Keyne 金奥国际
HK00009

KEYNE LTD
金奧國際股份有限公司*

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

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

For the reasons explained in the paragraph headed "**Review of Unaudited Annual Results**", the auditing process for the annual results of KEYNE LTD (the "**Company**") and its subsidiaries (collectively the "**Group**") has not been completed. In the meantime, the board (the "**Board**") of directors (the "**Directors**") of the Company announces the unaudited consolidated results of the Group for the year ended 31 December 2019 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019** **HK$'000** **(Unaudited)**	2018 *HK$'000* *(Audited)* *(Restated)*
Continuing operations			
Revenue	5	**39,919**	79,835
Cost of sales	7	**(25,943)**	(63,059)
Gross profit		**13,976**	16,776
Other income and gains	5	**18,006**	16,530
Gain on disposal of subsidiaries		**6,084**	–
Fair value loss on investment properties		**(14,060)**	–
Impairment loss on investment in an associate	12	**(133,033)**	(226,023)
Impairment loss on rental receivables	13	**(3,255)**	(5,443)
Properties under development written down		**(33,059)**	(32,310)
Loss on early redemption of convertible notes		**(474)**	(362)
Loss on disposal of investment properties		**(4,377)**	–
Share-based payments		**–**	(25,633)
Administrative expenses	7	**(44,625)**	(49,630)
Selling and marketing expenses	7	**(3,222)**	(793)
Operating loss		**(198,039)**	(306,888)

* *For identification purpose only*

	Notes	**2019**	2018
		HK$'000	*HK$'000*
		(Unaudited)	*(Audited)*
			(Restated)
Finance income	*6*	**174**	93
Finance costs	*6*	**(96,076)**	(48,611)
Finance costs – net	*6*	**(95,902)**	(48,518)
Share of profits of associates		**2,584**	2,564
Loss before income tax		**(291,357)**	(352,842)
Income tax credit/(expense)	*8*	**1,653**	(634)
Loss for the year from continuing operations		**(289,704)**	(353,476)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	*10*	**754**	(579)
Loss for the year attributable to owners of the Company		**(288,950)**	(354,055)
Loss per share	*11*		
From continuing and discontinued operations			
Basic		**HK(8.10) cents**	HK(10.84) cents
Diluted		**HK(8.10) cents**	HK(10.84) cents
From continuing operations			
Basic		**HK(8.12) cents**	HK(10.82) cents
Diluted		**HK(8.12) cents**	HK(10.82) cents

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 *HK$'000* *(Unaudited)*	2018 *HK$'000* *(Audited)* *(Restated)*
Loss for the year attributable to owners of the Company	**(288,950)**	(354,055)
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	**(14,461)**	(40,093)
Share of other comprehensive income of associates accounted for using the equity method	**(87)**	(101)
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	**(14,471)**	(40,194)
Total comprehensive income for the year attributable to owners of the Company	**(303,421)**	(394,249)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**339,460**	373,515
Right-of-use assets		**10,799**	–
Land use rights		**56,630**	65,542
Investment properties		**223,489**	258,774
Investments in associates		**507,789**	638,317
Prepayments and other receivables	*14*	**1,271**	1,445
Film rights		**–**	102
Total non-current assets		**1,139,438**	1,337,695
Current assets			
Properties for sale or under development		**1,542,654**	904,459
Inventories		**–**	3
Trade and rental receivables	*13*	**7,175**	10,185
Deposits for land acquisition		**–**	115,404
Prepayments and other receivables	*14*	**36,056**	35,259
Other financial assets		**–**	110,000
Financial assets at fair value through profit or loss		**–**	110,136
Restricted bank deposits		**11,026**	8,563
Cash and cash equivalents		**2,683**	5,847
Total current assets		**1,599,594**	1,299,856
LIABILITIES			
Current liabilities			
Trade payables	*15*	**121,376**	31,266
Other payables, accruals and deposits received		**244,766**	271,095
Lease liabilities		**5,435**	–
Contract liabilities		**94,802**	102,626
Amount due to an associate		**151**	151
Borrowings	*16*	**789,363**	477,968
Convertible notes		**–**	104,051
Tax payables		**1,459**	2,608
Total current liabilities		**1,257,352**	989,765

	Notes	**2019** ***HK$'000*** ***(Unaudited)***	2018 *HK$'000* *(Audited)*
Net current assets		**342,242**	310,091
Total assets less current liabilities		**1,481,680**	1,647,786
Non-current liabilities			
Lease liabilities		**5,447**	–
Deposits received		**2,436**	2,562
Borrowings	*16*	**624,374**	483,732
Deferred tax liabilities		**151,786**	156,537
Total non-current liabilities		**784,043**	642,831
Net assets		**697,637**	1,004,955
EQUITY			
Equity attributable to owners of the Company			
Issued share capital		**35,688**	35,688
Reserves		**661,949**	969,267
Total equity		**697,637**	1,004,955

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 approval by the Registrar of Companies in Bermuda with effect from 5 February 2020, the Company's English name was changed from "Nine Express Limited" to "KEYNE LTD" and a new Chinese name "金奧國際股份有限公司" for identification purpose only to replace the existing secondary name in Chinese of the Company, namely "九號運通有限公司", was adopted.

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

2. BASIS OF PREPARATION

These unaudited 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 unaudited 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.

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 unaudited consolidated financial statements.

As at 31 December 2019, the Group had accumulated losses of HK$1,948,332,000 (unaudited) (2018: HK$1,743,479,000 (audited)) and the Group had net cash outflows from operating activities of HK$574,054,000 (unaudited) (2018: HK$124,328,000 (audited)). As at the same date, the Group's total borrowings amounted to HK$1,413,737,000 (unaudited) (2018: HK$961,700,000 (audited)), of which current borrowings amounted to HK$789,363,000 (unaudited) (2018: HK$477,968,000 (audited)), while its cash and cash equivalents amounted to HK$2,683,000 (unaudited) (2018: HK$5,847,000 (audited)), and restricted bank deposits amounted to HK$11,026,000 (unaudited) (2018: HK$8,563,000 (audited)).

As at 31 December 2019, certain borrowings whose principal amount of HK$235,382,000 (unaudited) and interest payable amount of HK$11,414,000 (unaudited), relating to borrowings with a total principal amount of HK$614,357,000 (unaudited) ("**Overdue Borrowings**") were overdue. The entire principal amount of HK$614,357,000 (unaudited) were all due for repayment within one year as at 31 December 2019 and would be immediately repayable if requested by the lenders.

Subsequent to 31 December 2019, the Group has repaid principal and interest of HK$164,268,000 (unaudited) and HK$5,462,000 (unaudited) respectively of the Overdue Borrowings up to the date of this announcement. The Group also entered into a revised repayment agreement to defer the repayment date of one of the Overdue Borrowings with a lender relating to principal of HK$155,740,000 (unaudited) from November and December 2019 to February and March 2020 (note 16*(x)*). The Group is in active negotiation with all of the above lenders for renewal and extension of the repayment of principal totaling HK$450,089,000 (unaudited) and interest totaling HK$15,960,000 (unaudited) that remain overdue as at the date of this announcement, and the Directors are confident that agreements will be reached in due course.

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

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

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. Subsequent to the year end and up to the date of this announcement, loans with aggregate principal amount of HK$368,756,000 (unaudited) have been successfully obtained;

(ii) The Group has accelerated the pre-sales and sales of its properties under development and completed properties. The properties from Xiangtan Project is expected to give further substantial sales for 2020. Overall, the Group expects to gradually launch a major project upon obtaining the pre-sales permits starting from the second quarter of 2020;

(iii) The Group will continue to take active measures to control administrative costs through various channels including human resources optimisation and management remuneration adjustments and containment of capital expenditures.

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 eighteen months from 31 December 2019. 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 2019. Accordingly, the Directors are satisfied that it is appropriate to prepare the unaudited consolidated financial statements on a going concern basis.

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 2020 for those borrowings that (a) are scheduled for repayment (either based on the original agreements or the existing arrangements) in year 2020; (b) were overdue as at 31 December 2019 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 2020;

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

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

(iv) Successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in default, including those with cross-default terms.

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

3. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

3.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2019

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's unaudited consolidated financial statements for the annual period beginning on 1 January 2019:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments

Other than as noted below, 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.

HKFRS 16 "Leases"

HKFRS 16 "Leases" ("**HKFRS 16**") replaces HKAS 17 "Leases" along with three Interpretations (HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC) – Int 15 "Operating Leases-Incentives" and HK(SIC) – Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of equity for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC) – Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC) – Int 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use assets for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. The discounting effects of refundable rental deposits paid included in "other receivables" at transition were considered as additional lease payments and adjusted to the cost of corresponding right-of-use assets. The Group has already recognised the prepaid lease payments for leasehold land where the Group is a lessee. The application of HKFRS 16 does not have impact on these assets except for the whole balance is now presented as "Land use rights" under non-current assets.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to HKFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 9.10%.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	HK$'000
	(Unaudited)
Total operating lease commitments disclosed at 31 December 2018	6,238
Recognition exemptions:	
– Leases of low value assets	(172)
– Leases with remaining lease term of less than 12 months	(647)
Operating leases liabilities before discounting	5,419
Discounting using incremental borrowing rate as at 1 January 2019	(775)
Total lease liabilities recognised under HKFRS 16 at 1 January 2019	4,644
Classified as:	
Current lease liabilities	1,584
Non-current lease liabilities	3,060
	4,644

Total impact arising from transition to HKFRS 16

The following table summarises the impact of transition to HKFRS 16 on the Group's unaudited consolidated statement of financial position at 1 January 2019:

	HK$'000
	(Unaudited)
Increase in right-of-use assets (non-current assets)	4,761
Decrease in rental deposits paid presented in other receivables (non-current assets)	(117)
Increase in lease liabilities (non-current liabilities)	3,060
Increase in lease liabilities (current liabilities)	1,584

The right-of-use assets and lease liabilities recognised at 1 January 2019 represent the Group's lease of an office property with an initial period of three years.

3.2 Issued but not yet effective HKFRSs

At the date of authorisation of this announcement, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKAS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]

[1] Effective for annual periods beginning on or after 1 January 2020

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

[3] Effective date not yet determined

[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 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 unaudited consolidated financial statements.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into three (2018: five) business units – property rental, property and hotel development and centralised heat supply.

During the year, two operating segments (film distribution and licensing and film processing) were discontinued. The segment information reported does not include any amounts for these discontinued operations, which are described in more details in note 10.

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, financial assets at fair value through profit or loss ("**FVTPL**") and other unallocated head office and corporate assets as these assets are managed on a Group basis.

Segment liabilities exclude convertible notes and 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.

Year ended 31 December 2019

	Property rental *HK$'000* *(Unaudited)*	Property and hotel development *HK$'000* *(Unaudited)*	Centralised heat supply *HK$'000* *(Unaudited)*	Total *HK$'000* *(Unaudited)*
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 from continuing operations				(289,704)

As at 31 December 2019

	Property rental *HK$'000* *(Unaudited)*	Property and hotel development *HK$'000* *(Unaudited)*	Centralised heat supply *HK$'000* *(Unaudited)*	Unallocated *HK$'000* *(Unaudited)*	Total *HK$'000* *(Unaudited)*
Assets and liabilities:					
Segment assets	**234,896**	**1,972,799**	**–**	**23,548**	**2,231,243**
Segment liabilities	**67,647**	**1,244,312**	**–**	**729,436**	**2,041,395**
Investments in associates	**216,328**	**–**	**291,461**	**–**	**507,789**
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**
Properties under development written down	**–**	**33,059**	**–**	**–**	**33,059**
Fair value loss on investment properties	**14,060**	**–**	**–**	**–**	**14,060**
Impairment loss on investment in an associate	**–**	**–**	**133,033**	**–**	**133,033**
Share of profits of associates	**–**	**–**	**2,584**	**–**	**2,584**

Year ended 31 December 2018

	Property rental *HK$'000* *(Audited)* *(Restated)*	Property and hotel development *HK$'000* *(Audited)* *(Restated)*	Centralised heat supply *HK$'000* *(Audited)* *(Restated)*	Total *HK$'000* *(Audited)* *(Restated)*
Segment revenue:				
External revenue from contracts with customers by timing of revenue recognition				
– Point in time	–	60,147	–	60,147
External revenue from other sources	19,688	–	–	19,688
Total revenue	19,688	60,147	–	79,835
Segment results	4,028	(45,693)	(223,467)	(265,132)
Unallocated corporate expenses				(39,192)
Finance income				93
Finance costs				(48,611)
Loss before income tax				(352,842)
Income tax expense				(634)
Loss for the year from continuing operations				(353,476)

As at 31 December 2018

	Property rental HK$'000 (Audited) (Restated)	Film distribution and licensing HK$'000 (Audited) (Restated)	Film processing HK$'000 (Audited) (Restated)	Property and hotel development HK$'000 (Audited) (Restated)	Centralised heat supply HK$'000 (Audited) (Restated)	Unallocated HK$'000 (Audited) (Restated)	Total HK$'000 (Audited) (Restated)
Assets and liabilities:							
Segment assets	270,032	128	1,008	1,487,051	–	241,015	1,999,234
Segment liabilities	54,622	7,455	477	793,081	–	776,961	1,632,596
Investments in associates	216,327	–	–	–	421,990	–	638,317
Other segment information:							
Capital expenditure	1,647	–	–	240,219	–	561	242,427
Depreciation	802	–	–	102	–	1,174	2,078
Properties under development written down	–	–	–	32,310	–	–	32,310
Impairment loss on investment in an associate	–	–	–	–	226,023	–	226,023
Share of profits of associates	–	–	–	–	2,564	–	2,564

(a) Geographical information

2019

	Hong Kong *HK$'000* *(Unaudited)*	**Mainland China** *HK$'000* *(Unaudited)*	**Total** *HK$'000* *(Unaudited)*
Revenue	**27**	**39,892**	**39,919**
Non-current assets	**9,600**	**1,129,838**	**1,139,438**
Capital expenditure	**11,214**	**39,338**	**50,552**

2018

	Hong Kong *HK$'000* *(Audited)* *(Restated)*	Mainland China *HK$'000* *(Audited)* *(Restated)*	Total *HK$'000* *(Audited)* *(Restated)*
Revenue	–	79,835	79,835
Non-current assets	3,512	1,334,183	1,337,695
Capital expenditure	561	241,866	242,427

(b) Information about major customers

The Group's customer base include one (2018: 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$12,732,000 (unaudited) (2018: HK$13,294,000 (audited)) during the year ended 31 December 2019.

5. REVENUE, OTHER INCOME AND GAINS FROM CONTINUING OPERATIONS

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

	2019 ***HK$'000*** ***(Unaudited)***	2018 *HK$'000* *(Audited)* *(Restated)*
Revenue from contracts with customers		
Sales of properties	**23,313**	60,147
Revenue from other sources		
Property rental income	**16,606**	19,688
	39,919	79,835
Other income and gains		
Fair value gains on financial assets at fair value through profit or loss	**–**	14,911
Gain/(Loss) on disposal of property, plant and equipment	**13,839**	(6)
Others	**4,167**	1,625
	18,006	16,530

6. FINANCE COSTS – NET

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Finance costs:		
Interest on bank borrowings wholly repayable within five years	**24,112**	31,191
Interest on other borrowings	**101,413**	42,500
Interest on convertible notes	**5,555**	14,123
Finance charges on lease liabilities	**1,078**	–
Foreign exchange difference, net	**(1,498)**	3,710
	130,660	91,524
Less: amounts capitalised on qualifying assets	**(34,584)**	(42,913)
Total finance costs	**96,076**	48,611
Finance income:		
Interest income on short-term bank deposits	**(174)**	(93)
Total finance income	**(174)**	(93)
Finance costs – net	**95,902**	48,518

7. EXPENSES BY NATURE FROM CONTINUING OPERATIONS

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
		(Restated)
Employee benefit expenses (excluding Directors' remuneration):		
Wages and salaries	**16,111**	17,878
Pension costs – defined contribution plans and social security costs	**809**	1,600
	16,920	19,478
Lease charges:		
Buildings held under operating leases	**–**	4,185
Short term leases with lease term shorter than 12 months as at initial application of HKFRS 16	**614**	–
Leases of low value assets	**290**	–
Total lease charges	**904**	4,185
Depreciation:		
Owned assets	**903**	2,105
Right-of-use assets^	**4,580**	–
Total depreciation	**5,483**	2,105
Directors' remuneration (excluding share-based payments)	**4,187**	4,096
Auditors' remuneration	**1,931**	1,661
Cost of properties sold*	**23,313**	59,981
Direct operating expenses of investment property that generate rental income*	**2,630**	3,078
Professional fees	**5,859**	8,370
Selling and marketing expenses	**3,222**	793
Others	**9,341**	9,735
Total cost of sales, administrative expenses and selling and marketing expenses	**73,790**	113,482

* 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 unaudited consolidated statement of profit or loss.

^ The depreciation of a right-of-use asset of approximately 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.

8. INCOME TAX (CREDIT)/EXPENSE FROM CONTINUING OPERATIONS

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
		(Restated)
Current tax – PRC		
Charge/(Credit) for the year	**91**	(6)
Deferred tax	**(1,744)**	640
Total tax (credit)/expense	**(1,653)**	634

9. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

10. DISCONTINUED OPERATIONS

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

As disclosed in note 4, the results of the film distribution and licensing and film processing are accounted for as discontinued operations in the unaudited consolidated statement of profit or loss for the year ended 31 December 2019 and consolidated statement of profit or loss for the year ended 31 December 2018 (Restated).

The profit/(loss) for the year from discontinued operations (i.e. film distribution and licensing and film processing) included in the unaudited consolidated statement of profit or loss are set out below. The comparative figures in the unaudited consolidated statement of profit or loss have been restated to re-present the results of film distribution and licensing and film processing as discontinued operations.

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
		(Restated)
Revenue	**1,479**	1,974
Cost of sales	**(685)**	(1,404)
Gross profit	**794**	570
Other income and gains	**90**	53
Administrative expenses	**(123)**	(1,232)
Profit/(Loss) before income tax	**761**	(609)
Income tax (expense)/credit	**(7)**	30
Profit/(Loss) for the year from discontinued operations	**754**	(579)

During the year, the discontinued operations paid cash flows of HK$1,422,000 (2018: HK$13,000) in respect of the Group's operating activities, paid cash flows of HK$Nil (2018: HK$Nil) in respect of investing activities and contributed cash flows of HK$258,000 (2018: HK$247,000) in respect of financing activities.

Profit/(Loss) for the year from discontinued operations has been arrived at after charging:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Auditor's remuneration	**35**	299

Directors' and chief executive's remuneration, disclosed pursuant to the applicable Listing Rules and Companies Ordinance for the years ended 2019 and 2018 is HK$Nil.

11. LOSS PER SHARE

(a) Basic

From continuing operations

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
		(Restated)
Loss figures are calculated as follows:		
Loss for the year attributable to owners of the Company	**(288,950)**	(354,055)
Less: (Profit)/Loss for the year from discontinued operations attributable to owners of the Company	**(754)**	579
Loss for the purpose of basic loss per share from continuing operations	**(289,704)**	(353,476)

Number of shares

(in thousand)	**2019**	2018
	(Unaudited)	*(Audited)*
Weighted average number of ordinary shares for the purpose of basic loss per share	**3,568,791**	3,267,541

From continuing and discontinued operations

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
		(Restated)
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(288,950)**	(354,055)

From discontinued operations

Basic earnings per share for discontinued operations is HK0.02 cents (unaudited) per share (2018: basic loss per share: HK0.02 cents (audited and restated) per share), based on the profit for the year from discontinued operations attributable to owners of the Company of HK$754,000 (unaudited) (2018: loss for the year of HK$579,000 (audited and restated)) and the denominators detailed above for basic loss per share.

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had two categories of dilutive potential ordinary shares, share options and convertible notes for the years ended 31 December 2019 and 2018.

For share options, calculation is done to determine the number of shares that could have acquired at fair value (determined as average annual market share price of the Company's shares) based on the monetary value of the subscription right 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 years ended 31 December 2019 and 2018, the outstanding share options had no dilutive effect on loss per share. Therefore, diluted loss per share for the years ended 31 December 2019 and 2018 equals basic loss per share.

For the years ended 31 December 2019 and 2018, 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 are anti-dilutive for the years ended 31 December 2019 and 2018. The convertible notes were cancelled on 30 September 2019 in respect of the non-fulfillment of the profit guarantee.

12. IMPAIRMENT LOSS ON INVESTMENT IN AN ASSOCIATE

For impairment assessment, the Group had estimated the recoverable amount of Ever-Grand Development Limited ("**Ever-Grand**"), 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 2019, due to further delay in pipeline construction as explained below, an impairment loss of HK$133,033,000 (unaudited) (2018: HK$226,023,000 (audited)) was recognised in the unaudited consolidated statement of profit or loss. The pre-tax discount rate used was 16.4% (unaudited) (2018: 19.1%(audited)).

Due to 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 2019 to 31 December 2020, further delayed to the period from 31 December 2020 to 31 December 2022. Thus the revenue projections for Ever-Grand have been delayed accordingly. The management of the Ever-Grand Group have then revised the financial forecast of Ever-Grand in arriving at a more conservative estimate which better reflect the industry outlook.

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

13. TRADE AND RENTAL RECEIVABLES

	2019 ***HK$'000*** ***(Unaudited)***	2018 *HK$'000* *(Audited)*
Trade receivables	**–**	149
Less: ECL allowance	**–**	(69)
Trade receivables – net	**–**	80
Rental receivables	**15,520**	15,341
Less: ECL allowance	**(8,345)**	(5,236)
Rental receivables – net	**7,175**	10,105
	7,175	10,185

The carrying amounts of trade and rental receivables approximate their fair values.

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.

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 ("ECL") allowance, is as follows:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
0 – 90 days	**–**	80
	–	80

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
At 1 January	**69**	69
Written off on disposal of subsidiaries	**(69)**	–
At 31 December	**–**	69

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
At 1 January	**5,236**	–
ECL allowance recognised during the year	**3,255**	5,443
Exchange realignment	**(146)**	(207)
At 31 December	**8,345**	5,236

14. PREPAYMENTS AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Other prepayments	**27,763**	23,571
Other receivables	**6,992**	10,223
Utility and other deposits	**2,572**	2,910
	37,327	36,704
Less: current portion	**(36,056)**	(35,259)
Non-current portion	**1,271**	1,445

15. TRADE PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
0 – 90 days	**117,823**	29,590
91 – 180 days	**150**	5
181 – 365 days	**1,986**	974
Over 1 year	**1,417**	697
	121,376	31,266

16. BORROWINGS

	Maturity	**2019**	2018
		HK$'000	*HK$'000*
		(Unaudited)	*(Audited)*
Current liabilities			
Bank borrowings – secured *(note i)*	On demand	**–**	178
Bank borrowings – secured *(note ii)*	April 2021	**53,642**	43,396
Entrusted bank borrowings – secured *(note iii)*	July 2020	**164,268**	74,007
Other borrowings – secured *(note iv)*	January 2021	**294,349**	32,903
Bank borrowings – secured *(note v)*	September 2019	**–**	171
Bank overdraft – secured *(note vi)*	On demand	**–**	2,985
Borrowings from a related party/former shareholder – unsecured *(note vii)*	February 2020	**13,500**	13,500
Other borrowings – unsecured *(note viii)*	On demand	**38,595**	14,264
Other borrowings – unsecured *(note ix)*	On demand	**–**	490
Other borrowings – unsecured *(note x)*	November and December 2019	**155,740**	257,844
Other borrowings – unsecured *(note xi)*	May and June 2022	**52,520**	–
Other borrowings – unsecured *(note xii)*	March 2020	**3,841**	–
Other borrowings – unsecured *(note xiii)*	June 2020	**12,908**	38,230
		789,363	477,968
Non-current liabilities			
Bank borrowings – secured *(note ii)*	April 2021	**64,535**	100,961
Entrusted bank borrowings – secured *(note iii)*	July 2020	**–**	119,549
Other borrowings – secured *(note iv)*	January 2021	**–**	263,222
Other borrowings – secured *(note xi)*	May and June 2022	**559,839**	–
		624,374	483,732
		1,413,737	961,700

The Group's borrowings are repayable as follows:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Within 1 year or on demand	**789,363**	477,968
Between 1-2 years	**64,535**	208,027
Between 2-5 years	**559,839**	275,705
	1,413,737	961,700

Notes:

(i) At 31 December 2019, the Group's bank borrowings were fully repaid and the security was released accordingly. At 31 December 2018, the Group's bank borrowings of HK$178,000 (audited) were secured by the leasehold land and buildings with a net carrying amount of HK$618,000 (audited) and was interest-bearing at prime rate minus 1.5% per annum.

(ii) At 31 December 2019, the Group's bank borrowings of HK$118,177,000 (unaudited) (2018: HK$144,357,000 (audited)) were secured by the Group's land use rights and construction in progress with a net carrying amount of HK$56,630,000 (unaudited) (2018: HK$65,542,000 (audited)) and HK$337,779,000 (unaudited) (2018: HK$369,893,000 (audited)) 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 (2018: same).

(iii) At 31 December 2019, the Group's entrusted bank borrowings of HK$164,268,000 (unaudited) (2018: HK$193,556,000 (audited)) were secured by the Group's properties under development with a net carrying amount of HK$443,884,000 (unaudited) (2018: HK$452,273,000 (audited)). According to the repayment terms, the entrusted bank borrowings original repayable by instalments from 2017 to 2020 with interest-bearing at 9% per annum (2018: same). At 31 December 2019, principal amounts of HK$46,937,000 (unaudited) were overdue. The borrowings were fully repaid subsequent to the reporting period in January 2020.

(iv) At 31 December 2019, the Group's other borrowings of HK$294,349,000 (unaudited) (2018: HK$296,125,000 (audited)) were interest bearing at 8% per annum (2018: same) and original repayable by instalments from 2018 to 2021. The other borrowings included borrowings with principal amounts of HK$228,938,000 (2018: HK$263,222,000) with original maturity beyond 31 December 2020 which have been reclassified as current liabilities as at 31 December 2019 as a result of the matters described in note 2.

Management estimates that after taking the measures as set out in note 2 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) equity interests in three subsidiaries of the Group including Brilliant Field Corporation Limited and Profit Source International Limited;

(b) first fixed charge over 2,010,501,197 shares (2018: 1,512,351,197 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) and Nanjing Jin Gao Real Estate Development Company Limited* (南京金高房地產開發有限公司). The ultimate controlling shareholder of these companies is Mr. Zhu Boheng (the controlling shareholder of the Company); and

(e) personal guarantee executed by Ms. Qian Ling Ling (a director of the Company), Mr. Peter Zhu (a spouse of Ms. Qian Ling Ling) and Mr. Zhu Boheng (the controlling shareholder of the Company).

(v) At 31 December 2019, the Group's bank borrowings were fully repaid and the security was released accordingly. At 31 December 2018, the Group's bank borrowings of HK$171,000 (audited) borne variable interest rate at 4.3% per annum, which were secured by the Group's bank deposits of HK$228,000 (audited).

(vi) At 31 December 2019, the Group's bank overdraft was fully repaid and the security was released accordingly. At 31 December 2018, the Group's bank overdraft of HK$2,985,000 (audited) was secured by the leasehold land and buildings with a net carrying amount of HK$618,000 (audited) and carried floating-rate interest based on the Prime Rate minus 1% per annum.

(vii) At 31 December 2019, the Group's borrowings from a related party of HK$13,500,000 (unaudited) were unsecured and interest-free, and was assigned from a former shareholder, executed by a deed of loan assignment. At 31 December 2018, the Group's borrowings from a former shareholder were unsecured and interest-free. Subsequent to the reporting period, the maturity date of the borrowings was extended from February 2020 to May 2020.

(viii) At 31 December 2019 and 2018, the Group's other borrowings from related parties were interest-free, unsecured and repayable on demand.

(ix) At 31 December 2019, the Group's other borrowings were fully repaid. At 31 December 2018, the Group's other borrowings were interest-free, unsecured and repayable on demand.

(x) At 31 December 2019, the Group's other borrowings of HK$155,740,000 (unaudited) (2018: HK$257,844,000 (audited)) were unsecured, interest bearing at 5% per annum (2018: 5%-10% per annum) and was repayable in November and December 2019 (2018: repayable in March, November and December 2019). Subsequent to the reporting period, the maturity dates of the other borrowings were extended to February and March 2020, and carries interest rate of 15% per annum.

The other borrowings were guaranteed by:

(a) personal guarantee executed by Mr. Zhu Boheng (the controlling shareholder of the Company), Ms. Qian Ling Ling (a director of the Company) and Mr. Peter Zhu (a spouse of Ms. Qian Ling Ling) (2018: personal guarantee executed by Mr. Zhu Boheng (the controlling shareholder of the Company), Ms. Qian Ling Ling (a director of the Company), Mr. Peter Zhu (a spouse of Ms. Qian Ling Ling) and Mr. Zhang Li (a director of the Company)); and

(b) a corporate guarantee executed by Shanghai Jin Da Di Investment Company Limited.* (上海金大地投資有限公司). The controlling shareholder of this company is Mr. Zhu Boheng (the controlling shareholder of the Company).

(xi) At 31 December 2019, the Group's other borrowings of HK$612,359,000 (unaudited) were interest bearing at 12% per annum and will be repayable by instalments from May 2020 to June 2022.

The other borrowings were secured and guaranteed by:

(a) certain properties under development, with a net carrying amount of HK$1,006,735,000 (unaudited);

(b) a corporate guarantee executed by a related company, Yangzhou Ya Tai Zhi Ye Company Limited* (揚州亞太置業有限公司). The ultimate controlling shareholder of this company is Mr. Zhu Boheng (the controlling shareholder of the Company); and

(c) personal guarantee executed by Ms. Qian Ling Ling (a director of the Company), Mr. Peter Zhu (a spouse of Ms. Qian Ling Ling) and Mr. Zhu Boheng (the controlling shareholder of the Company).

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

(xiii) 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. At 31 December 2018, the Group's other borrowings from a related party were interest-free, unsecured and repayable on demand.

* *For identification purpose only*

17. CONTINGENT LIABILITIES

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 12) 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 PRC Enterprise Income Tax ("**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 Sky-Linked International Limited (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 Mr. Cheng Ngok Fai ("**Guarantor C**") and Mr. Li Ruiguang ("**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 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 31 December 2019 and 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Year under Review, the Group continued to focus on (i) property and hotel development (the "**Xiangtan Project**") in Xiangtan, Hunan Province, (ii) property rentals (the "**Chengdu Project**") in Chengdu, Sichuan Province, (iii) film distribution and processing business, and (iv) investment in centralised heat supply business.

Financial Highlights

For the year ended 31 December 2019, the Group recorded a revenue of approximately HK$39,919,000 (2018: HK$79,835,000). Property rental income dropped to approximately HK$16,606,000 (2018: HK$19,688,000), as a result of the rental income from one of the tenants, not recognised in the reporting period. Income from sales of properties contributed approximately HK$23,313,000 (2018: HK$60,147,000) to the total revenue.

Loss attributable to owners of the Company was approximately HK$288,950,000 (2018: HK$354,055,000). Basic loss per share was approximately HK8.10 cents (2018: HK10.84 cents). The Board does not recommend dividend payout for the year ended 31 December 2019 (2018: Nil). As at 31 December 2019, cash and cash equivalents were approximately HK$2,683,000 (2018: HK$5,847,000).

Business Review

(i) Xiangtan Project

Situated in the Jiuhua Economic Zone of Xiangtan, Hunan, the Xiangtan Project encompasses a land area of 325,989 square meters for the development of a five-star hotel and low density residential units.

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 under Review, the Group had recognised revenues of approximately HK$23,313,000 (2018: HK$60,147,000), which was delivered to the customers during the year. Certain units of semi-detached villas pre-sold but not delivered to customers, will be recognised in subsequent financial periods. Also, the Group had pre-sold certain areas of detached villa units during the reporting period. The Group is currently carrying out the greening, landscape design and road construction works. The Group will deliver to customers, the detached villa units in 2020, and the pre-sold proceeds will expect to generate further cash inflows and strengthen the financial position of the Group.

In the year of 2019, the Group has finished the foundation works of 2 buildings of high-rise apartments and plan to obtain the relevant pre-sale permit in 2020. Looking forward to the year ahead, the Group will speed up the construction of the remaining Phase I property development, comprising the building construction of certain area of shopping mall and majoring in the high rise apartments together with a gross saleable area of approximately 194,000 square meters. Upon completion of the construction work in that area, the Group will spare no effort in taking the project forward into the Phase II expansion to cater for the property market demand in Xiangtan city.

(ii) Chengdu Project

For the year ended 31 December 2019, 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$16,606,000 (2018: HK$19,688,000) from property rental were recorded for the year ended 31 December 2019. The decrease in rental income was mainly due to a KTV tenant without paying the rental and the Group had taken legal action to claim against the outstanding rental and illegal occupancy costs from the non-performing tenant. The Group won in the first trial and the judgment was issued from the People's Court of Chengdu in the PRC.

(iii) Film Distribution and Processing Business

For the year ended 31 December 2019, film distribution and processing business recorded revenues of approximately HK$1,479,000 (2018: HK$1,974,000). The Group had entered into the sale and purchase agreement with the vendor to dispose certain subsidiaries within the group, comprising mainly the film distribution and processing business. Upon the completion of the disposal on 29 April 2019, the Group ceased to engage in the film distribution and processing business. During the reporting period, the Group had recorded gain on disposal of subsidiaries, including the film distribution and processing business was approximately HK$6,084,000.

(iv) Centralised Heat Supply Business

As of 31 December 2019, 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$291,461,000 (2018: HK$421,990,000), which was approximately 10.6% (2018: 16%) to the Group's total assets of approximately HK$2,739,032,000 (2018: HK$2,637,551,000). 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 (2018: same); (ii) pre-tax discount rate of 16.4% (2018: 19.1%); and (iii) terminal growth rate of 3% (2018: same).

Currently, the Group is supplying steam to around 35 (2018: 30) active customers in Humen Town through steam transmission pipelines of approximately 4.6km (2018: same). During the reporting period, the centralised heat supply business, generating revenue of approximately HK$45,234,000 (2018: HK$43,958,000) to Ever-Grand, representing an increase of 2.9% 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$291,461,000 below the carrying amount of the investment of approximately HK$424,494,000. The Directors considered to recognise an impairment loss of approximately HK$133,033,000, 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 2019 to 31 December 2020, further delayed to the period from 31 December 2020 to 31 December 2022, thus the revenue projections for Ever-Grand have been delayed accordingly and the revenue projection decreased as compared the 2019 Valuation with 2018 Valuation. The management of the Ever-Grand Group have then revised the financial forecast of Ever-Grand as at 31 December 2019 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.

Note: All figures for the year ended 31 December 2019 under this management discussion and analysis section are unaudited while the comparative figures for the year ended 31 December 2018 are audited.

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, the discounted cash flow ("**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 Ever-Grand provided the financial projections for the financial year ending from 31 December 2020 to 31 December 2024. 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 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 CAPEX were deducted, all of which were provided by management of Ever-Grand.

In addition to calculating the debt-free cash flows throughout the projection period, it was necessary to calculate the terminal value of the Company, 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 Ever-Grand, including the cash flows from the operation of 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 2019. 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 ending 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 19.1% in the valuation as at 31 December 2018 to 16.4% in the valuation as at 31 December 2019. 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 2019 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 2020 to 31 December 2024, as provided by the management of Ever-Grand (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 2019 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 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.

According to the consolidated financial statements of Ever-Grand and its subsidiaries (collectively the "**Ever-Grand Group**") for FY2018 received by the Company, the attributable net profit to the Company for FY2018 is approximately HK$2,564,000, which falls below the guaranteed amount (given by Sky-Linked International Limited ("**Sky-Linked**")) of HK$112,700,000 for FY2018. The shortfall is approximately HK$110,136,000 (the "**Amount in Difference**"). Pursuant to the sale and purchase agreement, in respect of the non-fulfillment of the profit guarantee for FY2018, the Company had on 31 May 2019 cancelled the same principal amount of convertible notes from those held in escrow for FY2018 and return to Sky-Linked the remaining convertible notes held in escrow for FY2018.

FINANCING ACTIVITIES

On 12 March 2018, the Company as issuer has entered into the Placing and Subscription Agreement with Donghai International Securities (Hong Kong) Limited (東海國際證券(香港)有限公司) as placing agent, Donghai International Financial Holdings Company Limited (東海國際金融控股有限公司) ("**Donghai Financial**") as subscriber, and Mr. Peter Zhu, Ms. Qian Ling Ling, Mr. Zhu Boheng, Mr. Zhang Li 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 US$15 million 10 per cents senior guaranteed unsecured notes due in 2019 in favour of Donghai Financial (the "**Notes**"). The Company shall redeem the Notes on the first anniversary of the issue date of the Notes, which can be extended for a further 1 year pursuant to the terms of the Placing and Subscription Agreement and the conditions to the Notes. On 12 March 2019, the Notes were redeemed in full by an issue of a promissory note (which carried similar terms to the Notes), except the repayment date will be due on 11 June 2019, and carries an interest rate of 15% per annum. The promissory note was fully redeemed during the reporting period.

On 27 November 2018, the Company as issuer has entered into the another Subscription Agreement with Donghai Financial as subscriber, and Mr. Zhu Peter, Ms. Qian Ling Ling, Mr. Zhu Boheng 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 the series 2 notes (the "**Series 1 and Series 2 Notes**"), in the aggregate principal amount of US$20,000,000 (equivalent to approximately HK$156,920,000) in favour of Donghai Financial. The Series 1 and Series 2 Notes will bear an interest at the rate of 5% per annum and will mature on the date falling 364 days from the closing date of the Series 1 and Series 2 Notes respectively. On 6 January 2020, a supplementary agreement (which carries similar terms to the Series 1 and Series 2 Notes) was entered between Donghai Financial and the Company, to extend the due date of the Series 1 and Series 2 Notes from November and December 2019 to February and March 2020, respectively and carries an interest rate of 15% per annum. The Group is negotiating with Donghai Financial to further extend the redemption date.

On 26 March 2018, Grimston Limited (a wholly-owned subsidiary of the Company) as vendor entered into a sale and purchase agreement with Circle Prosper Limited as purchaser to dispose 100% equity interests in Prosper China Limited which beneficially holds the investment in the GLC Special Situations Fund L.P. (the "**GLC Fund**") at a consideration of HK$110,000,000. The disposal was completed on 27 June 2019 pursuant to the terms of the agreement.

On 20 May 2019, the Company has obtained borrowings of principal amount of HK$440,259,000 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 make a repayment of the other borrowings at the same amount.

On 26 June 2019, the Company has obtained borrowings of principal amount of HK$192,897,000 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 make a repayment of the other borrowings at the same amount.

On 22 January 2020, the Company has obtained borrowings of principal amount of HK$368,756,000 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 HK$164,268,000 and HK$5,462,000 respectively.

Prospects

Looking back 2019, the real estate market in China witnessed an overall tighter policy environment: the central government focused on the real estate financial risks and stuck to the residential attribute of properties by insisting that real estate should not be used as a means of short-term economic stimulus, with tightening regulation on the funding support for the real estate industry throughout the year. The wide spread of COVID-19 across the country since late January 2020 has delivered a heavy blow to the domestic economy, and the real estate industry was not immune from it. 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. Given the policies introduced by the government to promote economic growth after the epidemic, the Group believes that the real estate market in China will maintain growth momentum in 2020. 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 the coming 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, 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 2019, the Group recorded sustainable increase in the steam supply volume of its 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 2020, 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.

Being affected by various domestic and international factors, the PRC economy is anticipated to suffer a big shock in the short term, while the fundamentals supporting the long-term development of China remain unchanged. The reflection on and experiences gained from the epidemic will further push forward the reform process in China, so as to achieve economic development with higher quality. 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 2019, the Group's net current assets were approximately HK$342,242,000 (2018: HK$310,091,000), with current assets of approximately HK$1,599,594,000 (2018: HK$1,299,856,000) and current liabilities of approximately HK$1,257,352,000 (2018: HK$989,765,000), representing a current ratio of approximately 1.27 (31 December 2018: 1.31). As at 31 December 2019, the Group had cash and cash equivalents of approximately HK$2,683,000 (2018: HK$5,847,000).

CAPITAL STRUCTURE

As at 31 December 2019, the Group's total equity amounted to approximately HK$697,637,000 (2018: HK$1,004,955,000).

BORROWINGS AND BANKING FACILITIES AND CHARGE ON GROUP ASSETS

As at 31 December 2019, the Group's outstanding borrowings and convertible notes were approximately HK$1,413,737,000 (2018: HK$1,065,751,000). The Group's bank borrowings of approximately HK$118,177,000 (2018: HK$144,357,000) were secured by the Group's land use right and construction in progress with a net carrying amount of approximately HK$56,630,000 (2018: HK$65,542,000) and approximately HK$337,779,000 (2018: HK$369,893,000) respectively. The Group's bank borrowings of approximately HK$164,268,000 as at 31 December 2019 (2018: HK$193,556,000) were secured by the Group's properties under development with a net carrying amount of approximately HK$443,884,000 (2018: HK$452,273,000). The Group's borrowings from a former shareholder of approximately of 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$55,344,000 (2018: HK$52,984,000) were unsecured. The Group's other borrowings of approximately HK$155,740,000 (2018: HK$257,844,000) were unsecured. The Group's other borrowings of approximately of HK$294,349,000 (2018: HK$296,125,000) were secured by share charges given by Keyne Holdings Limited ("**Keyne**"), the controlling shareholder of the Company and certain related parties, and equity pledges given by certain subsidiaries of the Company and certain related parties. The Group's other borrowings of approximately of HK$612,359,000 (2018: HK$Nil) were secured by certain properties under development, with a net carrying amount of approximately HK$1,006,735,000. The gearing ratio based on borrowings and convertible notes over total equity as at 31 December 2019 was approximately 2.03 (2018: 1.06).

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 17 to the announcement, there were no contingent liabilities that the Group is aware of.

EMPLOYEES AND REMUNERATION POLICIES

Staff costs for the period ended 31 December 2019 was approximately HK$21,109,000 (2018: HK$37,215,000). During the year ended 31 December 2018, equity-settled share-based payments, amounts to approximately HK$13,947,000 which represent the grant of share options to certain employees, consultants and a director. The Group had a workforce of 59 (2018: 56). Salaries of employees were maintained at competitive levels while bonuses were granted on a discretionary basis.

FINAL DIVIDEND

The Board has resolved not to recommend any final dividend for the year ended 31 December 2019 (2018: Nil).

CORPORATE GOVERNANCE

During the year ended 31 December 2019, the Company has complied with the code provisions of Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

PURCHASE, REDEMTPION OR SALE OF LISTED SECURITIES OF THE COMPNAY

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Shares during the year.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers (the "**Model Code**") set out in Appendix 10 of Rules Governing the Listing of Securities on the Stock Exchange 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 throughout the year ended 31 December 2019.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Group and to provide advice and comments to the Board. The audit committee is composed of three independent non-executive Directors, Mr. Tang Ping Sum, Mr. Tsui Pui Hung and Mr. Chiu Sin Nang, Kenny. The chairman of the Audit Committee has professional qualifications and experience in financial matters. The unaudited annual results of the Group for the year ended 31 December 2019 have been reviewed by the Audit committee.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to restrictions in force in parts of China to combat the COVID-19 coronavirus outbreak. The unaudited annual results contained herein have not been agreed with the Company's auditors. The Board expects that the auditing process and the publication of audited financial statements can be completed in April 2020. An announcement relating to the audited results will be made as and when required when the auditing processing has been completed in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the Audit Committee.

PUBLICATION OF UNAUDITED ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The unaudited annual results announcement is published on the website of the Stock Exchange (http://www. hkexnews.hk) and the Company (http://www.nine-express.com.hk). The annual report will be dispatched to the shareholders and will be available on the website of the Stock Exchange and that of the Company in due course.

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, 31 March 2020

As at the date of this announcement, the Board comprises six Directors. The executive Directors are Ms. Qian Ling Ling (Chairman), Mr. Zhang Li (Chief Executive Officer) and Mr. Xiang Junjie; and the independent non-executive Directors are Mr. Tsui Pui Hung, Mr. Tang Ping Sum and Mr. Chiu Sin Nang, Kenny.