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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "**Board**") of directors (the "**Directors**") of KEYNE LTD (the "**Company**") announces the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2020, with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Continuing operations			
Revenue	*5*	**80,466**	39,919
Cost of sales	*7*	**(66,797)**	(25,943)
Gross profit		**13,669**	13,976
Other income and gains	*5*	**10,104**	18,006
Gain on disposal of subsidiaries		**–**	6,084
Fair value loss on investment properties		**(29,243)**	(14,060)
Impairment loss on investments in associates	*11*	**(250,889)**	(133,033)
Reversal of/(Impairment loss) on rental receivables		**907**	(3,255)
Written down of properties under development		**–**	(33,059)
Loss on early redemption of convertible notes		**–**	(474)
Loss on disposal of investment properties		**–**	(4,377)
Impairment loss on construction in progress		**(68,769)**	–
Impairment loss on land use rights		**(7,654)**	–
Administrative expenses	*7*	**(69,915)**	(44,625)
Selling and marketing expenses	*7*	**(7,469)**	(3,222)
Operating loss		**(409,259)**	(198,039)

* *For identification purpose only*

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Finance income	*6*	**266**	174
Finance costs	*6*	**(196,539)**	(96,076)
Finance costs – net	*6*	**(196,273)**	(95,902)
Share of profits of associates		**2,957**	2,584
Loss before income tax		**(602,575)**	(291,357)
Income tax credit	*8*	**5,386**	1,653
Loss for the year from continuing operations		**(597,189)**	(289,704)
Discontinued operations			
Profit for the year from discontinued operations		**–**	754
Loss for the year attributable to owners of the Company		**(597,189)**	(288,950)
(Loss)/Earnings per share attributable to owners of the Company	*10*		
Basic			
– Continuing operations		**HK(16.73) cents**	HK(8.12) cents
– Discontinued operations		**–**	HK0.02 cents
		HK(16.73) cents	HK(8.10) cents
Diluted			
– Continuing operations		**HK(16.73) cents**	HK(8.12) cents
– Discontinued operations		**–**	HK0.02 cents
		HK(16.73) cents	HK(8.10) cents

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	**2020** **HK$'000**	2019 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**397,281**	406,507
Right-of-use assets		**5,263**	10,799
Land use rights		**44,083**	56,630
Investment properties		**207,390**	223,489
Investments in associates		**257,790**	507,789
Deposits, prepayments and other receivables	*13*	**1,390**	1,271
Total non-current assets		**913,197**	1,206,485
Current assets			
Properties for sale or under development and other contract costs		**1,770,026**	1,542,654
Rental receivables	*12*	**8,101**	7,175
Deposits, prepayments and other receivables	*13*	**350,176**	35,296
Pledged deposits in a financial institution		**36,567**	760
Restricted bank deposits		**40,800**	11,026
Cash and cash equivalents		**9,687**	2,683
Total current assets		**2,215,357**	1,599,594
LIABILITIES			
Current liabilities			
Trade payables	*14*	**57,540**	121,376
Other payables, accruals and deposits received		**649,858**	311,813
Lease liabilities		**4,915**	5,435
Contract liabilities		**404,962**	94,802
Amount due to an associate		**7,663**	151
Borrowings	*15*	**1,714,914**	789,363
Tax payables		**2,566**	1,459
Total current liabilities		**2,842,418**	1,324,399
Net current (liabilities)/assets		**(627,061)**	275,195
Total assets less current liabilities		**286,136**	1,481,680

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Lease liabilities		**619**	5,447
Deposits received		**2,598**	2,436
Borrowings	*15*	**1,075**	624,374
Deferred tax liabilities		**155,315**	151,786
Total non-current liabilities		**159,607**	784,043
Net assets		**126,529**	697,637
EQUITY			
Equity attributable to owners of the Company			
Issued share capital		**35,688**	35,688
Reserves		**90,841**	661,949
Total equity		**126,529**	697,637

1. CORPORATE INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

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

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

2.1 Going concern basis

As at 31 December 2020, the Group had accumulated losses of approximately HK$2,545,521,000 (2019: HK$1,948,332,000) and the Group's current liabilities exceeded its current assets by approximately HK$627,061,000 (2019: current assets exceeded its current liabilities by HK$275,195,000). For the year ended 31 December 2020, the Group had net cash outflows from operating activities of approximately HK$106,637,000 (2019: HK$549,731,000). As at the same date, the Group's total borrowings amounted to approximately HK$1,715,989,000 (2019: HK$1,413,737,000), of which current borrowings amounted to approximately HK$1,714,914,000 (2019: HK$789,363,000), while its cash and cash equivalents amounted to approximately HK$9,687,000 (2019: HK$2,683,000), and restricted bank deposits amounted to approximately HK$40,800,000 (2019: HK$11,026,000).

As at 31 December 2020, certain borrowings whose principal amounts of approximately HK$227,321,000 and interest payable amounts of approximately HK$156,427,000, relating to borrowings with a total principal amount of HK$1,349,131,000 ("**Overdue Borrowings**") were overdue. The aggregate principal amount of the aforementioned borrowings of approximately HK$1,349,131,000 would be immediately repayable if requested by the lenders. This amount included borrowings of approximately HK$726,305,000 with original contractual repayment dates beyond 31 December 2021 have been reclassified as current liabilities as at 31 December 2020 (note 15).

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

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

(i) The Group is negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future;

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

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

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

The directors, including members of the audit committee, have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31 December 2020. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2020. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

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

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

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

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

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

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

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

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

3. ADOPTION OF NEW AND AMENDED HKFRSs

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

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

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

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

3.2 Issued but not yet effective HKFRSs

At the date of authorisation of 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 and related amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[5]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[6]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020[2]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[5]

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

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

4. SEGMENT INFORMATION

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

During the year ended 31 December 2019, two operating segments (film distribution and licensing and film processing) were discontinued upon the disposed of the entire equity interest in Mandarin International Motion Picture Holdings Limited. The segment information reported does not include any amounts for these discontinued operations.

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

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

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

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

Year ended 31 December 2020

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

As at 31 December 2020

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

Year ended 31 December 2019

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

As at 31 December 2019

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

(a) Geographical information

2020

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

2019

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

(b) Information about major customers

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

6. FINANCE COSTS – NET

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

7. EXPENSES BY NATURE

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

8. INCOME TAX CREDIT

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

9. DIVIDEND

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

10. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(597,189)**	(288,950)
Weighted average number of ordinary shares in issue (in thousands)	**3,568,791**	3,568,791

(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.

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

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

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

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

11. IMPAIRMENT LOSS ON INVESTMENTS IN ASSOCIATES

For impairment assessment of Ever-Grand Development Limited ("**Ever-Grand**"), the Group had estimated the recoverable amount amounting approximately HK$257,110,000 (2019: HK$291,462,000), based on the share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operation of the associate and the proceeds from the ultimate disposal of the investment. For the year ended 31 December 2020, due to further delay in pipeline construction, an impairment loss of approximately HK$37,830,000 (2019: HK$133,033,000) was recognised in the consolidated statement of profit or loss. The pre-tax discount rate used was 14% (2019: 16.4%).

Due to the delay coupled with the sustained delay of the public release from the local and central government of the Changan Binhai New Area's "Guangdong, Hong Kong, and Macau Greater Bay Area Development Plan Outline" and the Dawan District Plan was yet to issue as scheduled from the local and central government of the PRC authority, the financial projections, in particular, the capital expenditures plan of Ever-Grand have been delayed from the period from 31 December 2020 to 31 December 2021, further delayed to the period from 31 December 2021 to 31 December 2022. Thus the revenue projections for Ever-Grand have been delayed accordingly. The management of the Ever-Grand Group has then revised the financial forecast of Ever-Grand in arriving at a more conservative estimate which better reflect the industry outlook.

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

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

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

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

12. RENTAL RECEIVABLES

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

The carrying amounts of rental receivables approximate their fair values.

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

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

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

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

14. TRADE PAYABLES

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

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

15. BORROWINGS

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

The Group's borrowings are repayable as follows:

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

Notes:

(i) At 31 December 2020, the Group's bank borrowings of HK$116,091,000 (2019: HK$118,177,000) were secured by the Group's land use rights (first priority charge) and construction in progress (first priority charge) with a net carrying amount of HK$44,083,000 (2019: HK$56,630,000) and HK$396,084,000 (2019: HK$404,826,000) respectively. According to the repayment terms, the bank borrowings were originally repayable by instalments from 2016 to 2021. At 31 December 2020, principal amounts of HK$47,451,000 were overdue. The bank borrowings were interest-bearing per annum at the benchmark interest rate determined by the People's Bank of China for loans over 5 years granted by financial institutions (2019: same).

(ii) At 31 December 2020, the Group's entrusted bank borrowings were fully repaid and the security was released accordingly. At 31 December 2019, the Group's entrusted bank borrowings of HK$164,268,000 were secured by the Group's properties under development with a net carrying amount of HK$443,884,000. According to the repayment terms, the entrusted bank borrowings were originally repayable by instalments from 2017 to 2020 with interest-bearing at 9% per annum.

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

The other borrowings were secured and guaranteed by:

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

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

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

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

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

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

At 31 December 2020, the other borrowings were secured and guaranteed by:

(a) personal guarantee executed by Mr. Zhu Boheng (the controlling shareholder of the Company), Ms. Qian Ling Ling (a director of the Company) and Mr. Peter Zhu (the spouse of Ms. Qian Ling Ling) (2019: same);

(b) a corporate guarantee executed by Shanghai Jin Da Di Investment Company Limited* (上海金大地投資有限公司) ("**Shanghai Jin Da Di**") and Shanghai Xin Rong Properties Development Limited* (上海新融置業有限公司) (2019: a corporate guarantee executed by Shanghai Jin Da Di). The controlling shareholder of these companies is Mr. Zhu Boheng (the controlling shareholder of the Company);

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

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

(vii) At 31 December 2020, the Group's other borrowings of HK$825,232,000 (2019: HK$612,359,000) in total with original maturity dates in May, June 2022 and January 2023 (2019: May and June 2022), were interest bearing at 12% per annum and will be repayable by instalments. The other borrowings included borrowings with principal amounts of HK$726,305,000 with original maturity beyond 31 December 2021 have been reclassified as current liabilities as at 31 December 2020 as a result of the default events as described in note 2.

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 interest, the repayment dates of these reclassified other borrowings could be reverted to their respective original repayment dates which are all beyond 31 December 2021.

The other borrowings were secured and guaranteed by:

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

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

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

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

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

(ix) At 31 December 2020, the Group's other borrowing from a related party were fully repaid. At 31 December 2019, the Group's other borrowings from a related party were interest bearing at 5% per annum, unsecured and originally repayable in June 2021.

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

The bank borrowings were secured and guaranteed by:

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

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

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

(d) personal guarantees executed by Ms. Qin Ling Ling (a director of the Company), Mr. Peter Zhu (the spouse of Ms. Qian Ling Ling) and Mr. Zhu Boheng (the controlling shareholder of the Company); and

(e) corporate guarantees executed by two subsidiaries of the Group including Hunan Jiuhua International City Development Construction Company Limited* (湖南九華國際新城開發建設有限公司 ("**Hunan Jinhua**") and Hunan Jiuhua Dong Fang Hotel Company Limited* ("**Dong Fang Hotel**").

(xi) At 31 December 2020, the Group's other borrowings from a related party were interest bearing at 5% per annum, unsecured and repayable in June 2022.

* *For identification purpose only*

16. 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 during the year ended 31 December 2016 had led to an indirect acquisition of subsidiaries of Ever-Grand in the PRC, including 東莞市德晉能源科技有限公司 (Dongguan City Dejin Energy Technology Company Limited) and 東莞市德晉熱力有限公司 (Dongguan City Dejin Thermal Power Company Limited). Such arrangement shall be re-characterised as a direct transfer by the PRC tax authorities and the capital gain derived will be subject to EIT. The Group should act as EIT withholding agent and report the indirect equity transfer (and settle the EIT, if applicable) to the PRC tax authorities within 30 days after the equity transfer agreement is concluded.

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

During the year ended 31 December 2016, the Company has already held back a sum of HK$60,000,000 payable to the Vendor to serve as withholding EIT and further made an EIT provision of HK$28,200,000, but has not yet reported the transaction or paid EIT to the PRC tax authorities. After consulting PRC legal counsel, the directors are of the opinion that the Group has already substantially fulfilled the withholding obligation, thereby containing the risk of penalty to reasonably low level.

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 probable that a claim will be made against the Group regarding the penalty mentioned above.

At 31 December 2020 and 2019, the Company and the Vendor have mutually agreed in writing to further extend the settlement period of the held back sum of HK$60,000,000 in cash on or before 31 December 2021 (2019: on or before 31 December 2020) by one single or multiple payment.

(ii) Litigation

During the year ended 31 December 2019, the Group filed legal proceedings against a construction contractor, demanding to rescind the construction contracts, in respect of the construction contractor's failure to perform certain contractual duties over a property development project in Xiangtan which constitute a breach of construction contracts. The construction contractor filed a counterclaim against the Group for payment of outstanding construction costs to compensate its financial loss during the suspension period of construction. During the year ended 31 December 2020, the legal dispute was settled out of court by a deed of agreement entered into the Group and the construction contractor. The Group agreed to compensate approximately HK$122,045,000 (approximately RMB108,510,000) to the construction contractor. The amount includes construction cost of approximately HK$91,216,000 (approximately RMB81,100,000) and penalties of approximately HK$30,829,000 (approximately RMB27,410,000). Among the total compensation, approximately HK$92,802,000 (approximately RMB82,510,000) will be settled by assignment of properties to the construction contractor upon completion. During the year, the Group had settled approximately HK$23,619,000 (approximately RMB21,000,000) to the construction contractor. The litigation was concluded and finalised.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Financial Highlights

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

Loss attributable to owners of the Company was approximately HK$597,189,000 (2019: HK$288,950,000). Basic loss per share was approximately HK16.73 cents (2019: HK8.10 cents). The Board does not recommend dividend payout for the year ended 31 December 2020 (2019: Nil). As at 31 December 2020, cash and cash equivalents were approximately HK$9,687,000 (2019: HK$2,683,000).

Business Review

(i) Xiangtan Project

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

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

For the year ended 31 December 2020, the Group had recognised revenues of approximately HK$64,768,000 (2019: HK$23,313,000), 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.

The Xiangtan Project currently focuses on the development, construction and sales of high-rise residential buildings, as well as the hotel's interior decoration and exterior landscape construction. Despite slowdown in construction progress due to the impact of the COVID-19 epidemic, the Xiangtan Project has still overcome difficulties and obtained pre-sale permits for high-rise commercial residential buildings with a saleable area of 140,742 square meters. Such residences received overwhelming market response and recorded a high sell-through rate after coming into the market.

The Xiangtan Project will speed up the development of high-rise residential buildings to successively launch all remaining high-rise residences in Phase I and accelerate the construction and sales of high-rise residences in Phase II, in the hope of launching relevant products into the market in 2021. The continual launches and high sell-through rate of high-rise residential products will further improve the financial position of the Group while effectively supplementing the cash flow of the project.

(ii) Chengdu Project

For the year ended 31 December 2020, the Group's five-storey shopping centre located in No. 19 Yongling Road, Jinniu District, Chengdu City, Sichuan Province, the PRC, held for commercial use, remained almost fully leased and occupied, become the main steady income driver for the Group. Revenues of approximately HK$15,698,000 (2019: HK$16,606,000) from property rental were recorded for the year ended 31 December 2020. The decrease in rental income was mainly due to the rent concessions offered to tenants.

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

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

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

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

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

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

* *For identification purpose only*

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

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

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

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

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

VALUATION METHOD AND THE REASON FOR USING THE VALUATION METHOD

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

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

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

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

Major Assumptions

The following inputs are adopted in the simulation process:

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

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

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

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

(iii) Centralised Heat Supply Business

As of 31 December 2020, an independent valuation was carried out to determine the recoverable amount of 49% equity interests in Ever-Grand Development Limited ("**Ever-Grand**"), for the purpose of assessment of an indication of asset impairment in complying with HKAS 36. The recoverable amount was determined at approximately HK$257,112,000 (2019: HK$291,462,000), which was approximately 8.2% (2019: 10.4%) to the Group's total assets of approximately HK$3,128,554,000 (2019: HK$2,806,079,000). The management of Ever-Grand has adopted "Discounted cashflows method" under "Income approach" as the valuation methodology.

The major inputs used were: (i) the approved budgeted future cashflows of Ever-Grand for the financial periods for five years (2019: same); (ii) pre-tax discount rate of 14% (2019: 16.4%); and (iii) terminal growth rate of 2.6% (2019: 3%).

Currently, the Group is supplying steam to around 33 (2019: 35) active customers in Humen Town through steam transmission pipelines of approximately 4.6km (2019: same). During the reporting period, the centralised heat supply business, generating revenue of approximately HK$45,590,000 (2019: HK$45,234,000) to Ever-Grand, representing an increase of 0.8% as compared with the last reporting period. However, in the ChangAn town, as a result of the continuous delay of the pipeline deployment plan rolled out in ChangAn town, coupled with the sustained delay of the public release from the local and central government of the Changan Binhai New Area's "Guangdong, Hong Kong, and Macau Greater Bay Area Development Plan Outline" and the Dawan District Plan, the business plan of the ChangAn town was further delayed and suspended with uncertainties.

As a result of the independent valuation, the Directors aware an indication of impairment of the related investment, the recoverable amount of approximately HK$257,112,000 below the carrying amount of the investment of approximately HK$294,942,000. The Directors considered to recognise an impairment loss of approximately HK$37,830,000, for such investment. The impairment was mainly attributable to the following factors: i) the business plan of the ChangAn town, of the Ever-Grand Group was further delayed and suspended with uncertainties, which affected the financial projection adopted by Ever-Grand Group; and ii) the capital investment plan of Ever-Grand Group was not carried out as planned.

Therefore, the delay of the capital investment plan coupled with the sustained delay of the public release from the local and central government of the Changan Binhai New Area's "Guangdong, Hong Kong, and Macau Greater Bay Area Development Plan Outline" and the Dawan District Plan was yet to issue as scheduled from the local and central government of the PRC authority.

Based on the above reasons, the financial projections, in particular, the capital expenditures ("**CAPEX**") plan of Ever-Grand have been delayed from the period from 31 December 2020 to 31 December 2021, further delayed to the period from 31 December 2020 to 31 December 2023, thus the revenue projections for Ever-Grand have been delayed accordingly and the revenue projection decreased as compared the 2020 Valuation with 2019 Valuation. The Management of the Ever-Grand Group have then revised the financial forecast of Ever-Grand as at 31 December 2021 in arriving at a more conservative estimate which better reflect the industry outlook. As a result of the decrease in revenue projection of Ever-Grand, the cost of goods sold, management expense, business tax and surcharge and staff expense in respect of Ever-Grand have been reduced accordingly.

VALUATION METHOD AND THE REASONS FOR USING THE VALUATION METHOD

In applying the Income Approach to the valuation of the fair value of the 49% equity interest in Ever-Grand Development Limited ("**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 the Ever-Grand provided the financial projections for the financial year ending from 31 December 2021 to 31 December 2025. These projections formed the basis of the DCF analysis. The DCF analysis was based on key qualitative factors applicable to the valuation of the 49% equity interest in Ever-Grand, outlook for the general economy of the territory in which it operates, and discussions with and projections prepared by the management of the Ever-Grand.

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

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

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

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

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

Discount Rate

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

Major Assumptions

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

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

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

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

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

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

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

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

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

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

FINANCING ACTIVITIES

According to the repayment agreement previously entered into between the Group and China Huarong Asset Management Company Limited (Beijing Branch) 中國華融資產管理股份有限公司(北京市分公司), the Group shall repay a restructured debt of RMB30,000,000 on 19 May 2020, and shall repay a restructured debt of RMB17,000,000 on 25 June 2020. A new supplementary agreement has been signed to extend the repayment date to 19 May 2022 and 25 June 2022, respectively.

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

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

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

Prospects

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

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

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

CAPITAL STRUCTURE

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

BORROWING AND BANKING FACILITIES AND CHARGE ON GROUP ASSETS

As at 31 December 2020, the Group's outstanding borrowings were approximately HK$1,715,989,000 (2019: HK$1,413,737,000). The Group's bank borrowings of approximately HK$116,091,000 (2019: HK$118,177,000) were secured by the Group's land use rights (first priority charge) and construction in progress (first priority charge) with a net carrying amount of approximately HK$44,083,000 (2019: HK$56,630,000) and approximately HK$396,084,000 (2019: HK$404,826,000) respectively. The Group's bank borrowings of approximately HK$Nil as at 31 December 2020 (2019: HK$164,268,000) were secured by the Group's properties under development with a net carrying amount of approximately HK$Nil (2019: HK$443,884,000). The Group's borrowings from a former shareholder of approximately of HK$13,500,000 (2019: HK$13,500,000) was assigned to a related party upon the execution of a deed of assignment, were unsecured.

The Group's other borrowings of approximately HK$55,384,000 (2019: HK$55,344,000) were unsecured. The Group's other borrowings of approximately HK$147,307,000 were secured by share charge over the equity interest in Ever-Grand and certain properties for sales or under development executed by certain related parties (2019: HK$155,740,000 were unsecured). The Group's other borrowings of approximately of HK$260,501,000 (2019: HK$294,349,000) were secured by share charges given by Keyne Holdings Limited, the controlling shareholder of the Company and certain related parties, and equity pledges given by certain subsidiaries of the Company and certain related parties. The Group's other borrowings of approximately of HK$825,232,000 (2019: HK$612,359,000) were secured by certain properties under development, with a net carrying amount of approximately HK$1,446,902,000 (2019: HK$1,006,734,000). The gearing ratio based on borrowings over total equity as at 31 December 2020 was approximately 13.56 (2019: 2.03).

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

EMPLOYEES AND REMUNERATION POLICIES

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

FINAL DIVIDEND

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

CORPORATE GOVERNANCE

During the year ended 31 December 2020, 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 2020, 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 2020.

AUDIT COMMITTEE

The audit committee of the Company has met with the external auditor of the Company, Grant Thornton Hong Kong Limited, to review the accounting principles and practices adopted by the Group and the consolidated results of the Group for the year ended 31 December 2020, and is of the opinion that the consolidated results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made. 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.

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of other comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditors, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited on the preliminary announcement.

EXTRACTS OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by Grant Thornton Hong Kong Limited, the Group's auditor, regarding the consolidated financial statements of the Group for the year ended 31 December 2020.

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the multiple uncertiainties relating to going concern described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

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

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which are set out in note 2.1 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) the successful negotiations with the lenders for the renewal of or extension for repayment of outstanding borrowings, including those with overdue principals and interests; (ii) the successful obtaining of additional new sources of financing as and when needed; (iii) the successful accelerating the pre-sales of properties under development; (iv) the controlling costs and containing capital expenditure so as to generate adequate net cash inflows; (v) the successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand for immediate repayment of the borrowings in default, including those with cross-default terms; and (vi) successfully managing the impact of the COVID-19 outbreak, as well as any Government's stimulus in response, on the Group's operations from time to time and adjusting its sales and marketing strategy for its property sales to generate sufficient cash flows from its operations. Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

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

The annual results announcement is published on the website of the Stock Exchange (http://www.hkexnews.hk) and that of the Company (http://www.keyneltd.com). 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, 30 March 2021

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.