2019
Weighted average number of ordinary shares for the purpose of basic loss per share	3,568,791	3,568,791

	2020	2019
(Loss)/Earnings per share attributable to owners of the Company		
Basic		
– Continuing operations	HK(16.73) cents	HK(8.12) cents
– Discontinued operations	–	HK0.02 cents
	HK(16.73) cents	HK(8.10) cents

(b) Diluted loss per share

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.

For the year ended 31 December 2020, the Company had one category of dilutive potential ordinary shares, being the share options.

For the year ended 31 December 2019, the Company had two categories of dilutive potential ordinary shares, being the share options and convertible notes.

For share options, as the exercise price of the share options granted by the Company was higher than the average market price of the Company's shares for the years ended 31 December 2020 and 2019, the outstanding share options had no dilutive effect on loss per share. Therefore, diluted loss per share for the years ended 31 December 2020 and 2019 equals to basic loss per share.

14. (LOSS)/EARNINGS PER SHARE *(Continued)*

(b) Diluted loss per share *(Continued)*

For the year ended 31 December 2019, the convertible notes were assumed to have been converted into ordinary shares, and the net loss was adjusted to eliminate the interest expense less the tax effect. Potential ordinary shares arising from the assumed conversion of convertible notes were not included in the calculation of diluted loss per share because they were anti-dilutive for the year ended 31 December 2019. The convertible notes were cancelled on 30 September 2019 in respect of the non-fulfillment of the profit guarantee.

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Leasehold land and buildings HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Plant, machinery and equipment HK$'000	Total HK$'000
At 1 January 2019							
Cost	667,797	1,100	1,932	6,352	16,776	4,829	698,786
Accumulated depreciation	–	(482)	(1,825)	(5,755)	(15,032)	(4,273)	(27,367)
Accumulated impairment loss	(297,904)	–	–	–	–	–	(297,904)
Net carrying amount	369,893	618	107	597	1,744	556	373,515
Year ended 31 December 2019							
Opening net carrying amount	369,893	618	107	597	1,744	556	373,515
Additions	42,366	–	–	–	–	63	42,429
Disposal of subsidiaries	–	–	(5)	(10)	(221)	(140)	(376)
Disposals/write off	–	(604)	–	–	–	–	(604)
Depreciation	–	(14)	(36)	(282)	(465)	(202)	(999)
Exchange realignment	(7,433)	–	–	–	(21)	(4)	(7,458)
Closing carrying amount	404,826	–	66	305	1,037	273	406,507
At 31 December 2019							
Cost	697,204	–	1,296	5,392	14,310	2,751	720,953
Accumulated depreciation	–	–	(1,230)	(5,087)	(13,273)	(2,478)	(22,068)
Accumulated impairment loss	(292,378)	–	–	–	–	–	(292,378)
Net carrying amount	404,826	–	66	305	1,037	273	406,507
Year ended 31 December 2020							
Opening net carrying amount	404,826	–	66	305	1,037	273	406,507
Additions	35,478	–	–	15	–	53	35,546
Depreciation	–	–	(29)	(180)	(283)	(118)	(610)
Impairment loss	(68,769)	–	–	–	–	–	(68,769)
Exchange realignment	24,549	–	–	–	52	6	24,607
Closing carrying amount	396,084	–	37	140	806	214	397,281
At 31 December 2020							
Cost	780,817	–	1,328	5,616	14,602	2,857	805,220
Accumulated depreciation	–	–	(1,291)	(5,476)	(13,796)	(2,643)	(23,206)
Accumulated impairment loss	(384,733)	–	–	–	–	–	(384,733)
Net carrying amount	396,084	–	37	140	806	214	397,281

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expense of HK$Nil (2019: HK$35,000) and HK$Nil (2019: HK$61,000) has been charged in "cost of sales" and "administrative expenses" from discontinued operations, respectively, and HK$610,000 (2019: HK$903,000) in "administrative expenses" from continuing operations.

Construction in progress as at 31 December 2020 and 2019 mainly comprised hotel units being constructed in the PRC, which were pledged to secure borrowings granted to the Group (note 31).

For the purpose of the annual impairment test, the recoverable amounts of the hotel units have been determined based on fair value less costs of disposal calculations using discounted cash flow projections. The discounted cash flow projections are based on financial estimates approved by management covering a twenty-year period and discount rates which reflect specific risks relating to the hotel units. Cash flows beyond the twenty-year period are extrapolated using estimated long term growth rates of 2% (2019: 2%), with reference to certain external data.

The Group has engaged an independent professionally qualified valuer, RHL Appraisal Limited, to assist in the determination of the fair value less costs of disposal of the hotel units based on the cash flow projections using discount rate of 9.5% (2019: 9%) determined by reference to weighted average cost of capital reflecting the specific risks of the hotel units (including, inter alia, its stage of development and other relevant factors), with reference to certain external data.

The Group considers the discounted cash flow method as a generally acceptable valuation technique that incorporates more information about the future prospects of the hotel units for the determination of the recoverable amounts.

Assumptions were used in the fair value less costs of disposal calculations of the hotel units. The following describes key assumptions on which management has based its discounted cash flow projections to undertake impairment testing of the hotel units.

Estimated operating profits – The basis used to determine the estimated operating profits includes the daily room rate, occupancy percentages, growth rates of daily room rate and related cost, and forecast taking into account location of the hotel units, major tourism spot nearby, transportation and market developments for the hotel sectors, less of outstanding costs as the key assumptions.

Discount rate – The discount rate used is after tax and reflects specific risks relating to the hotel units.

The fair value measurements of the hotel units as at 31 December 2020 and 2019 fall within Level 3 of the fair value measurement hierarchy. During the years ended 31 December 2020 and 2019, there were no transfers into or out of Level 3 for such fair value measurement.

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Due to the further delay in the opening of the hotel units, the recoverable amount of the hotel units is less than their carrying amount, impairment loss of HK$68,769,000 and HK$7,654,000 (note 17) on construction in progress and land use rights in relation to the hotel units respectively were recognised as at 31 December 2020 (2019: since the recoverable amount of the hotel units is approximately the same as their carrying amount, no further impairment loss or reversal of impairment loss for the year ended 31 December 2019 was considered necessary).

Although the carrying amounts of the construction in progress and the land use rights in relation to the hotel units have been reduced to their estimated recoverable amounts of HK$396,084,000 and HK$44,083,000 (note 17) respectively (2019: carrying amount of HK$404,826,000 and HK$56,630,000 (note 17) respectively), any adverse change in the key assumptions used to determine the recoverable amounts would result in further impairment losses.

16. RIGHT-OF-USE ASSETS

	2020 **HK$'000**	2019 HK$'000
Buildings carried at cost:		
At 1 January	**10,799**	4,761
Additions	**–**	11,177
Depreciation	**(5,628)**	(5,078)
Exchange realignment	**92**	(61)
At 31 December	**5,263**	10,799

The details in relation to these leases are set out in note 29.

17. LAND USE RIGHTS

Land use rights represent prepayments in relation to leases of land in the PRC. The movements in their net carrying amount are analysed as follows:

	2020	2019
	HK$'000	HK$'000
At 1 January	**56,630**	65,542
Amortisation	**(7,746)**	(7,815)
Impairment loss	**(7,654)**	–
Exchange realignment	**2,853**	(1,097)
At 31 December	**44,083**	56,630

During the year, the Group capitalised amortisation of land use rights amounted to HK$7,746,000 (2019: HK$7,815,000) to construction in progress (note 15).

At 31 December 2020, the carrying amount of land use rights amounted to HK$44,083,000 (2019: HK$56,630,000) are located in the PRC with remaining lease term between 10 to 50 years.

At 31 December 2020 and 2019, the Group's land use rights were pledged to secure borrowings granted to the Group (note 31).

At 31 December 2020, the carrying amount of land use rights is HK$44,083,000 (2019: HK$56,630,000), of which included accumulated impairment loss of HK$197,947,000 (2019: HK$177,978,000).

The land use rights are related to the hotel units. For the impairment assessment of land use rights, please refer to note 15 in details.

18. INVESTMENT PROPERTIES

	2020 HK$'000	2019 HK$'000
At fair value		
At 1 January	223,489	258,774
Disposals	–	(16,895)
Fair value loss	(29,243)	(14,060)
Exchange realignment	13,144	(4,330)
At 31 December	207,390	223,489

As 31 December 2020, the Group's investment properties were pledged to secure borrowings granted to the Group (note 31).

At 31 December 2019, the Group's investment properties were pledged to secure borrowings granted to a related party (note 42(i)). The pledge was released in December 2020.

The analysis of the net carrying amount of investment properties according to lease periods are as follows:

Details of the lease activities

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases	Range of remaining lease term	Particulars
Land use rights in PRC	Investment properties carried at fair value	1	6.75 years (2019: 7.75 years)	All lease payments are prepaid upon entering the contract

An independent valuation of the Group's investment properties was performed by the valuer, RHL Appraisal Limited, to determine the fair values of the investment properties as at 31 December 2020 and 2019. For the year ended 31 December 2020, a fair value loss of HK$29,243,000 (2019: HK$14,060,000) was recognised in the consolidated statement of profit or loss.

19. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2020 and 2019 are as follows:

Name of subsidiary	Place of incorporation/ operations and form of legal entity	Nominal value of issued and fully paid share capital/ registered capital	Percentage of ownership interest		Principal activities
			2020	2019	
Adore Capital Limited	British Virgin Islands ("BVI")/Hong Kong, limited liability company	United States dollars ("US$") 1	**100**	100	Investment holding
Brilliant Field Corporation Limited ("Brilliant Field")	Hong Kong, limited liability company	HK$1	**100**	100	Investment holding
Mandarin Films Limited	Hong Kong, limited liability company	HK$1	**100**	100	Provision of management services
Grimston Limited	BVI/Hong Kong, limited liability company	US$10,000	**100**	100	Investment holding
Cheung Wo (Hunan) Property Limited ("Cheung Wo (Hunan)")	BVI/Hong Kong, limited liability company	US$1	**100**	100	Investment holding
Vast Build Limited	BVI/Hong Kong, limited liability company	US$1	**100**	100	Investment holding
Sino Step Inc. ("Sino Step")	BVI/Hong Kong, limited liability company	US$99	**100**	100	Investment holding
Walsbo Limited	Hong Kong, limited liability company	HK$2 ordinary shares and HK$9,800 non-voting deferred shares (note)	**100**	100	Investment holding

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ operations and form of legal entity	Nominal value of issued and fully paid share capital/ registered capital	Percentage of ownership interest		Principal activities
			2020	2019	
Elite State Developments Limited*	BVI/Hong Kong limited liability company	US$1	**–**	100	Investment holding
Profit Source International Limited ("Profit Source")	Hong Kong, limited liability company	HK$2	**100**	100	Investment holding
成都中發黃河實業有限公司^ (Chengdu Zhongfa Real Estate Development Co. Ltd.) ("Chengdu Zhongfa")	PRC, limited liability company	Renminbi ("RMB") 176,000,000	**100**	100	Property holding
湖南九華國際新城開發建設有限公司^ (Hunan Jiuhua International City Development Construction Company Limited) ("Hunan Jiuhua")	PRC, limited liability company	RMB342,041,272	**100**	100	Property development
湖南九華東方酒店有限公司^ (Hunan Jiuhua Dong Fang Hotel Company Limited) ("Dong Fang Hotel")	PRC, limited liability company	RMB300,000,000	**100**	100	Hotel development

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Note: Those deferred shares practically carry no rights to dividends or to receive notice to attend or vote at any general meeting of the Company or to participate in any distribution on winding up.

^ Chengdu Zhongfa, Hunan Jiuhua and Dong Fang Hotel are registered as wholly-foreign-owned enterprises under the PRC law.

* The Company was deregistered on 1 May 2020.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The Company directly holds the interests in Adore Capital Limited, Grimston Limited, Sino Step, Cheung Wo (Hunan) and Vast Build Limited. All other interests shown above are held indirectly.

20. INVESTMENTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE

	2020 **HK$'000**	2019 HK$'000
Unlisted investments:		
Share of net assets	**224,323**	220,851
Goodwill	**1,040,373**	1,040,373
Loan to an associate	**1,165**	1,157
Accumulated impairment loss	**(1,018,205)**	(754,592)
Exchange realignment	**10,134**	–
	257,790	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 investments in associates.

	2020 **HK$'000**	2019 HK$'000
Amount due to an associate	**7,663**	151

Included in the amount due to an associate, amounting to HK$7,512,000 (2019: HK$Nil) is unsecured, interest bearing at 10% per annum and repayable on or before 30 June 2021.

The remaining balance of HK$151,000 (2019: HK$151,000) is unsecured, interest-free and has no fixed terms of repayment.

20. INVESTMENTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE *(Continued)*

The amounts recognised in the consolidated statement of profit or loss are as follows:

	2020 HK$'000	2019 HK$'000
Share of profits	**2,957**	2,584

Set out below are the associates of the Group as at 31 December 2020 and 2019, which, in the opinion of the directors, are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held indirectly by the Company.

Particulars of the Group's investments in associates at 31 December 2020 and 2019 are as follows:

Name of entity	**Place of incorporation/ operations and form of legal entity**	**Particulars of issued share capital**	**Percentage of ownership interest and voting power held indirectly**		**Principal activities**
			2020	2019	
Ever-Grand (note a)	BVI/PRC, limited liability company	100 ordinary shares of US$1 each	**49**	49	Construction and operation of steam heat distribution system
Shanghai Jiaguan (note b)	PRC, limited partnership	RMB1,150,010,000	**16.52**	16.52	Debt investment

There are no contingent liabilities relating to the Group's associates.

20. INVESTMENTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE *(Continued)*

Summarised financial information on the associates

The following table shows information on the associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRSs financial statements of the associates.

	Ever-Grand		Shanghai Jiaguan		Total	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 31 December:						
Non-current assets	**10,189**	11,436	**–**	–	**10,189**	11,436
Current assets	**27,784**	15,990	**1,331,406**	1,257,072	**1,359,190**	1,273,062
Current liabilities	**(17,517)**	(15,813)	**(7,344)**	(15,086)	**(24,861)**	(30,899)
Net assets	**20,456**	11,613	**1,324,062**	1,241,986	**1,344,518**	1,253,599
Non-controlling interest's ("NCI's") share of net assets	**(4,138)**	(2,379)	**–**	–	**(4,138)**	(2,379)
Net assets excluding NCI's portion	**16,318**	9,234	**1,324,062**	1,241,986	**1,340,380**	1,251,220
Group's share of net assets	**7,996**	4,524	**216,327**	216,327	**224,323**	220,851
Loan to an associate	**1,165**	1,157	**–**	–	**1,165**	1,157
Goodwill	**1,040,373**	1,040,373	**–**	–	**1,040,373**	1,040,373
Accumulated impairment loss	**(792,422)**	(754,592)	**(225,783)**	–	**(1,018,205)**	(754,592)
Exchange realignment	**–**	–	**10,134**	–	**10,134**	–
Group's share of carrying amount of interests	**257,112**	291,462	**678**	216,327	**257,790**	507,789

20. INVESTMENTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE *(Continued)*

Summarised statement of profit or loss and other comprehensive income

	Ever-Grand		Shanghai Jiaguan		Total	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue	**45,590**	45,234	**48,649**	53,509	**94,239**	98,743
Profit for the year	**7,544**	6,600	**47,838**	50,720	**55,382**	57,320
Other comprehensive income for the year	**1,050**	(176)	**–**	–	**1,050**	(176)
Total comprehensive income for the year	**8,594**	6,424	**47,838**	50,720	**56,432**	57,144

The information above reflects the amounts presented in the financial statements of the associates (and not the Company's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

As at 31 December 2020, the bank and cash balances of the Group' associates in the PRC denominated in RMB amounted to HK$22,172,000 (2019: HK$32,898,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Notes:

(a) On 16 November 2015, the Group entered into a formal sale and purchase agreement with Sky-Linked International Limited (the "Vendor"), pursuant to which the Group acquired 49% of the entire issued share capital of Ever-Grand.

The investment in Ever-Grand was included in the segment of "Centralised heat supply".

For impairment assessment, the Group had estimated the recoverable amount of Ever-Grand amounting to HK$257,112,000 (2019: HK$291,462,000), based on the share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operation of the associate and the proceeds from the ultimate disposal of the investment. For the year ended 31 December 2020, due to further delay in pipeline construction, an impairment loss of HK$37,830,000 (2019: HK$133,033,000) was recognised in the consolidated statement of profit or loss. The pre-tax discount rate used was 14% (2019: 16.4%).

20. INVESTMENTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

Due to the delay 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 was yet to issue as scheduled from the local and central government of the PRC authority, the financial projections, in particular, the capital expenditures plan of Ever-Grand have been delayed from the period from 31 December 2020 to 31 December 2022, further delayed to the period from 31 December 2022 to 31 December 2024. Thus the revenue projections for Ever-Grand have been delayed accordingly. The management of the Ever-Grand Group has then revised the financial forecast of Ever-Grand in arriving at a more conservative estimate which better reflect the industry outlook.

At 31 December 2020, the 49% equity interest of the investment in Ever-Grand was pledged to secure borrowings granted to the Group (note 31).

(b) On 8 February 2018, Chengdu Zhongfa, an indirect wholly-owned subsidiary of the Group, entered into a Limited Partnership Agreement with other unrelated partners in relation to the capital contributions and management of Shanghai Jiaguan Tianqi Investment Centre (Limited Partnership) ("Shanghai Jiaguan"/the "Partnership"). The intended investment project of the Partnership is to acquire restructured debts from Anhui Guohou Finance Assets Management Company Limited.

As at 31 December 2020 and 2019, Chengdu Zhongfa holds 16.52% equity interest in Shanghai Jiaguan under the category of a second deferred limited partner. According to the limited partnership agreement, Chengdu Zhongfa is not entitled to any fixed return but is entitled to the remainder of the Partnership after distribution. As disclosed in note 5.1(b), the management determined to account for the investment in Partnership as an interest in associate, due to the participation in policy-making processes through its potential voting right that contributes to significant influence to the associate.

The investment in Shanghai Jiaguan was included in the segment of "property rental".

For impairment assessment of Shanghai Jiaguan, since the Group is entitled to the residual return of the Partnership after the distribution of all capital contributions and expected returns to other investors, the estimated recoverable amount of the residual return amounting approximately HK$678,000 which was less than the investment cost of approximately HK$216,327,000 (2019: the recoverable amount exceeded the investment cost), based on the Monte Carlo simulation valuation method. For the year ended 31 December 2020, due to the significant uncertainties involved in the future liquidation value of the underlying assets and the residual return to the Group, an impairment loss of approximately HK$213,059,000 (2019: HK$Nil) was recognised in the consolidated statement of profit or loss.

The Monte Carlo simulation estimates the expected value of variables by repetitive experiment. Large volume of controlled random numbers is generated according to prescribed underlying probability distribution. Conditional values of financial instruments based on a particular set of random variables are derived and multiplied with relevant probability distribution to arrive at their expected value(s).

* For identification purpose only

21. PROPERTIES FOR SALE OR UNDER DEVELOPMENT AND OTHER CONTRACT COSTS

	2020 HK$'000	2019 HK$'000
Properties under development (note a)	1,755,578	1,475,619
Properties for sale (note a)	4,885	67,035
Other contract costs (note b)	9,563	–
	1,770,026	1,542,654

(a) Properties for sale or under development

	2020		2019	
	Properties under development HK$'000	Properties for sale HK$'000	Properties under development HK$'000	Properties for sale HK$'000
At 1 January	1,475,619	67,035	839,093	65,366
Additions	176,340	1,403	695,213	26,239
Transfer to cost of properties sold (note 9)	–	(64,267)	–	(23,313)
Written down	–	–	(33,059)	–
Exchange realignment	103,619	714	(25,628)	(1,257)
At 31 December	1,755,578	4,885	1,475,619	67,035
Properties for sale or under development comprise:				
Land use rights	1,390,777	1,249	1,289,496	17,220
Construction costs and capitalised expenditures	347,194	2,570	169,622	35,125
Finance costs capitalised	17,607	1,066	16,501	14,690
	1,755,578	4,885	1,475,619	67,035
Amounts are expected to be completed:				
Within the normal operating cycle included under current assets	1,755,578	N/A	1,475,619	N/A

21. PROPERTIES FOR SALE OR UNDER DEVELOPMENT AND OTHER CONTRACT COSTS *(Continued)*

(a) Properties for sale or under development *(Continued)*

Land use rights for properties for sale or under development represent prepayments in relation to leases of land in the PRC. The analysis of carrying amount of land use rights for properties for sale or under development is as follows:

	2020 HK$'000	2019 HK$'000
In PRC, with remaining lease term of:		
– 50 years or more	**1,227,682**	1,152,638
– between 10 to 50 years	**164,344**	154,078
	1,392,026	1,306,716

At 31 December 2020, the Group's properties under development with a carrying amount of HK$1,446,902,000 (2019: HK$1,450,618,000) was pledged to secure certain borrowings granted to the Group (note 31).

At 31 December 2020, the Group's properties under development with a carrying amount of HK$82,043,000 (2019: HK$Nil) was assigned to a construction contractor for settlement of the compensation to a construction contractor (note 43(ii)).

The carrying amount of the properties under development expected to be completed and available for sale after more than twelve months from 31 December 2020 amounted to HK$1,567,986,000 (2019: HK$1,031,958,000).

Included in properties under development is a parcel of land located at Jiuhua Economic Development Zone, Xiangtan City, Hunan Province, the PRC ("Xiangtan Phase II Project") with carrying amount of approximately HK$1,097,303,000 (2019: HK$443,884,000) as at 31 December 2020. Pursuant to the land grant agreements (the "Land Grant Agreements") dated 29 September 2013 and 4 January 2019 entered into between Hunan Jiuhua and Xiangtan City Land Resources Bureau (the "Land Vendor"), if Hunan Jiuhua fails to develop the land in accordance with the prescribed period of time stipulated in the Land Grant Agreements, the Land Vendor can issue an order to confiscate the land whilst imposing certain penalties to Hunan Jiuhua.

Due to incomplete resident relocation compensation process caused by the government and the Group is struggle to develop part of land during the year by obtaining the construction permits from government authority, the governing agent of the relevant land has not yet launched the idle land investigation process. Based on the Group's PRC legal counsel, the directors are of the opinion that the risk of the relevant land being classified as idle land and/or subject to penalty by the relevant government agent is relatively low. The directors consider no penalty provision in respect of land is required to be recognised as at 31 December 2020 and 2019.

21. PROPERTIES FOR SALE OR UNDER DEVELOPMENT AND OTHER CONTRACT COSTS *(Continued)*

(b) Other contract costs

Contract costs capitalised relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting date. Contract costs are recognised as part of "Selling expenses" in the consolidated statement of profit or loss and other comprehensive income in the period in which revenue from the related property sales is recognised. There were no capitalised costs recognised in profit or loss during the year. There was no impairment in relation to the costs capitalised during the year. The amount of capitalised contract costs that is expected to be recovered after one year is approximately HK$9,329,000 (2019: N/A).

22. RENTAL RECEIVABLES

	2020 HK$'000	2019 HK$'000
Rental receivables	16,040	15,520
Less: ECL allowance	(7,939)	(8,345)
Rental receivables – net	8,101	7,175

The carrying amounts of rental receivables approximate their fair values.

Movements in the ECL allowance of rental receivables are as follows:

	2020 HK$'000	2019 HK$'000
At 1 January	8,345	5,236
Provision for impairment	–	3,255
Reversal of impairment	(907)	–
Exchange realignment	501	(146)
At 31 December	7,939	8,345

22. RENTAL RECEIVABLES *(Continued)*

The carrying amounts of the rental receivables are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
RMB	**8,101**	7,175

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Notes	2020 HK$'000	2019 HK$'000
Other prepayments	(i)	**44,302**	27,763
Other receivables		**5,094**	6,992
Prepaid construction cost	(ii)	**300,151**	–
Utility and other deposits		**2,019**	1,812
		351,566	36,567
Less: current portion		**(350,176)**	(35,296)
Non-current portion		**1,390**	1,271

Notes:

(i) The balance mainly included the prepayment of value-added tax to the PRC tax authorities of HK$43,126,000 (2019: HK$26,228,000).

(ii) The balance represents prepayment to construction contractors in the PRC relating to the construction project of the Group in Hunan for developing the residential properties and hotel.

The carrying amounts of other receivables approximate their fair values as the impact of discounting is not significant.

None of the other receivables is either past due or impaired. Other receivables included in the above balances had no recent history of default.

24. PLEDGED DEPOSITS IN A FINANCIAL INSTITUTION

The amount was deposits in a lender designated bank account as a collateral to secure certain borrowings granted to the Group (note 31).

25. RESTRICTED BANK DEPOSITS

	Notes	2020 HK$'000	2019 HK$'000
Guarantee deposits for construction of pre-sale properties	(i)	**40,027**	6,100
Restricted use bank deposits	(ii)	**773**	4,926
		40,800	11,026

Notes:

(i) In accordance with the Administration of Pre-sale of Commodity Premises Regulations in the PRC, the Group is required to place in designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for construction of related properties. The deposits can only be used for purchases of construction materials and the payments of construction costs of the relevant property project when approval from PRC State-Owned Land Resources and Housing Administrative Bureau is obtained. Such restriction will be released after completion of related pre-sale properties.

(ii) As at 31 December 2020, pursuant to the bank accounts co-administration agreement signed between subsidiaries of the Company and independent lenders, who provides loan facilities as disclosed in note 31, the usage of restricted bank deposits of HK$773,000 (2019: HK$4,926,000) was restricted until a consent from the lender is obtained, HK$556,000 (2019: HK$4,926,000) of which is also guarantee deposits for construction of pre-sale properties.

As at 31 December 2020, the restricted bank deposits of the Group denominated in RMB amounted to HK$40,800,000 (2019: HK$11,026,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

26. CASH AND CASH EQUIVALENTS

	2020 HK$'000	2019 HK$'000
Cash and bank balances	**9,687**	2,683

The carrying values of cash and cash equivalents approximate their fair values.

At 31 December 2020, cash and bank balances of the Group denominated in RMB amounted to HK$8,206,000 (2019: HK$2,374,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

26. CASH AND CASH EQUIVALENTS *(Continued)*

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
HK$	**1,101**	293
RMB	**8,206**	2,374
US$	**380**	16
	9,687	2,683

27. TRADE PAYABLES

At 31 December 2020 and 2019, the aging analysis of the trade payables, based on the invoice date, is as follows:

	2020 HK$'000	2019 HK$'000
0 – 90 days	**43,841**	117,823
91 – 180 days	**9,514**	150
181 – 365 days	**1,397**	1,986
Over 1 year	**2,788**	1,417
	57,540	121,376

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
RMB	**57,540**	121,376

28. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	Notes	2020 HK$'000	2019 HK$'000
Other payables		**4,608**	12,197
Refundable sales proceeds from pre-sale residential properties		**48,315**	8,688
Tender received from potential construction contractors		**44,184**	1,006
Accruals		**7,821**	7,670
Accrued interest expenses		**161,696**	23,495
Rental deposits received		**3,679**	2,579
Deferred government grants	(i)	**71,514**	67,047
Construction cost payables	(ii)	**118,136**	103,367
Acquisition cost payables	(iii)	**60,000**	60,000
PRC withholding tax payables	(iii)	**28,200**	28,200
Payable to a construction contractor	(iv)	**104,303**	–
		652,456	314,249
Less: non-current portion		**(2,598)**	(2,436)
Current portion		**649,858**	311,813

The carrying amounts of the other payables, accruals and deposits received approximate to their fair value.

Notes:

(i) Government grants of HK$71,514,000 (2019: HK$67,047,000) were granted to subsidies the construction of hotel units in the PRC. There were an unfulfilled conditions and other contingencies attached to the receipts of those grants. There was no assurance that the Group will continue to receive such grants in the future. The government grants will be classified as a reduction of the hotel construction cost when it is put in service.

(ii) The amount represents construction costs payable to subcontractors for the construction of hotel units in the PRC, which was included in the property, plant and equipment as "Construction in progress" (note 15).

(iii) The amounts represents cash consideration payable for the acquisition of 49% equity interest in Ever-Grand and the provision of contingent withholding EIT. Further details are disclosed in note 43(i).

(iv) The amount represented the compensation payable for settlement of the litigation (note 43(ii)).

29. LEASE LIABILITIES

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

	2020 HK$'000	2019 HK$'000
Total minimum lease payments:		
Due within one year	**5,196**	6,196
Due in the second to fifth years	**626**	5,732
	5,822	11,928
Future finance charges on lease liabilities	**(288)**	(1,046)
Present value of lease liabilities	**5,534**	10,882

	2020 HK$'000	2019 HK$'000
Present value of minimum lease payments:		
Due within one year	**4,915**	5,435
Due in the second to fifth years	**619**	5,447
	5,534	10,882
Less: Portion due within one year included under current liabilities	**(4,915)**	(5,435)
Portion due after one year included under non-current liabilities	**619**	5,447

During the year ended 31 December 2020, the total cash outflows for the leases are HK$6,584,000 (2019: HK$6,503,000).

29. LEASE LIABILITIES *(Continued)*

Details of the lease activities

As at 31 December 2020 and 2019, the Group has entered into leases for two offices and one staff quarter.

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases	Range of remaining lease term	Particulars
Office	Buildings carried at cost in "Right-of-use assets"	2	0.7 to 1.2 years (2019: 1.7 to 2.2 years)	Only subject to monthly fixed rental payment
Staff quarter	Buildings carried at cost in "Right-of-use assets"	1	– (2019: 1 year)	Only subject to monthly fixed rental payment

Details of the remaining lease term of land use rights and land use rights for properties for sale or under development are disclosed in notes 17 and 21 to the consolidated financial statements respectively.

The Group considered that no extension option or termination option would be exercised at the lease commencement date.

30. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Contract liabilities arising from receiving sales proceeds from customers based on the terms established in the property sale contracts	**404,962**	94,802

The amount represents deposits and instalments received on properties sold to independent third parties after issuance of pre-sale certificates by local government authorities.

The significant increase of contract liabilities as at 31 December 2020 is mainly due to the Group has accelerated the pre-sale of its properties under development during the year.

(a) Revenue recognised in relation to contract liabilities

	2020 HK$'000	2019 HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**64,768**	23,313

(b) Unsatisfied performance obligation related to sales of properties

	2020 HK$'000	2019 HK$'000
Revenue expected to be recognised within one year	**25,311**	90,877
Revenue expected to be recognised after one year	**290,571**	–
Total transaction price allocated to the unsatisfied performance obligation	**315,882**	90,877

31. BORROWINGS

	Maturity	2020 HK$'000	2019 HK$'000
Current liabilities			
Bank borrowings – secured (note i)	April 2021	**116,091**	53,642
Entrusted bank borrowings – secured (note ii)	N/A	**–**	164,268
Other borrowings – secured (note iii)	January 2021	**260,501**	294,349
Borrowings from a related party – unsecured (note iv)	December 2021	**13,500**	13,500
Other borrowings – unsecured (note v)	On demand	**50,468**	38,595
Other borrowings – secured (note vi)	November and December 2020	**147,307**	155,740
Other borrowings – secured (note vii)	May and June 2022, and January 2023	**825,232**	52,520
Other borrowings – unsecured (note viii)	December 2021	**3,841**	3,841
Other borrowings – unsecured (note ix)	N/A	**–**	12,908
Bank borrowings – secured (note x)	June 2021	**297,974**	–
		1,714,914	789,363
Non-current liabilities			
Bank borrowings – secured (note i)	April 2021	**–**	64,535
Other borrowings – secured (note vii)	May and June 2022	**–**	559,839
Other borrowings – unsecured (note xi)	June 2022	**1,075**	–
		1,075	624,374
		1,715,989	1,413,737

31. BORROWINGS *(Continued)*

The Group's borrowings are repayable as follows:

	2020 HK$'000	2019 HK$'000
Within 1 year or on demand	**1,714,914**	789,363
Between 1-2 years	**1,075**	64,535
Between 2-5 years	**–**	559,839
	1,715,989	1,413,737

Notes:

(i) At 31 December 2020, the Group's bank borrowings of HK$116,091,000 (2019: HK$118,177,000) were secured by the Group's land use rights (first priority charge) (note 17) and construction in progress (first priority charge) (note 15) with a net carrying amount of HK$44,083,000 (2019: HK$56,630,000) and HK$396,084,000 (2019: HK$404,826,000) respectively. According to the repayment terms, the bank borrowings were originally repayable by instalments from 2016 to 2021. At 31 December 2020, principal amounts of HK$47,451,000 were overdue. 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).

(ii) At 31 December 2020, the Group's entrusted bank borrowings were fully repaid and the securities were 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 (note 21) with a net carrying amount of HK$443,884,000. According to the repayment terms, the entrusted bank borrowings were originally repayable by instalments from 2017 to 2020 with interest-bearing at 9% per annum.

31. BORROWINGS *(Continued)*

Notes: *(Continued)*

(iii) At 31 December 2020, the Group's other borrowings of HK$260,501,000 (2019: HK$294,349,000) were interest bearing at 8% per annum (2019: same) and originally repayable by instalments from 2018 to 2021. At 31 December 2020, principal amount of HK$32,563,000 (2019: HK$32,705,000) were overdue.

The other borrowings were secured and guaranteed by:

(a) equity interests in three subsidiaries of the Group including Brilliant Field and Profit Source;

(b) first fixed charge over 2,010,501,197 shares (2019: 2,010,501,197 shares) of the Company owned by KEYNE HOLDINGS, 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) ("Nanjian Jin Gao"). The ultimate controlling shareholder of these companies is Mr. Zhu Boheng (the controlling shareholder of the Company); and

(e) personal guarantees 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 31 December 2020 and 2019, the Group's borrowings from a related party were repayable in December 2021 (2019: February 2020), unsecured and interest-free, and was assigned from a former shareholder, executed by a deed of loan assignment.

(v) At 31 December 2020 and 2019, the Group's other borrowings from related parties were interest-free, unsecured and repayable on demand.

31. BORROWINGS *(Continued)*

Notes: *(Continued)*

(vi) At 31 December 2020, the Group's other borrowings of HK$147,307,000 (2019: HK$155,740,000) were secured and guaranteed (2019: unsecured and unguaranteed), interest bearing at 15% per annum (2019: 5% per annum) and were repayable in November and December 2020 (2019: repayable in November and December 2019).

At 31 December 2020, the other borrowings were secured and 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) (2019: same);

(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") and Shanghai Xin Rong Properties Development Limited* (上海新融置業發展有限公司) (2019: a corporate guarantee executed by Shanghai Jin Da Di). The controlling shareholder of these companies is Mr. Zhu Boheng (the controlling shareholder of the Company);

(c) a share charge over the equity interest in Ever-Grand (note 20); and

(d) certain properties for sale or under development owned by related parties, Shanghai Hua Hu Yin Nian Investment Partnership Corporation (Limited Partnership)* (上海華滬銀年投資合夥企業(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* (高郵金奧房地產開發有限公司), the ultimate controlling shareholder of this company is Mr. Zhu Boheng (the controlling shareholder of the Company).

(vii) At 31 December 2020, the Group's other borrowings of HK$825,232,000 (2019: HK$612,359,000) in total with original maturity dates in May, June 2022 and January 2023 (2019: May and June 2022), were interest bearing at 12% per annum and will be repayable by instalments. The other borrowings included borrowings with principal amounts of HK$726,305,000 with original maturity beyond 31 December 2021 have been reclassified as current liabilities as at 31 December 2020 as a result of the default events as described in note 2.1.

Management estimates that after taking the measures as set out in note 2.1 and with its endeavours to ensure that there will be no further delay in repayment of interest, the repayment dates of these reclassified other borrowings could be reverted to their respective original repayment dates which are all beyond 31 December 2021.

The other borrowings were secured and guaranteed by:

(a) certain properties under development (note 21), with a net carrying amount of approximately HK$1,446,902,000 (2019: HK$1,006,734,000);

(b) a corporate guarantee executed by related companies, Yangzhou Ya Tai and Shanghai Jin Da Di. The ultimate controlling shareholder of these companies is Mr. Zhu Boheng (the controlling shareholder of the Company);

(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);

(d) the Group's land use rights (second priority charge) (note 17) and construction in progress (second priority charge) (note 15) with a net carrying amount of HK$44,083,000 (2019: N/A) and HK$396,084,000 (2019: N/A) respectively; and

(e) a pledged deposits (note 24) with carrying amount of HK$36,567,000 (2019: HK$760,000).

31. BORROWINGS *(Continued)*

Notes: *(Continued)*

(viii) At 31 December 2020 and 2019, the Group's other borrowings from a related party were interest-free, unsecured and repayable on or before 31 December 2021 (2019: 31 March 2020).

(ix) At 31 December 2020, the Group's other borrowing from a related party were fully repaid. At 31 December 2019, the Group's other borrowings from a related party were interest bearing at 5% per annum, unsecured and repayable in June 2020.

(x) At 31 December 2020, the Group's bank borrowings of HK$297,974,000 with maturity date in June 2021, were interest bearing at 9.5% per annum and will be repayable by instalments.

The bank borrowings were secured and guaranteed by:

(a) the Group's investment properties (note 18) with a net carrying amount of HK$207,390,000;

(b) a property owned by Ms. Qian Ling Ling (a director of the Company);

(c) corporate guarantees executed by Shanghai Jin Da Di, Nanjing Jin Gao, Yangzhou Ya Tai and the Company. The controlling shareholder of these companies is Mr. Zhu Boheng (the controlling shareholder of the Company);

(d) personal guarantees executed by Ms. Qin 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); and

(e) corporate guarantees executed by two subsidiaries of the Group including Hunan Jiuhua and Dong Fang Hotel.

(xi) At 31 December 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

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
HK$	**68,884**	55,936
RMB	**1,239,297**	907,712
US$	**407,808**	450,089
	1,715,989	1,413,737

32. 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.

Movements of the liability component of the convertible notes during the year are as follows:

	2020	2019
	HK$'000	HK$'000
At 1 January	**–**	104,051
Redemption	**–**	(105,765)
Derecognise upon maturity	**–**	(3,841)
Interest expense (note 8)	**–**	5,555
At 31 December	**–**	–

On 31 May 2019, as a result of the non-fulfillment of the profit guarantee given by 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 amount in difference. Accordingly, convertible notes with principal amount of HK$110,136,000 were cancelled and accounted for as an early redemption.

For the year ended 31 December 2019, interest expense on the liability component of the convertible notes is calculated using the effective interest method, applying the effective interest rate of 12.9% per annum to the liability component.

33. DEFERRED TAX LIABILITIES

The movements during the year in the deferred tax liabilities are as follows:

	2020 HK$'000	2019 HK$'000
At 1 January	**151,786**	156,537
Credit for the year (note 11)	**(6,339)**	(1,744)
Exchange realignment	**9,868**	(3,007)
At 31 December	**155,315**	151,786

The movements of major components in the deferred tax liabilities during the year are as follows:

	Revaluation of land use rights HK$'000	Revaluation of investment properties HK$'000	Different bases in reporting revenue with tax authority HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1 January 2019	110,448	42,474	3,522	93	156,537
(Credit)/Charge for the year	–	(1,856)	112	–	(1,744)
Exchange realignment	(2,180)	(760)	(67)	–	(3,007)
At 31 December 2019 and 1 January 2020	**108,268**	**39,858**	**3,567**	**93**	**151,786**
(Credit)/Charge for the year	**–**	**(6,443)**	**104**	**–**	**(6,339)**
Exchange realignment	**7,353**	**2,271**	**244**	**–**	**9,868**
At 31 December 2020	**115,621**	**35,686**	**3,915**	**93**	**155,315**

At 31 December 2020, the Group had unused tax losses in Hong Kong of approximately HK$43,380,000 (2019: HK$43,354,000) available indefinitely for offsetting against future taxable profits of the companies in which the losses arose; and unused tax losses in the PRC of HK$133,795,000 (2019: HK$89,889,000) available for offsetting against future profits of the PRC subsidiaries which will expire in 5 years. No deferred tax assets in respect of such losses has been recognised due to the unpredictability of future taxable profit streams.

34. SHARE CAPITAL

	2020	2019
	HK$'000	HK$'000
Authorised:		
100,000,000,000 ordinary shares of HK$0.01 each	**1,000,000**	1,000,000
Issued and fully paid:		
3,568,790,629 ordinary shares of HK$0.01 each	**35,688**	35,688

There were no movements in the Company's authorised and issued share capital during the years ended 31 December 2020 and 2019.

35. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	19	**6,173**	6,173
Property, plant and equipment		**127**	297
Total non-current assets		**6,300**	6,470
Current assets			
Prepayments and other receivables		**621**	107
Amounts due from subsidiaries		**883,389**	1,121,107
Cash and cash equivalents		**386**	144
Total current assets		**884,396**	1,121,358
LIABILITIES			
Current liabilities			
Other payables and accruals		**138,981**	98,960
Amount due to a subisidiary		**18,040**	16,855
Amount due to an associate		**151**	151
Borrowings		**645,181**	618,624
Total current liabilities		**802,353**	734,590
Net current assets		**82,043**	386,768
Total assets less current liabilities		**88,343**	393,238

35. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(a) Statement of financial position of the Company *(Continued)*

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Borrowings		**1,075**	–
Net assets		**87,268**	393,238
EQUITY			
Equity attributable to owners of the Company			
Issued share capital	34	**35,688**	35,688
Reserves		**51,580**	357,550
Total equity		**87,268**	393,238

Approved by the Board of Directors on 30 March 2021 and are signed on its behalf by:

Qian Ling Ling *Director*	**Zhang Li** *Director*

35. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Share premium HK$'000	Contributed surplus HK$'000	Equity component of the convertible notes HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2019	2,174,200	503,119	87,994	4,362	(2,194,909)	574,766
Loss and total comprehensive income for the year	–	–	–	–	(213,319)	(213,319)
Early redemption of convertible notes	–	–	(3,897)	–	–	(3,897)
Release upon maturity of convertible notes	–	–	(84,097)	–	84,097	–
At 31 December 2019 and 1 January 2020	**2,174,200**	**503,119**	**–**	**4,362**	**(2,324,131)**	**357,550**
Loss and total comprehensive income for the year	**–**	**–**	**–**	**–**	**(305,970)**	**(305,970)**
At 31 December 2020	**2,174,200**	**503,119**	**–**	**4,362**	**(2,630,101)**	**51,580**

36. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

The share premium reserve represents the amount of the excess of issue price of the Company's shares over its par value.

(ii) Contributed surplus

The contributed surplus reserve comprises (i) HK$44,072,000 arising from the excess of the combined net assets of the subsidiaries acquired over the nominal value of the share capital of the Company in exchange thereof at the time of the Group reorganisation; and (ii) HK$459,047,000 arising from the Company's capital reorganisation on 6 September 2010 and 24 May 2012.

(iii) Equity component of the convertible notes

The equity component of the convertible notes represents the value of the unexercised equity component of the convertible notes issued by the Company in accordance with the accounting policy adopted for the convertible notes in note 4.10 to the consolidated financial statements.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4.4 to the consolidated financial statements.

36. RESERVES *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(v) Special reserve

The special reserve represents (i) 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 (ii) 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.

(vi) Share options reserve

The share options reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4.16 to the consolidated financial statements.

(vii) Other reserve

The other reserve represents the share of other comprehensive income of an associate.

37. SHARE-BASED PAYMENTS

The Company has a share option scheme which was adopted on 2 September 2013 whereby the share options are granted to directors, employees and certain eligible persons. The options have no vesting period and are excercisable in ten years from the date of grant. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding are as follows:

	2020		2019	
	Number of options	**Weighted average exercise price HK$**	Number of options	Weighted average exercise price HK$
At 1 January and 31 December	**24,711,625**	**0.362**	24,711,625	0.362
Exercisable at 31 December	**24,711,625**	**0.362**	24,711,625	0.362

For the years ended 31 December 2020 and 2019, no options were granted or exercised, and no share-based payments have been recognised in profit or loss.

The share options outstanding at 31 December 2020 had exercise prices of HK$0.362 per share (2019: HK$0.362) and a weighted average remaining contractual life of approximately 7 years (2019: 8 years).

38. NON-CASH TRANSACTIONS

During the year ended 31 December 2020, the Group entered into the following non-cash financing activities which are not reflected in the consolidated statement of cash flows.

– Prepayment of borrowing interest amounted to approximately HK$2,165,000 was offset with the repayment of borrowings. It is a non-cash transaction of financing activity excluded from the consolidated statement of cash flows.

– Borrowings amounted to approximately HK$9,921,000 and borrowing interest amounted to approximately HK$1,137,000 were repaid by KEYNE HOLDINGS. It is a non-cash transaction of financing activity excluded from the consolidated statement of cash flows.

During the year ended 31 December 2019, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to HK$15,938,000 and HK$15,465,000 was recognised at the lease commencement date respectively.

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities (note 29) HK$'000	Borrowings (note 31) HK$'000 (note)	Convertible notes-liability component (note 32) HK$'000	Amount due to an associate (note 20) HK$'000	Total HK$'000
As at 1 January 2019	4,644	966,996	104,051	151	1,075,842
Cash flows:					
Proceeds from borrowings	–	657,640	–	–	657,640
Repayment of borrowings	–	(259,689)	–	–	(259,689)
Capital element of lease rental paid	(4,521)	–	–	–	(4,521)
Interest element of lease rental paid	(1,078)	–	–	–	(1,078)
Interest paid	–	(54,483)	–	–	(54,483)
Non-cash flows:					
Entering into new leases	10,821	–	–	–	10,821
Transfer to other borrowings	–	3,841	(3,841)	–	–
Interest expenses	1,078	125,525	5,555	–	132,158
Redemption	–	–	(105,765)	–	(105,765)
Foreign exchange movement	(62)	(2,598)	–	–	(2,660)
As at 31 December 2019 and 1 January 2020	**10,882**	**1,437,232**	**–**	**151**	**1,448,265**
Cash flows:					
Advance from an associate	**–**	**–**	**–**	**6,748**	**6,748**
Proceeds from borrowings	**–**	**675,117**	**–**	**–**	**675,117**
Repayment of borrowings	**–**	**(427,286)**	**–**	**–**	**(427,286)**
Capital element of lease rental paid	**(5,445)**	**–**	**–**	**–**	**(5,445)**
Interest element of lease rental paid	**(763)**	**–**	**–**	**–**	**(763)**
Interest paid	**–**	**(23,237)**	**–**	**–**	**(23,237)**
Non-cash flows:					
Interest expenses	**763**	**164,320**	**–**	**340**	**165,423**
Foreign exchange movement	**97**	**51,539**	**–**	**424**	**52,060**
As at 31 December 2020	**5,534**	**1,877,685**	**–**	**7,663**	**1,890,882**

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

Reconciliation of liabilities arising from financing activities *(Continued)*

Note:

(a) The following table shows the breakdown of the bank borrowings and interest payable as at 31 December 2020 and 2019:

	2020 HK$'000	2019 HK$'000
Bank borrowings (note 31)	1,715,989	1,413,737
Interest payable (included in other payables and accruals) (note 28)	161,696	23,495
	1,877,685	1,437,232

(b) During the year ended 31 December 2020, interest expenses of HK$1,137,000 (2019: HK$52,124,000) paid on behalf of the Group by related parties were converted to other borrowings to the Group.

40. LEASE COMMITMENTS

(a) As lessor

The Group leases its investment property under non-cancellable lease arrangements, with leases negotiated for terms ranging from 1 to 13 years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then 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:

	2020 HK$'000	2019 HK$'000
Within 1 year	16,949	16,012
After 1 year but within 2 years	17,458	15,890
After 2 years but within 3 years	17,543	16,342
After 3 years but within 4 years	17,830	16,445
After 4 years but within 5 years	18,438	16,685
After 5 years	30,463	46,443
	118,681	127,817

(b) As lessee

At the reporting date, the lease commitments for short-term leases are as follows:

	2020 HK$'000	2019 HK$'000
Within 1 year	136	115
	136	115

As at 31 December 2020 and 2019, the Group leases certain staff quarters, 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.

41. CAPITAL COMMITMENTS

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

	2020 HK$'000	2019 HK$'000
Contracted but not provided for:		
Property and hotel development	**2,054,739**	1,745,898

42. RELATED PARTY DISCLOSURES

(i) Related party transactions

In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the reporting period:

During the year ended 31 December 2019, Jiangsu Qichuang Trade Co., Ltd.* (江蘇企創貿易有限公司) ("Qichuang") and Chengdu Zhongfa, an indirect wholly-owed subsidiary of the Company, entered into loan agreements, pursuant to which Qichuang grants a loan of RMB11,551,500 (equivalent to approximately HK$12,908,000) with interest bearing at 5% per annum to Chengdu Zhongfa. Details of the terms and maturity date are disclosed in note 31(ix) to the consolidated financial statements. The other borrowings was fully repaid during the year. The shareholders and directors of Qichuang are the directors of certain subsidiaries of the Group.

At 31 December 2019, an investment property held by Chengdu Zhongfa with a net carrying amount of HK$223,489,000, were pledged as security for an entrusted bank borrowing of RMB500,000,000 (equivalent to HK$558,772,000) granted to a related party, Yangzhou Ya Tai. During the year ended 31 December 2020, Yangzhou Ya Tai had fully repaid the entrusted bank borrowings and the bank released the pledged security of the investment property held by Chengdu Zhongfa. 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 31 December 2020.

42. RELATED PARTY DISCLOSURES *(Continued)*

(i) Related party transactions *(Continued)*

During the year ended 31 December 2019, a loan was assigned to Mr. Cheng Keung Fai, the beneficial owner of Full Dragon Group Limited and a former shareholder of the Company, executed by a deed of loan assignment. Details of the terms and maturity date are disclosed in note 31(iv) to the consolidated financial statements.

Further details on guarantees and securities provided by related parties for the Group's bank and other borrowings are disclosed in note 31 to the consolidated financial statements.

* For identification purpose only

(ii) Compensation of key management personnel

The directors are the key management personnel of the Group. Details of their remunerations are disclosed in note 10(a) to the consolidated financial statements.

43. 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 (note 20(a)) 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 re-characterised 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.

During the year ended 31 December 2016, 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.

43. CONTINGENT LIABILITIES *(Continued)*

(i) Provision of contingent withholding EIT *(Continued)*

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 make 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 probable that a claim will be made against the Group regarding the penalty mentioned above.

At 31 December 2020 and 2019, the Company and the Vendor have mutually agreed in writing to further extend the settlement period of the held back sum of HK$60,000,000 in cash on or before 31 December 2021 (2019: on or before 31 December 2020) by one single or multiple payment.

(ii) 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 compensate its financial loss during the suspension period of construction. During the year ended 31 December 2020, the legal dispute was settled out of court by a deed of agreement entered into the Group and the construction contractor. The Group agreed to compensate approximately HK$122,045,000 (approximately RMB108,510,000) to the construction contractor. The amount includes construction cost of approximately HK$91,216,000 (approximately RMB81,100,000) and penalties of approximately HK$30,829,000 (approximately RMB27,410,000). Among the total compensation, approximately HK$92,802,000 (approximately RMB82,510,000) will be settled by assignment of properties to the construction contractor upon completion. During the year, the Group had paid approximately HK$23,619,000 (approximately RMB21,000,000) in cash to the construction contractor. The litigation was concluded and finalised.

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

44. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets at amortised cost		
Rental receivables	8,101	7,175
Other receivables	5,094	6,992
Pledged deposits in a financial institution	36,567	760
Utility and other deposits	2,019	1,812
Restricted bank deposits	40,800	11,026
Cash and cash equivalents	9,687	2,683
	102,268	30,448
Financial liabilities at amortised cost		
Trade payables	57,540	121,376
Other payables	4,608	12,197
Refundable sales proceeds from pre-sale residential properties	48,315	8,688
Tender received from potential construction contractors	44,184	1,006
Accruals	7,821	7,670
Accrued interest expense	161,696	23,495
Construction cost payables	118,136	103,367
Acquisition cost payables	60,000	60,000
Lease liabilities	5,534	10,882
Amount due to an associate	7,663	151
Borrowings	1,715,989	1,413,737
Payable to a construction contractor	5,959	–
	2,237,445	1,762,569

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise restricted bank deposits, pledged deposits in a financial institution, cash and cash equivalents and borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as rental and other receivables, lease liabilities, amount due to an associate and trade and other payables, which arise directly from its operations. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks which are summarised below.

(a) Interest rate risk

At 31 December 2020, the Group had entrusted bank borrowings of HK$Nil (2019: HK$164,268,000), bank borrowing of HK$297,974,000 (2019: HK$Nil) and other borrowings of HK$1,234,115,000 (2019: HK$1,075,356,000), which were interest bearing with fixed interest rates.

At 31 December 2020, the Group had bank borrowings of HK$116,091,000 (2019: HK$118,177,000), which are interest bearing with floating interest rates. If interest rates on the bank borrowings, excluding the capitalised bank borrowings of HK$Nil (2019: HK$118,177,000), have been 100 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been HK$969,000 (2019: HK$Nil) higher/lower mainly as a result of higher/lower interest expense on floating rate borrowings, while the total non-current assets would have been HK$Nil (2019: HK$886,000) higher/lower mainly as a result of higher/lower interest expense of floating rate borrowings capitalised on qualifying assets within property, plant and equipment and properties under development.

(b) Foreign currency risk

The Group carries on its sale and purchase/expenses transactions and raising borrowings mainly in HK$, US$ and RMB. As the foreign currency risk generated from the sales and purchases/expenses can be set off with each other, and the Group's subsidiaries borrow in its respective functional currencies, hence the foreign currency risk is minimal for the Group. It is the policy of the Group to continue maintaining the balance of its sales and purchases/expenses in the same currency. The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions and other financial assets and liabilities created in the ordinary course of the business.

USD is not the functional currency of the Company and its subsidiaries. However, given that HK$ is pegged to USD, the Group does not expect any significant movements in the USD/HK$ exchange rates.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Credit risk

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 December 2020 and 2019 is the carrying amount as disclosed in note 44.

(i) Rental receivables

The Group's credit risk is primarily attributable to its rental receivables. In order to minimise the credit risk, the management of the Group will internally assess the credit quality of the potential tenants before accepting any new tenants, no credit period is granted to tenants. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As part of the Group's credit risk management, the Group assessed the ECL for each of the rental receivable individually. The directors of the Company have also considered reasonable and supportable best information available without undue cost or effort including historical evidences and forward-looking information. The Group has taken into account the possible impacts associated with the overall changes in the economic environment arising from COVID-19, and concluded that there is no significant increase in credit risk.

Based on the above basis, loss allowance of HK$Nil (2019: approximately HK$3,255,000) was made on the Group's outstanding rental receivables from one tenant, of whom the Group has litigation against as at 31 December 2019. The Group won in the final trial during the year and the judgement was issued from the People's Court of Chengdu in the PRC. ECL provision of HK$907,000 is reversed during the year ended 31 December 2020.

Management has not been aware of any cases of COVID-19 infection among its people and the outbreak has not had a significant impact to the Group's operations to date. Management currently has an appropriate response plan in place. Management will continue to monitor and assess the ongoing development and respond accordingly.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Credit risk *(Continued)*

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables, restricted bank deposits, pledged deposits in a financial institution and cash and cash equivalents. In order to minimise the credit risk of other receivables, the management of the Group has designated a team responsible for determination of credit limits and credit approvals. The management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as current external information and adjusted to reflect probability-weighted forward-looking information, including the default rate where the relevant debtors operate. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of other receivables are considered to be low.

Besides, the management is of opinion that there is no significant increase in credit risk on these other receivables since initial recognition as the risk of default is low after considering the factors as set out in note 4.11 and, thus, ECL recognised is based on 12-month ECL and is close to zero.

The credit risks on restricted bank deposits, pledged deposits in a financial institution and cash and cash equivalents are considered to be insignificant because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

(d) Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain a contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirement.

The directors of the Company have prepared cash flow projections for the year ending 31 December 2021 on the basis that: (1) proceeds from pre-sales in 2021 will be more than that of 2020; (2) construction payments will be satisfied by receipt of the relevant proceeds from pre-sales; (3) available loan facilities will be no less than that of 2020; and (4) there will be no further breach of debt covenants in 2021. Management will closely monitor the situation to ensure that appropriate alternative actions are taken, such as to accelerate the pre-sales of properties under development, if any of the above conditions are not fully fulfilled.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment which might have unexpected material impact on the Group's anticipated cash flow position. These include accelerating sales of the Group's properties with more flexible pricing, adjusting and further slowing down the construction progress as appropriate, ensuring available resources for the development of properties for sale, implementing cost control measures, introducing seeking other funding alternatives. The Group will assess the relevant future costs and benefits and pursue such options as are appropriate. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted cash flows on the earliest date of which the Group can be required to pay. The table includes both interest and principal cash flows is as follows:

	Within one year or on demand HK$'000	Between two to five years HK$'000	Total HK$'000
2020			
Trade payables	**57,540**	**–**	**57,540**
Other payables	**4,608**	**–**	**4,608**
Refundable sales proceeds from pre-sale residential properties	**48,315**	**–**	**48,315**
Tender received from potential construction contractors	**44,184**	**–**	**44,184**
Accruals	**7,821**	**–**	**7,821**
Accrued interest expense	**161,696**	**–**	**161,696**
Construction cost payables	**118,136**	**–**	**118,136**
Acquisition cost payables	**60,000**	**–**	**60,000**
Lease liabilities	**5,196**	**626**	**5,822**
Amount due to an associate	**7,663**	**–**	**7,663**
Borrowings	**1,714,914**	**1,183**	**1,716,097**
Payable to a construction contractor	**5,959**	**–**	**5,959**
	2,236,032	**1,809**	**2,237,841**
2019			
Trade payables	121,376	–	121,376
Other payables	12,197	–	12,197
Refundable sales proceeds from pre-sale residential properties	8,688	–	8,688
Tender received from potential construction contractors	1,006	–	1,006
Accruals	7,670	–	7,670
Accrued interest expense	23,495	–	23,495
Construction cost payables	103,367	–	103,367
Acquisition cost payables	60,000	–	60,000
Lease liabilities	6,196	5,732	11,928
Amount due to an associate	151	–	151
Borrowings	890,201	713,494	1,603,695
	1,234,347	719,226	1,953,573

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Liquidity risk *(Continued)*

Borrowings with a repayment on demand clause are included in "within one year or on demand" time band in the above maturity analysis. As at 31 December 2020, the aggregate undiscounted principal and interest amounts of these borrowings amounted to HK$1,716,097,000 (2019: HK$1,603,695,000). Taking into account the management's plans and measures as described in note 2.1, the management of the Group does not believe that it is probable that the lenders of such borrowings will exercise their discretionary rights to demand immediate repayment. The management believes that such borrowings will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements and accordingly, the aggregate principal and interest cash outflows amounted to HK$1,886,785,000 (2019: HK$1,613,747,000), details of which are set out in the table below:

Maturity analysis - Borrowings with a repayment on demand clause on scheduled repayments

	Within one year HK$'000	Between two to five years HK$'000	Total HK$'000
2020			
Borrowings	**1,113,565**	**773,220**	**1,886,785**
2019			
Borrowings	671,213	942,534	1,613,747

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(e) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns and benefit for shareholders and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the amounts of dividend paid to shareholders, return capital to shareholders, issue new shares or selling assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities. The current ratio at 31 December 2020 and 2019 is as follows:

	2020	2019
	HK$'000	HK$'000
Current assets	**2,215,357**	1,599,594
Current liabilities	**2,842,418**	1,324,399
Current ratio	**0.78**	1.21

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(f) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and reported as net amount in the consolidated statement of financial position when there is legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

46. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.

Level 3: significant unobservable inputs for the asset and liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

The carrying amounts of the Group's financial assets and liabilities are not materially different from their fair values at each reporting date due to the immediate or short maturity of these financial instruments.

46. FAIR VALUE MEASUREMENTS *(Continued)*

Fair value of non-financial assets

(a) *Disclosures of level in fair value hierarchy:*

Description	Fair value measurement using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2020 HK$'000
Recurring fair value measurements:				
Investment properties				
Shopping mall – the PRC	–	–	207,390	207,390

Description	Fair value measurement using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2019 HK$'000
Recurring fair value measurements:				
Investment properties				
Shopping mall – the PRC	–	–	223,489	223,489

46. FAIR VALUE MEASUREMENTS *(Continued)*

Fair value of non-financial assets *(Continued)*

(b) Reconciliation of assets measured at fair value based on level 3:

	Investment properties– Shopping mall (note 18) HK$'000	Investment properties– Villas (note 18) HK$'000	Contingent consideration receivable HK$'000	Total 2020 HK$'000
At 1 January	223,489	–	–	223,489
Fair value loss recognised in profit or loss	(29,243)	–	–	(29,243)
Exchange realignment	13,144	–	–	13,144
At 31 December	207,390	–	–	207,390

	Investment properties– Shopping mall (note 18) HK$'000	Investment properties– Villas (note 18) HK$'000	Contingent consideration receivable HK$'000	Total 2019 HK$'000
At 1 January	241,821	16,953	110,136	368,910
Disposal	–	(16,895)	–	(16,895)
Derecognition	–	–	(110,136)	(110,136)
Fair value loss recognised in profit or loss	(14,060)	–	–	(14,060)
Exchange realignment	(4,272)	(58)	–	(4,330)
At 31 December	223,489	–	–	223,489

All the gains or loss recognised in profit or loss for the years arise from the fair value loss on investment properties held at the end of each reporting period.

46. FAIR VALUE MEASUREMENTS *(Continued)*

Fair value of non-financial assets *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

For level 3 fair value measurements, the Group has engaged external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for decrease of inputs	Fair value 2020 HK$'000	Fair value 2019 HK$'000
Shopping mall – the PRC	Direct comparison approach	Asking discount	10% (2019: 10%)	Decrease	207,390	223,489
		Tenure	25% to 35% (2019: 30%)	Decrease		
		Size discount	4% to 6% (2019: 5% to 10%)	Decrease		
		Existing tenancy discount	45% (2019: 45%)	Decrease		

For the shopping mall in the PRC for the years ended 31 December 2020 and 2019, the valuation was based on direct comparison approach which largely involves recent selling prices and taking into account of several unobservable inputs (e.g. asking discount, condition discount, size discount, and existing tenancy discount etc.).

47. EVENTS AFTER THE REPORTING PERIOD

(i) On 12 January 2021, the Board noted that joint and several receivers (the "Receivers" or each "Receiver") were appointed over all the issued shares of KEYNE HOLDINGS, a holding company of the Company which holds 2,073,549,197 shares, representing approximately 58.10% shareholding in the Company, pursuant to (i) a security agreement over the shares of KEYNE HOLDINGS dated 25 June 2018 between Zhu Boheng, the ultimate beneficial owner of KEYNE HOLDINGS, as mortgagor, and Jovial Paradise Limited, as lender; and (ii) the deed of appointment of the Receivers dated 30 December 2020. For details, please refer to the announcement of the Company dated 12 January 2021.

On 29 March 2021, the Company has been informed by KEYNE HOLDINGS that its shareholder has reached consensus on the debt restructuring proposal with the lender, and the lender has agreed to terminate the appointment of receivers over all the issued shares of KEYNE HOLDINGS.

(ii) On 20 March 2021, the Group repaid interest of approximately HK$116,806,000 to a lender as mentioned in note 31(vii), in settling approximately HK$107,761,000 overdue interest as at 31 December 2020. Among of the settlement, approximately HK$12,515,000 is paid on behalf of the Group by a related party, Yangzhou Ya Tai. The ultimate controlling shareholder of this company is Mr. Zhu Boheng (the controlling shareholder of the Company).

48. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform the current year's presentation of the consolidated financial statements.

Particulars of Major Properties Held

A. Projects under development and planning held by Group

Name of Property	Location	Type	Percentage	Approximate GFA (sq.m)	Approximate site area (sq.m)	Stage of completion	Anticipated completion date
1. Xiangtan Project (Phase I)	The east of Jiuhua Main Avenue, Jiuhua Economic Development Zone, Xiangtan City, Hunan Province, the PRC	Residential	100%	201,873	92,665	Preparing to completion	Zone C: December 2022 Zone D: September 2021
2. Xiangtan Project (Phase II)	The east of Jiuhua Main Avenue, Jiuhua Economic Development Zone, Xiangtan City, Hunan Province, the PRC and the east of Tanzhou Main Avenue, Jiuhua Economic Development Zone, Xiangtan City, Hunan Province, the PRC	Residential	100%	703,954	264,838	Under planning	To be determined

B. Property held for investment by the Group

Name of Property	Location	Type	Percentage	Approximate GFA (sq.m)	Lease Term
Shopping mall - the PRC	No. 19 Yongling Road, Jinniu District, Chengdu City, Sichunan Province, the PRC	Retail	100%	30,742	Long term

Five Year Financial Summary

A summary of the results, assets, liabilities of the Group for the last five financial years is as follows:

	Year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Continuing operations					
Revenue	**80,466**	39,919	79,835	66,890	23,047
Loss before income tax	**(602,575)**	(291,357)	(352,842)	(398,056)	(332,830)
Income tax credit/(expense)	**5,386**	1,653	(634)	2,633	4,116
Loss for the year from continuing operations	**(597,189)**	(289,704)	(353,476)	(395,423)	(328,714)
Profit/(Loss) for the year from discontinued operations	**–**	754	(579)	–	–
Loss for the year attributable to owners of the Company	**(597,189)**	(288,950)	(354,055)	(395,423)	(328,714)

	As at 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and Liabilities					
Total assets	**3,128,554**	2,806,079	2,637,551	2,546,030	2,662,260
Total liabilities	**(3,002,025)**	(2,108,442)	(1,632,596)	(1,339,409)	(1,215,423)
Equity attributable to owners of the Company	**126,529**	697,637	1,004,955	1,206,621	1,446,837