

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



INTERIM REPORT
2021



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

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

Independent Non-executive Directors:

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

COMPANY SECRETARY

Ms. Tsang Wing Man

AUTHORISED REPRESENTATIVES

Ms. Qian Ling Ling
Mr. Zhang Li

PRINCIPAL BANKERS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 4101, 41/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

COMPANY WEBSITE

www.keyneltd.com

The board (the “**Board**”) of directors (the “**Directors**”) of KEYNE LTD (formerly known as Nine Express Limited) (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2021 with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	5	9,811	15,231
Cost of sales		(1,159)	(8,746)
Gross profit		8,652	6,485
Other income		212	316
Impairment loss on investment in an associate		–	(7,513)
Properties under development written down		–	(23,834)
Administrative expenses		(19,337)	(21,753)
Selling and marketing expenses		(4,292)	(1,716)
Operating loss	8	(14,765)	(48,015)
Finance income	7	564	147
Finance costs	7	(139,236)	(68,005)
Finance costs – net	7	(138,672)	(67,858)
Share of profits of associates		633	1,063
Loss before income tax		(152,804)	(114,810)
Income tax expense	9	(555)	(819)
Loss for the period attributable to owners of the Company		(153,359)	(115,629)
Loss per share	11		
Basic		HK(4.30) cents	HK(3.24) cents
Diluted		HK(4.30) cents	HK(3.24) cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company	(153,359)	(115,629)
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences arising on translation of foreign operations	10,727	(13,088)
Share of other comprehensive income of associates accounted for using the equity method	11	(102)
Other comprehensive income for the period, net of tax	10,738	(13,190)
Total comprehensive income/(loss) for the period attributable to owners of the Company	(142,621)	(128,819)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Notes</i>	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		473,839	397,281
Right-of-use assets	12	3,346	5,263
Land use rights		40,424	44,083
Investment properties	13	209,311	207,390
Investments in associates	14	258,447	257,790
Deposits, prepayments and other receivables		1,442	1,390
Total non-current assets		986,809	913,197
Current assets			
Properties for sale or under development and other contract costs		2,017,561	1,770,026
Rental receivables	15	7,796	8,101
Deposits, prepayments and other receivables		392,908	350,176
Pledged deposits in a financial institution		36,906	36,567
Restricted bank deposits		29,858	40,800
Cash and cash equivalents		9,590	9,687
Total current assets		2,494,619	2,215,357
Current liabilities			
Trade payables	16	68,981	57,540
Other payables, accruals and deposits received		670,517	649,858
Lease liabilities	17	1,041	4,915
Contract liabilities		905,004	404,962
Amount due to an associate		24,158	7,663
Borrowings	18	1,663,024	1,714,914
Tax payables		2,374	2,566
Total current liabilities		3,335,099	2,842,418
Net current (liabilities)/assets		(840,480)	(627,061)
Total assets less current liabilities		146,329	286,136

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
As at 30 June 2021

	<i>Notes</i>	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Non-current liabilities			
Lease liabilities	<i>17</i>	2,504	619
Deposits received		2,082	2,598
Borrowings	<i>18</i>	675	1,075
Deferred tax liabilities		157,160	155,315
Total non-current liabilities		162,421	159,607
Net (liabilities)/assets		(16,092)	126,529
Equity attributable to owners of the Company			
Issued share capital	<i>19</i>	35,688	35,688
Reserves		(51,780)	90,841
(Capital deficiency)/Total equity		(16,092)	126,529

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Issued share capital HK\$'000	Share premium HK\$'000	Contributed surplus ¹ HK\$'000	Equity component of the convertible notes HK\$'000	Exchange reserve HK\$'000	Special reserve ² HK\$'000	Share options reserve HK\$'000	Other reserve HK\$000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 January 2020	35,688	2,174,200	459,047	-	(45,088)	17,926	4,362	(166)	(1,948,332)	697,637
Loss for the period	-	-	-	-	-	-	-	-	(115,629)	(115,629)
Other comprehensive income	-	-	-	-	(13,088)	-	-	(102)	-	(13,190)
Total comprehensive income for the period	-	-	-	-	(13,088)	-	-	(102)	(115,629)	(128,819)
Early redemption of convertible notes	-	-	-	-	-	-	-	-	-	-
Change in equity for the period	-	-	-	-	(13,088)	-	-	(102)	(115,629)	(128,819)
Balance at 30 June 2020 (unaudited)	35,688	2,174,200	459,047	-	(58,176)	17,926	4,362	(268)	(2,063,961)	568,818
Balance at 1 January 2021	35,688	2,174,200	459,047	-	(19,522)	17,926	4,362	349	(2,545,521)	126,529
Loss for the period	-	-	-	-	-	-	-	-	(153,359)	(153,359)
Other comprehensive income	-	-	-	-	10,727	-	-	11	-	10,738
Total comprehensive income for the period	-	-	-	-	10,727	-	-	11	(153,359)	(142,621)
Change in equity for the period	-	-	-	-	10,727	-	-	11	(153,359)	(142,621)
Balance at 30 June 2021 (unaudited)	35,688	2,174,200	459,047	-	(8,795)	17,926	4,362	360	(2,698,880)	(16,092)

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash used in operating activities	261,358	(62,472)
Cash flows (used in)/from investing activities		
Purchase of property, plant and equipment	(68,072)	(30,308)
Capital contribution to an associate	–	(2)
Advance from an associate	16,489	–
Decrease/(Increase) in pledged bank deposits	(198)	–
Decrease/(Increase) in restricted bank deposits	7,706	4,464
Interest received	3,489	68
Net cash (used in)/from investing activities	(40,586)	(25,778)
Cash flows (used in)/from financing activities		
Proceeds from borrowings	72,548	305,521
Repayment of borrowings	(126,583)	(197,895)
Payment of lease liabilities	(2,838)	(2,645)
Interest paid on lease liabilities	(224)	(440)
Interest paid on borrowings and commitment fees	(163,686)	(21,446)
Net cash from financing activities	(220,783)	83,095
Net (decrease)/increase in cash and cash equivalents	(11)	(5,155)
Cash and cash equivalents at beginning of the period	9,687	2,683
Effect of foreign exchange rate changes, net	(86)	5,754
Cash and cash equivalents at end of the period	9,590	3,282
Analysis of the balance of cash and cash equivalents		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	9,590	3,282

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

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

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

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

The Company’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 centralized heat supply.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

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

2 BASIS OF PREPARATION *(continued)*

2.1 *Going concern basis*

As at 30 June 2021, the Group had accumulated losses of HK\$2,698,880,000 (31 December 2020: HK\$2,545,521,000) and net cash inflow from operating activities of HK\$261,358,000 (six months ended 30 June 2020: net cash outflows from operating activities of HK\$62,472,000 (unaudited)). As at the same date, the Group's total borrowings amounted to HK\$1,663,699,000 (31 December 2020: HK\$1,715,989,000), of which current borrowings amounted to HK\$1,663,024,000 (31 December 2020: HK\$1,714,914,000), while its cash and cash equivalents amounted to HK\$9,590,000 (31 December 2020: HK\$9,687,000), and restricted bank deposits amounted to HK\$29,858,000 (31 December 2020: HK\$40,800,000).

As at 30 June 2021, certain borrowings whose principal amount of approximately HK\$1,227,368,000 and interest payable of HK\$39,922,000, relating to certain borrowings with a total principal amount of HK\$1,155,192,000 ("**Overdue Borrowings**") were overdue.

The Group have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institution, which include:

- (i) Subsequent to 30 June 2021, the Group and the Connected Guarantors, being the parties to the Listco Facility Agreement entered into the Listco Facility Agreement;
- (ii) The properties of Xiantan Project is expected to give further substantial sales for second half of 2021. Overall, the Group expects to gradually launch a major project upon obtaining the pre-sales permits already;
- (iii) 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 properties sales to generate sufficient cashflows from its operation.

The directors, including members of the audit committee, have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of twelve months from 30 June 2021. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2021. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

2 BASIS OF PREPARATION *(continued)*

2.1 *Going concern basis (continued)*

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

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

- (i) Successful negotiations with the lenders for the renewal of or extension for repayments beyond 30 June 2021 for those borrowings that (a) are scheduled for repayment (either based on the original agreements or the existing arrangements) in the year subsequent to 30 June 2021; (b) were overdue as at 30 June 2021 because of the Group's failure to repay either the loan principal or the interests on or before the scheduled repayment dates; and (c) became or might become overdue in year subsequent to 30 June 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, include those with cross-default terms;
- (iii) Successful obtaining of additional new sources of financing as and when needed;
- (iv) Successful accelerating of the pre-sales and sales of properties under development and completed properties; and controlling costs and containing capital expenditures so as to generate adequate net cash inflows; and
- (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 above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

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

3 CHANGE IN SIGNIFICANT ACCOUNTING POLICIES

In the current reporting period, the Group has applied, for the first time, the following amendments to HKASs and Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant for the preparation of the Group’s unaudited condensed consolidated financial statements:

Amendments to HKFRS9, HKAS39, HKFRS7, HKFRS4 and HKFRS16	Interest rate Benchmark Reform – Phase 2
Amendments to HKFRS16	Covid-19 Related Rent Concessions

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

The Group has not early applied the following new and amendments to HKASs and HKFRSs that have been issued but are not yet effective:

Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations ¹
HKFRS 17	Insurance Contracts and the related Amendments ²
Amendments to HKAS 1	Classification of Liabilities as Current and Non-current or related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKAS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020 ¹

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

² Effective for annual periods beginning on or after 1 January 2023

³ Effective date not yet determined

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 pronouncements. The new and amended HKFRSs are not expected to have a material impact on the Group’s condensed consolidated interim financial statements.

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

4 ESTIMATES

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

The judgments, estimates and assumptions applied in the condensed consolidated interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's annual financial statements for the year ended 31 December 2020. The only exceptions are the estimate of income tax liabilities which is determined in the condensed consolidated interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

5 REVENUE

The Group's operations and main revenue streams are those described in the annual financial statements for the year ended 31 December 2020.

In the following table, revenue is disaggregated by timing of revenue recognition.

	Six months ended 30 June	
	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)
External revenue from contracts with customers by timing of revenue recognition-Point in time	–	7,623
External revenue from other sources	9,811	7,608
Total	9,811	15,231

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

6 SEGMENTAL 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.

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

For the six months ended 30 June 2021 (unaudited)

	Property rental <i>HK\$'000</i>	Property and hotel development <i>HK\$'000</i>	Centralised heat supply <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:				
External revenue from contracts with customers by timing of revenue recognition				
– Point in time	–	–	–	–
External revenue from other sources	9,811	–	–	9,811
Total revenue	9,811	–	–	9,811
Segment results	5,034	(8,159)	623	(2,502)
Unallocated corporate expenses				(11,630)
Finance income				564
Finance costs				(139,236)
Loss before income tax				(152,804)
Income tax expense				(555)
Loss for the period				(153,359)

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

6 SEGMENTAL INFORMATION *(continued)*

For the six months ended 30 June 2020 (unaudited)

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

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

6 SEGMENTAL INFORMATION *(continued)*

The following table presents segment assets of the Group's reportable segments as at 30 June 2021 and 31 December 2020:

As at 30 June 2021 (unaudited)

	Property rental <i>HK\$'000</i>	Property and hotel development <i>HK\$'000</i>	Centralised heat supply <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	219,869	2,958,814	–	3,178,683
Unallocated corporate assets			44,297	44,297
Investments in associates	691	–	257,757	258,448
Total assets				<u>3,481,428</u>

As at 31 December 2020 (audited)

	Property rental <i>HK\$'000</i>	Property and hotel development <i>HK\$'000</i>	Centralised heat supply <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	218,024	2,595,898	–	2,813,922
Unallocated corporate assets			56,842	56,842
Investments in associates	678	–	257,112	257,790
Total assets				<u>3,128,554</u>

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

7 FINANCE COSTS – NET

An analysis of finance costs and income is as follows:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<hr/>		
Finance costs:		
Interest on bank borrowings wholly repayable within five years	24,782	6,705
Interest on other borrowings	132,850	73,589
Finance charges on lease liabilities	234	440
Foreign exchange difference, net	990	(849)
	<hr/>	<hr/>
	158,856	79,885
Less: Amounts capitalised on qualifying assets	(19,620)	(11,880)
	<hr/>	<hr/>
Total finance costs	139,236	68,005
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Finance income:		
Interest income on short-term bank deposits	(309)	(68)
Interest income from financial assets measured at amortised cost	(255)	(79)
	<hr/>	<hr/>
Total finance income	(564)	(147)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Finance costs – net	138,672	67,858
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

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

8 OPERATING LOSS

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Auditors' remuneration	870	945
Cost of properties sold*	–	7,623
Direct operating expense of investment property that generate rental income*	1,159	1,122
Lease charges – short-term leases with lease term shorter than 12 months	303	200
Depreciation – owned assets	622	306
Depreciation – right-of-use assets [^]	2,358	2,548
Professional fees	1,686	3,507

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

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

9 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. The applicable tax rate for the Group's operation in the Mainland China is 25%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax	149	386
Deferred tax	406	433
Total tax expense	555	819

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

10 DIVIDENDS

No dividend was paid or proposed during the period, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

11 LOSS PER SHARE

(a) *Basic*

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss figures are calculated as follows:		
Loss for the purpose of basic loss per share	(153,359)	(115,629)
	3,568,791	3,568,791
Number of shares (in thousand)	2021	2020
Weighted average number of ordinary shares for the purpose of basic loss per share	3,568,791	3,568,791

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(153,359)	(115,629)

(b) *Diluted*

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had one (2020: one) category of dilutive potential ordinary shares, share options (2020: share options), for the period ended 30 June 2021 and 2020.

For the share options, calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. As the exercise price of the share options granted by the Company was higher than the average annual market price of the Company's shares for the six months ended 30 June 2021 and 2020, the outstanding share options had no dilutive effect on loss per share. Therefore, diluted loss per share for the six months ended 30 June 2021 and 2020 equals basic loss per share.

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

12 RIGHT-OF-USE ASSETS

	30 June 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Buildings carried at cost:		
At 1 January	5,181	10,799
Additions	–	–
Depreciation	(2,856)	(5,628)
Exchange realignment	1,021	92
	3,346	5,263

13 INVESTMENT PROPERTIES

As at 30 June 2021, the Group's investment properties with a net carrying amount of approximately HK\$209,311,000 (2020: HK\$207,390,000) were pledged to secure borrowings granted to a related party (note 22(i)).

14 INVESTMENTS IN ASSOCIATES

	30 June 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Unlisted investments:		
Share of net assets	224,967	224,323
Goodwill	1,040,373	1,040,373
Loan to an associate	1,167	1,165
Accumulated impairment loss	(998,145)	(1,018,205)
Exchange realignment	(9,915)	10,134
	258,447	257,790

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

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

15 RENTAL RECEIVABLES

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
0 – 90 days	7,796	8,101

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

16 TRADE PAYABLES

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
0 – 90 days	53,230	43,841
91 – 180 days	2,519	9,514
181 – 365 days	10,419	1,397
Over 1 year	2,813	2,788
	68,981	57,540

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

17 LEASE LIABILITIES

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Total minimum lease payments:		
Due within one year	3,430	5,196
Due in the second to fifth years	248	626
	3,678	5,822
Future finance charges on lease liabilities	(133)	(288)
Present value of lease liabilities	3,545	5,534
Present value of minimum lease payments:		
Due within one year	1,041	4,915
Due in the second to fifth years	2,504	619
	3,545	5,534
Less: Portion due within one year included under current liabilities	(1,041)	(4,915)
Portion due after one year included under current liabilities	2,504	619

During the six months ended 30 June 2021, the total cash outflows for the leases are HK\$6,052,000 (2020: HK\$3,285,000).

As at 30 June 2021 and 31 December 2020, the Group has entered into leases for two office and one staff quarter. The Group considered that no extension option or termination option would be exercised at the lease commencement date.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

18 BORROWINGS

	Maturity	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Current			
Bank borrowings – secured (note i)	December 2022	72,176	116,091
Other borrowings – secured (note ii)	On demand	257,406	260,501
Borrowings from a related party – unsecured (note iii)	December 2021	13,500	13,500
Other borrowings – unsecured (note iv)	On demand	117,581	50,468
Other borrowings – secured (note v)	On demand	143,690	147,307
Other borrowings – secured (note vi)	May, June 2022 and January 2023	754,096	825,232
Other borrowings – unsecured (note vii)	December 2021	3,841	3,841
Bank borrowings – secured (note ix)	June 2023	300,734	297,974
		1,663,024	1,714,914
Non-current			
Bank borrowings – secured (note i)	December 2022	–	–
Other borrowings – secured (note vi)	May, June 2022 and January 2023	–	–
Other borrowings – unsecured (note vii)	June 2022	675	1,075
		675	1,075
		1,663,699	1,715,989

- (i) At 30 June 2021, the Group's bank borrowings of approximately HK\$72,176,000 (2020: HK\$116,091,000) were secured by the Group's land use rights and construction in progress with a net carrying amount of HK\$40,424,000 (2020: HK\$44,083,000) and HK\$472,821,000 (2020: HK\$396,084,000) respectively. According to the repayment terms, the bank borrowings will be repayable by instalments from 2016 to 2021. The bank borrowings were interest-bearing per annum at the benchmark interest rate determined by the People's Bank of China for loans over 5 years granted by financial institutions (2020: same).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

18 BORROWINGS (continued)

- (ii) At 30 June 2021, the Group's other borrowings of approximately HK\$257,406,000 (2020: HK\$260,501,000) were interest bearing at 8% per annum (2020: same) and repayable by instalments from 2018 to 2021. At 30 June 2021, principal amount of approximately HK\$29,004,000 (2020: HK\$32,563,000) were overdue. ^

The other borrowings were secured and guaranteed by:

- (a) equity interests in two subsidiaries of the Group including Brilliant Field Corporation Limited and Profit Source International Limited;
 - (b) first fixed charge over 2,010,501,197 shares (2020: 2,010,501,197 shares) of the Company owned by Keyne Holdings Limited, the substantial shareholder of the Company. The controlling shareholder of this company is Mr. Zhu Boheng (the controlling shareholder of the Company);
 - (c) a fixed charge over a bank account;
 - (d) corporate guarantees executed by three related companies, Ever Harmony Enterprises Limited, Yangzhou Ya Tai Zhi Ye Company Limited* (揚州亞太置業有限公司) (“**Yangzhou Ya Tai**”) and Nanjing Jin Gao Real Estate Company Limited* (南京金高房地產開發有限公司) (“**Nanjing Jin Gao**”). The ultimate controlling shareholder of these companies is Mr. Zhu Boheng (the controlling shareholder of the Company); and
 - (e) personal guarantee executed by Ms. Qian Ling Ling (a director of the Company), Mr. Peter Zhu (the spouse of Ms. Qian Ling Ling) and Mr. Zhu Boheng (the controlling shareholder of the Company).
- (iii) At 30 June 2021 and 31 December 2020, the Group's borrowings from a related party of approximately HK\$13,500,000 were unsecured and interest-free and repayable in December 2021.
- (iv) At 30 June 2021 and 31 December 2020, the Group's other borrowings from related parties were interest-free, unsecured and repayable on demand.

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

18 BORROWINGS *(continued)*

- (v) At 30 June 2021, the Group's other borrowings of approximately HK\$143,690,000 (2020: HK\$147,307,000) were secured and guaranteed (2020: same). ^

Management estimates that after taking the measures as set out and with its endeavours to ensure that there will be no further delay in repayment of principal and interest, the repayment dates of these reclassified other borrowings could be reverted to their respective original repayment dates which are all beyond 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) (2020: 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) (2020: same). 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; and
- (d) certain properties for sale or under development executed by related parties, Shanghai Hua Hu Yin Nian Investment Partnership Corporation (Limited Partnership)* (上海華滙銀年投資合夥企業(有限合夥)), the ultimate controlling shareholder of this company is Mr. Peter Zhu (the spouse of Ms. Qian Ling Ling), and Gaoyou Jin Ao Real Estate Development Company Limited* (高郵金奧房地產開發有限公司), the ultimate controlling shareholder of this company is Mr. Zhu Boheng (the controlling shareholder of the Company).

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

18 BORROWINGS *(continued)*

- (vi) At 30 June 2021, the Group's other borrowings of approximately HK\$754,096,000 (2020: HK\$825,232,000) in total with original maturity dates in May, June 2022 and January 2023 (2020: same), respectively, were interest bearing at 12% per annum and will be repayable by instalments.

The other borrowings were secured and guaranteed by:

- (a) certain properties under development, with a net carrying amount of approximately HK\$1,996,824,000 (2020: HK\$1,446,902,000);
 - (b) a corporate guarantee executed by a related company, Yangzhou Ya Tai and Shanghai Jin Da Di. The ultimate controlling shareholder of these companies are Mr. Zhu Boheng (the controlling shareholder of the Company);
 - (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 and construction in progress with a net carrying amount of approximately HK\$40,424,000 (2020: HK\$44,083,000) and approximately HK\$472,821,000 (2020: HK\$396,084,000); and
 - (e) a pledged deposits with carrying amount of approximately HK\$36,906,000 (2020: HK\$36,567,000).
- (vii) At 30 June 2021, the Group's other borrowings from a related party were interest-free, unsecured and repayable on or before 31 December 2021.
- (viii) At 30 June 2021, the Group's other borrowings from a related party were interest bearing at 5% per annum, unsecured and repayable in June 2022.

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

18 BORROWINGS *(continued)*

- (ix) At 30 June 2021, the Group's bank borrowings of approximately HK\$300,734,000 with maturity date in June 2021, were interest bearing at 9.5% per annum and will be repayable by instalments. The Group negotiated with the bank about the extension of the loan to June 2023. As at 30 June 2021, those negotiations had not been concluded but expected to be done at August 2021.

The bank borrowings were secured and guaranteed by:

- (a) the Group's investment properties with a net carrying amount of approximately HK\$209,311,000 (2020: 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. 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); and
- (e) corporate guarantees executed by two subsidiaries of the Group including Hunan Jiuhua and Dong Fang Hotel.

* *For identification purpose only*

^ During the year, in respect of other borrowings with a carrying amount of approximately HK\$257,406,000, and HK\$143,690,000 respectively as at 30 June 2021, have been matured and defaulted at Jan 2021, and Nov/Dec 2020. Under such circumstances, the directors of the Company informed the lender and commenced a renegotiation of the terms of the loan with the relevant company. Up to the date of approval for issuance of the consolidated financial statements, the negotiations are still in progress. The loan has been classified as a current liability as at 30 June 2021. The directors of the Company are confident that their negotiations with the lender will ultimately reach a successful conclusion. In any event, should the lender call for immediate repayment of the loan, the directors of the Company believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group.

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

19 SHARE CAPITAL

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Authorised:		
100,000,000,000 (2020: same) ordinary shares of HK\$0.01 (2020: same) each	1,000,000	1,000,000
Issued and fully paid:		
3,568,790,629 (2020: same) ordinary shares of HK\$0.01 (2020: same) each	35,688	35,688

There were no movements in the Company's share capital during the six months ended 30 June 2021.

20 SHARE-BASED PAYMENTS

Share options are granted to Directors, employees and certain eligible persons. The options are exercisable in ten years starting from the grant date. The Group has no legal or constructive obligation to repurchase or settle the options in cash. All the outstanding options were exercisable as at 30 June 2021. The fair value of options granted was determined using the binomial valuation model. The significant inputs into the model were stated as follows:

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

There were no options granted or exercised during the six months ended 30 June 2021.

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

21 COMMITMENTS

(a) *Lease commitments*

(i) *As lessor*

The Group leases its investment property under non-cancellable lease arrangements, with leases negotiated for terms ranging from 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 prevailing market conditions.

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Within 1 year	19,479	16,949
After 1 year but within 2 years	14,986	17,458
After 2 years but within 3 years	17,543	17,543
After 3 years but within 4 years	17,898	17,830
After 4 years but within 5 years	18,462	18,438
After 5 years	29,135	30,463
	117,503	118,681

(ii) *As lessee*

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Within one year	104	136

At 30 June 2021 and 31 December 2020, the Group leases certain staff quarters and carparks with a lease period of less than 12 months, which are qualified to be accounted for under short-term lease exemption under HKFRS 16.

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

21 COMMITMENTS *(continued)*

(b) Capital commitments

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Contracted but not provided for: Property and hotel development	2,974,116	2,054,739

22 RELATED PARTY DISCLOSURES

(i) Related party transactions

As 31 December 2019, an investment property held by Chengdu Zhongfa Real Estate Development Co., Limited (“**Chengdu Zhongfa**”) with a net carrying amount of HK\$223,489,000, was pledged as security for an entrusted bank borrowing of RMB500,000,000 granted to a related party, Yangzhou Ya Tai. 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 already disclosed in previous Company’s announcement.

(ii) Compensation of key management personnel

The remunerations of the Directors during the six months ended 30 June 2021 included short-term benefits of HK\$1,792,000 (2020: HK\$1,755,000). It is determined by reference to market terms, individual responsibilities and performance.

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

23 CONTINGENT LIABILITIES

(i) Provision of contingent withholding EIT

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

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

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

According to sale and purchase agreement dated 16 November 2015 entered into among the Company, the Vendor and the Guarantors, namely Guarantor C and Guarantor L, the Vendor is responsible for the filing and the settlement of the EIT arising from the indirect equity transfer in accordance to the relevant PRC tax laws and regulations. The Vendor shall compensate the Company in case the Vendor fails to report and payment of the EIT on the indirect equity transfer.

In addition, such arrangement was further formally executed through a deed of tax indemnity entered into among the Company, the Vendor and the Guarantors on 30 March 2016. Therefore, the Directors believe the Vendor, who still own 51% equity interest in Ever-Grand, would voluntarily report and pay the EIT to the PRC tax authorities, as well as compensating the Group for any penalty to be imposed to the Group, if any. The Directors do not consider it is probable that a claim will be made against the Group regarding the penalty mentioned above.

Except as above, the Group has no material contingent liabilities as at 30 June 2021 and 31 December 2020.

24 APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 26 August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2021, the Group focus on (i) property and hotel development (the “**Xiangtan Project**”) in Xiangtan, Hunan Province, (ii) property rentals (the “**Chengdu Project**”) in Chengdu, Sichuan Province and (iii) investment in centralised heat supply business.

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2021, the Group recorded a revenue of approximately HK\$9,811,000 (2020: HK\$15,231,000). Property rental income increased to approximately HK\$9,811,000 (2020: HK\$7,608,000) to the total revenue, as a result of the rent concessions. There is no sales of properties (2020: HK\$7,623,000) for first half year.

Loss attributable to owners of the Company was approximately HK\$153,359,000 (2020: HK\$115,629,000). Basic loss per share was approximately HK4.30 cents (2020: HK3.24 cents). The Board does not recommend dividend payout for the six months ended 30 June 2021 (2020: Nil). As at 30 June 2021, cash and cash equivalents were approximately HK\$9,590,000 (31 December 2020: HK\$9,687,000).

BUSINESS REVIEW

(i) *Xiangtan Project*

The Xiangtan Project currently focuses on the development, construction and sales of high-rise residential buildings. Situated in the Jiuhoa 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.

As of 30 June 2021, the Group had pre-sold comprising detached villa, with a gross saleable area of approximately 31,372 square meters, which we expect to generate of the pre-sale proceeds from the property project of approximately HK\$198,928,000. All units of semi-detached villas were delivered to customer last year.

For the first half in 2021, the Group had commenced the construction of detached villa units and obtain the relevant pre-sale permits, and in the second half 2021, we will further generating healthy cash flows to the Group for further resources to put into the development project. Looking ahead in the second half of 2021, the Group will start the construction of remaining Phase II high-rise commercial residential buildings with a saleable area of 404,385 square meters.

In the second half of the year, the construction and sales of high-rise residences will be accelerated, in the hope of launching relevant products into the market by the end of the year. The continual launches and high sell-through rate of high-rise residential products will further improve the financial position of the Group while effectively supplementing the cash flow of the project.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

(ii) Chengdu Project

For the six months ended 30 June 2021, 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\$9,811,000 (2020: HK\$7,608,000) from property rental were recorded for the six months ended 30 June 2021. The increase in rental income was mainly due to the rent concessions.

(iii) Centralised Heat Supply Business

Due to its advantage of greater energy efficiency, centralised heat supply was enthusiastically promoted by the PRC Government. According to 《關於推進我省工業園區和產業集聚區集中供熱的意見》(the “**Opinion Relating to Promoting Centralised Heat Supply for Industrial Parks and Zones in Guangdong Province**”^{*}) published by the National Development and Reform Commission of the Guangdong Provincial Government in December 2013, the Guangdong Provincial Government is actively promoting the development of centralised heat supplies in industrial parks and zones. In addition, the 《2014-2015年節能減排低碳發展行動方案的通知》 (“**2014-2015 Action Plan on Energy Conservation, Emission Reduction and Low-Carbon Development**”), issued by the State Council, stated that old scattered coal-fired boilers should be progressively phased out in lock step with the development of centralised heat supply.

Ever-Grand Development Limited holds 80% equity interests in Dongguan City Dejin Energy Technology Company Limited and Dongguan City Dejin Thermal Power Company Limited (together “**Dejin**”), which are engaged in an energy-saving environmental protection project through the provision of steam and heat produced at a power plant in Dongguan City to industrial customers in certain areas of Humen and Changan in Dongguan City, Guangdong Province.

On 30 March 2016, the transaction was completed and the Group officially began its operations in the centralised heat supply business.

* For identification purpose only.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

(iii) Centralised Heat Supply Business (continued)

As of 30 June 2021, the Group is supplying steam to around 33 (2020: same) active customers in Humen Town through steam transmission pipelines of approximately 4.6km (2020: same). During the reporting period, the centralised heat supply business, generating revenue of approximately HK\$23,338,000 (2020: HK\$19,109,000) to Ever-Grand, representing an increase of 22.2% as compared with the last reporting period. In the ChangAn town, as a result of the continuous delay of the pipeline deployment plan rolled out in ChangAn town, coupled with the sustained delay of the public release from the local and central government of the Changan Binhai New Area's "Guangdong, Hong Kong, and Macau Greater Bay Area Development Plan Outline" and the Dawan District Plan, the business plan of the ChangAn town was further delayed and suspended with uncertainties.

FINANCING ACTIVITIES AND EVENTS AFTER THE REPORTING PERIOD

According to the repayment agreement previously entered into between the Group and China Huarong Asset Management 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 repaid a related outstanding interest of RMB70,895,000. 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)), the Group repaid the principal and interest of RMB66,000,000 and RMB114,345,000 respectively.

Under such circumstances, the directors of the Company informed the China Huarong Asset Management Company Limited and commenced a renegotiation of the terms of the loan with the relevant company. Up to the date of approval for issuance of the consolidated financial statements, the negotiations are still in progress.

The Group holds US\$19,000,000 interest-bearing secured notes issued by Donghai International Financial Holdings Company Limited ("**Donghai**"), of which US\$9,500,000 notes were due on 23 November 2020 and the other US\$10,000,000 notes were due on 7 December 2020. Subsequent to the date of this report, the Group has repaid US\$1,200,000 in year 2020, and repaid US\$500,000 in year 2021.

In June 2021, the Company has requested for extending the repayment of the outstanding loan facilities for two to three years. As the date of report, the Group is waiting for the approval of the finalized terms from the Donghai, which is expected to be available by end of August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCING ACTIVITIES AND EVENTS AFTER THE REPORTING PERIOD *(continued)*

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 (“**Chouzhou Bank**”) (浙江稠州商業銀行股份有限公司南京分行).

The principal of RMB120 million was matured by end of March 2021 and the Group has successfully extended for repayment up to end of April 2021. The remaining principal of RMB130 million was matured by end of June 2021. Chouzhou Bank has agreed to allow more time for the Group to handle and not to enforce the pledged properties, nor to pursue legal action against the Group. The loan will be extended but in negotiation by August 2021.

PROSPECTS

In the first half of the year, the Covid-19 outbreak delivered a severe blow to the global economy, leading to a surge in unemployment and wild fluctuations in the financial market. Thanks to the resolute and effective measures taken by the PRC government for epidemic containment, the PRC economy suffered smaller losses. The Group will explore the real estate markets in Changsha and Xiangtan, step up the development of the existing Xiangtan Project, start up hotel operation by year 2022 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 second-tier cities with better fundamentals, metropolitan areas and city clusters with great development potential, so as to ensure long-term sustainable development.

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group's net current liabilities were approximately HK\$840,480,000 (31 December 2020: HK\$627,061,000), with current assets of approximately HK\$2,494,619,000 (31 December 2020: HK\$2,215,357,000) and current liabilities of approximately HK\$3,335,099,000 (31 December 2020: HK\$2,842,418,000), representing a current ratio of approximately 0.75 (31 December 2020: 0.78). As at 30 June 2021, the Group had cash and cash equivalents of approximately HK\$9,590,000 (31 December 2020: HK\$9,687,000).

CAPITAL STRUCTURE

As at 30 June 2021, the Group's total capital deficiency amounted to approximately HK\$16,092,000 (Total capital for 31 December 2020: HK\$126,529,000).

BORROWING AND BANKING FACILITIES AND CHARGE ON GROUP ASSETS

As at 30 June 2021, the Group's outstanding borrowings were approximately HK\$1,663,699,000 (31 December 2020: HK\$1,715,989,000). The Group's bank borrowings of approximately HK\$72,176,000 (31 December 2020: HK\$116,091,000) were secured by the Group's land use right and construction in progress with a net carrying amount of approximately HK\$40,424,000 (31 December 2020: HK\$44,083,000) and approximately HK\$472,821,000 (31 December 2020: HK\$369,084,000) respectively.

The Group's borrowings from a related party of approximately of HK\$13,500,000 was unsecured. The Group's other borrowings of approximately HK\$122,097,000 (31 December 2020: HK\$55,384,000) were unsecured. The Group's other borrowings of approximately HK\$143,690,000 (31 December 2020: HK\$147,307,000) were secured by share charge over the equity interest in Ever-grand and certain properties for sales or under development executed by certain related parties. The Group's other borrowings of approximately of HK\$257,406,000 (31 December 2020: HK\$260,501,000) were secured by share charges given by Keyne Holdings Limited ("**Keyne Holdings**"), 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\$754,096,000 (31 December 2020: HK\$825,232,000) were secured by certain properties development in progress, with a net carrying amount of approximately HK\$604,369,000 (31 December 2020: HK\$1,446,902,000).

The gearing ratio based on borrowings over total equity as at 30 June 2021 was approximately negative 103.39 due to the Company's negative equity position (31 December 2020: approximately positive 13.56).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

GOING CONCERN AND MITIGATION MEASURES

The Group had accumulated losses of HK\$2,698,880,000 at 30 June 2021 and net cash outflows from operating activities of HK\$261,358,000 for the six months ended 30 June 2021. As at the same date, the Group's total borrowings amounted to HK\$1,663,699,000, of which current borrowings amounted to HK\$1,663,024,000, while its cash and cash equivalents amounted to HK\$9,590,000, and restricted bank deposits amounted to HK\$29,858,000. In addition, as at 30 June 2021, loan principal repayments and interest payments of HK\$286,411,000 relating to certain borrowings of the Group of principal amount of HK\$401,096,000 were not repaid in accordance with the repayment schedules pursuant to the borrowing agreements. These conditions, together with other matters described in note 2.1 to the condensed consolidated interim financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. However, the Directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which include:

- (i) The Group is negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future. During the six months ended 30 June 2021, loans with aggregate principal amount of HK\$1,227,368,000 have been successfully obtained;
- (ii) The Group has accelerated the pre-sales and sales of its properties under development and completed properties. The properties from Xiangtan Project is expected to give further substantial sales for 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 condensed consolidated interim financial statements on a going concern basis.

EXPOSURE TO FOREIGN EXCHANGE

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

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

CONTINGENT LIABILITIES

Save for those disclosed in the note 23 to the condensed consolidated interim financial statements, there were no contingent liabilities that the Group is aware of.

EMPLOYEES AND REMUNERATION POLICIES

Staff costs for the period ended 30 June 2021 was approximately HK\$10,586,000 (2020: HK\$9,512,000). The Group had a workforce of 73 (2020: 68). Salaries of employees were maintained at competitive levels while bonuses were granted on a discretionary basis.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (2020: Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2021, the interests and short positions of the Directors and chief executive of the Company in the existing shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which are required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company or which are required to be notified 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 shares held	Approximate percentage of the issued share capital of the Company <i>(Note 2)</i>
Mr. Zhang Li	Beneficial owner	14,655,625 (L)	0.41%(L)

CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION *(continued)*

Long positions (continued)

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

Notes:

1. The letter “L” denotes the person’s long position in such shares.
2. The percentage is calculated on the basis of 3,568,790,629 shares in issue as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, none of the Directors and chief executive of the Company have any interests or short positions in the existing shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which are required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company or which are required pursuant to the Model Code contained in the Listing Rules to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTIONS

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

The Eligible Participants of the Scheme 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

SHARE OPTIONS *(continued)*

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

	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options				Outstanding as at 30.06.2021	Approximate percentage of the issued share capital of the Company % ⁽⁴⁾
				Outstanding as at 01.01.2021	Granted during the review period	Exercised during the review period	Cancelled/ Lapsed during the review period		
Employee	23.01.2018	23.01.2018 to 22.01.2028	0.362	24,711,625 ⁽¹⁾	-	-	-	24,711,625	0.69
				24,711,625	-	-	-	24,711,625	0.69

Notes:

- (1) The closing price of the Company's shares immediately before the date on which the share options were granted was HK\$0.355.
- (2) The total number of the Company's share available for issue under the Scheme was 98,846,500 which represented approximately 2.77% of the issued share capital of the Company as at the date of this report.
- (3) There is no minimum period for which the share options must be held before the share options can be exercised unless otherwise determined by the Board.
- (4) As at 30 June 2021, the number of issued shares of the Company, which is 3,568,790,629 shares, has been used for the calculation of approximate percentage shareholding in the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

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

As at 30 June 2021, the register of substantial shareholders and other person's maintained by the Company under Section 336 of the SFO showed that the following persons notified the Company of the relevant interests in the issued share capital of the Company:

Long positions

Ordinary shares of HK\$0.01 each of the Company

Name of Shareholder	Capacity	Number of ordinary shares held/Number of underlying shares held under equity interest	Approximate percentage of the issued share capital of the Company <i>(Note 8)</i>
Zhu Boheng <i>(Note 1)</i>	Interest of controlled corporation	2,073,549,197(L)	58.10%(L)
KEYNE HOLDINGS LTD <i>(Note 1)</i>	Beneficial owner	2,073,549,197(L)	58.10%(L)
Cheng Cong <i>(Note 2)</i>	Interest of controlled corporation	221,544,000(L)	6.21%(L)
Asia Glory International Development Limited <i>(Note 2)</i>	Beneficial owner	221,544,000(L)	6.21%(L)
Cheng Ngok Fai <i>(Note 3)</i>	Interest of controlled corporation	205,175,000(L)	5.75%(L)
Connected-World Group Limited <i>(Note 3)</i>	Beneficial owner	205,175,000(L)	5.75%(L)
Jovial Paradise Limited (“JP”) <i>(Note 4, 5, 6 & 7)</i>	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”) <i>(Note 5)</i>	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Soaring Sky Worldwide Limited (“SSW”) <i>(Note 5)</i>	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
InfraRed NF China Real Estate Fund III L.P. (“INFCREF”) <i>(Note 5)</i>	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
InfraRed NF China Investors III Limited (“INFCI”) <i>(Note 5)</i>	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
InfraRed NF China Holdings Limited (“INFCH”) <i>(Note 5)</i>	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
InfraRed Partners LLP (“IP”) <i>(Note 5)</i>	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Charles II Realisation LLP (“CIIR”) <i>(Note 5)</i>	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Vervain Consolidated Investments Limited (“VCI”) <i>(Note 5)</i>	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Vervain China Development Holdings Limited (“VCDH”) <i>(Note 5)</i>	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Vervain Enterprises Limited (“VE”) <i>(Note 5)</i>	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)

CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(continued)*

Long positions (continued)

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

Name of Shareholder	Capacity	Number of ordinary shares held/Number of underlying shares held under equity interest	Approximate percentage of the issued share capital of the Company <i>(Note 8)</i>
Crosby Investment Holdings Inc. ("CIH") <i>(Note 5)</i>	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Chen Wai Wai Vivien <i>(Note 5)</i>	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Firewave Management Limited ("FM") <i>(Note 6)</i>	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Crown Investments Limited ("CI") <i>(Note 6)</i>	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Metro China Holdings Pte Ltd ("MCH") <i>(Note 6)</i>	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Metro Holdings Limited ("MH") <i>(Note 6)</i>	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Ong Jenn (Wang Zhen) <i>(Note 6)</i>	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
Ong Sek Hian (Wang Shixian) <i>(Note 6)</i>	Interest of controlled corporation	2,317,466,860(L)	64.94%(L)
China Huarong International Holdings Limited ("CHIH") <i>(Note 7)</i>	Person having a security interest in shares	2,010,501,197(L)	56.34%(L)
Huarong Real Estate Co., Ltd ("HREC") <i>(Note 7)</i>	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 <i>(Note 7)</i>	Interest of controlled corporation	2,010,501,197(L)	56.34%(L)

CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(continued)*

Long positions (continued)

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

Notes:

1. Mr. Zhu Boheng, being the sole shareholder of KEYNE HOLDINGS LTD (“**Keyne Holdings**”), is deemed to be interested in the shares in which Keyne Holdings 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 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(continued)*

Long positions (continued)

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

Notes: (continued)

7. 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.
8. These percentages are calculated on the basis of 3,568,790,629 shares in issue as of 30 June 2021.
9. The letter “L” denotes the person’s long position in such shares and the underlying shares.

Save as disclosed above, as at 30 June 2021, 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.

MAJOR AND CONNECTED TRANSACTION AND ADVANCE TO AN ENTITY

On 30 June 2021 (after trading hours), Hunan Jinhua Oriental Hotel Company Limited* (湖南九華東方酒店有限公司) (“**Hunan Project Company A**”) and Hunan Jiuhua International New City Development Construction Company Limited*(湖南九華國際新城開發建設有限公司) (“**Hunan Project Company B**”), indirect wholly-owned subsidiaries of the Company (collectively, the “**Hunan Project Companies**”), executed the corporate guarantee agreements (collectively, the “**Corporate Guarantee Agreements**”) to provide the corporate guarantees (collectively, the “**Corporate Guarantees**”) and the property mortgage (the “**Property Mortgage**”), in favour of China Huarong International Holdings Limited (中國華融國際控股有限公司) (the “**Lender**”) to secure or guarantee all the repayment obligations of Ever Harmony Enterprises Limited (永鴻企業有限公司) (“**Yonghong**”) under the revised loan facility entered into among Yonghong and the Lender (the “**Amended YH Facility Agreements**”).

Pursuant to the Corporate Guarantee Agreements, Hunan Project Companies conditionally agreed to guarantee the repayment obligations of Yonghong under the Amended YH Facility Agreements for the revised loan facility in the principal amount of up to US\$34,900,000, for up to three years after the end of the term (i.e. 24 months from 29 December 2020) or the extended term (i.e. 36 months from 29 December 2020) thereof, including the principal, all interest, penalty interest, compound interest, liquidated damages, damages, handling fees and any costs and expenses arising from realizing the debt and all economic losses.

* *For identification purpose only*

CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

MAJOR AND CONNECTED TRANSACTION AND ADVANCE TO AN ENTITY *(continued)*

Pursuant to the Property Mortgage, Hunan Project Company B conditionally agreed to provide the several pieces and parcels of land owned by Hunan Project Company B in Xiangtan, Hunan Province, the PRC, and the properties thereon (the “**Mortgaged Properties**”) were pledged as security to secure all the repayment obligations of Yonghong under the Amended YH Facility Agreements.

The provision of Corporate Guarantees and Mortgaged Properties to secure all the repayment obligations of Yonghong under the respective Corporate Guarantee Agreements and the Property Mortgage (collectively, the “**Security Documents**”) constitute financial assistance provided by the Group to Yonghong. As one of the applicable percentage ratios in respect of the Security Documents is more than 25%, the provision of financial assistance constituted a major transaction on the part of the Company under the Listing Rules. In addition, the asset ratio for the provision of financial assistance under the Security Documents exceeded 8%, the provision of financial assistance constituted advances to an entity under Rule 13.13 of the Listing Rules and is subject to the announcement requirement under the Listing Rules.

As at the date of the Security Documents, Yonghong is a company 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, Yonghong is a connected person of the Company. As such, Yonghong is a connected person of the Company and the provision of financial assistance to Yonghong pursuant to the Security Documents constituted a non-exempted connected transaction on the part of the Company under Chapter 14A of the Listing Rules and the Security Documents are subject to reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Each of the Security Documents is subject to, among others, the approval by the independent shareholders at the special general meeting of the Company. For details, please refer to the announcement of the Company dated 30 June 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

CONTINUING OBLIGATION UNDER CHAPTER 13 OF THE LISTING RULES

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

According to the Facility Agreement, as security for the obligations of the Company under the Facility Agreement, Keyne Holdings, as the controlling shareholder of the Company, is required to execute the share charge, pursuant to which Keyne Holdings 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, 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, 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*

CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

CONTINUING OBLIGATION UNDER CHAPTER 13 OF THE LISTING RULES *(continued)*

2 *(continued)*

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

PURCHASE, REDEMPTION AND SALE OF SHARES

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

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the period under review.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the requirement set out under the Model Code during the six months ended 30 June 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The Audit Committee, comprises three independent non-executive Directors, has reviewed the accounting policies and practices adopted by the Group with the management and has discussed internal controls and financial reporting matters, including a review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021.

ACKNOWLEDGEMENT

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

By Order of the Board

KEYNE LTD

Zhang Li

Executive Director and Chief Executive Officer

Hong Kong, 26 August 2021