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Keyne 金奧國際
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

SUPPLEMENTAL INFORMATION IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Reference is made to the annual report (the “**Annual Report**”) for the year ended 31 December 2020 (“**FY2020**”) of KEYNE LTD (the “**Company**”, together with its subsidiaries, the “**Group**”) published on 27 April 2021. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Annual Report.

In addition to the information provided in the 2020 Annual Report, the Board would like to provide further information in relation to the disclaimer of opinion (the “**Audit Qualification**”) issued by the auditor of the Company (the “**Auditor**”) in relation to the consolidated financial statements of the Group for the year ended 31 December 2020.

AUDIT COMMITTEE’S VIEW ON THE AUDIT QUALIFICATION

The audit committee of the Company (the “**Audit Committee**”) had critically reviewed the Audit Qualification, the cashflow forecast and the action plan of the Group to address the Audit Qualification. The Audit Committee also had discussions with the Auditor, by which it understood that the principal concern of the Auditor was whether the Group could successfully negotiate for renewal and/or extension of its outstanding borrowings, resulting in material uncertainties over the Company’s status as a going concern. Based on the positive response of the management of the Company (the “**Management**”) in respect of the negotiations with the borrowers for extending and/or renewing the loan facilities, the Audit Committee concurs with the Management’s view with respect to the Audit Qualification, the Group’s ability to continue as a going concern and the actions or measures to be implemented by the Group. The Audit Committee is also of the view that the Management should implement the actions and measures set out in the action plan with the intention of mitigating the Group’s liquidity pressure and removing the Audit Qualification, and report to the Audit Committee any material issues affecting the Group’s going concern on a timely basis.

ACTION PLAN TO ADDRESS THE AUDIT QUALIFICATION

In order to address the uncertainties which may cast doubt regarding the Group's ability to continue as a going concern, and with a view to removing the Audit Qualification, the Company had taken and intends to continue to implement the following measures in order to mitigate the liquidity pressure and to remove the Audit Qualification, including:

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

During FY2020, the Group has been negotiating with its borrowers for renewal and/or extension of repayment of the principal and/or the interest of the following loan facilities, and with other financial institutions for obtaining new sources of funding.

- (a) the outstanding loan facilities of US\$19,000,000 as at 31 December 2020 provided by Borrower A

Supplemental agreements were entered into with Borrower A for extension of loan facilities for three months in April 2020, up to May and June 2020, and for extension of loan facilities for a further six months in August 2020, up to November and early December 2020. The Company has also commenced negotiations with Borrower A since about October 2020 for further extension. Despite that it is agreeable to further extend the repayment of the principals of the loan facility, the terms were not finalised by end of 2020 given the physical due diligence work was not completed by Borrower A and the approval from the head office of Borrower A was yet to obtain.

In June 2021, the Company has requested for extending the repayment of the outstanding loan facilities for two to three years to match with the sales schedule of the properties in Xiangtan (the "**Xiangtan Project**"), during its meeting with Borrower A's Hong Kong team. As at the date of this announcement, the Company is waiting for the approval of the finalised terms from Borrower A's head office, which is expected to be available before end of August 2021.

- (b) the outstanding loan facility of US\$33,600,000 as at 31 December 2020 provided by Borrower B

Borrower B has principally agreed to extend the repayment of the principal of the loan facility in about December 2020. However, due to the personnel changes of Borrower B, the physical due diligence work was not completed by 31 December 2020 and the detailed terms for the extension was delayed accordingly.

As at the date of this announcement, Borrower B has agreed to extend the loan facility for a further two years, up to end of 2022 and expect to enter into an extension agreement by end of July 2021.

- (c) the outstanding loan facilities of RMB692,370,000 as at 31 December 2020 provided by Borrower C

Given that the Group has deposited sufficient fund to the Group's margin accounts operated by Borrower C in FY2020 and repaid the outstanding interest for FY2020 in February 2021, and the Group has also repaid the first quarterly interest of 2021, as at the date of this announcement, there is no default payment in respect of the loan facility provided by Borrower C.

- (d) the outstanding loan facility of RMB97,400,422 as at 31 December 2020 provided by Borrower D

The Group has made timely repayment of interest to Borrower D according to the agreed schedule in FY2020 and up to the date of this announcement. Borrower D has agreed to enter into an extension agreement with the Group in respect of the remaining outstanding principal to be repaid in 12 monthly instalments, which is expected to be signed by end of July 2021.

- (e) a new loan facility of RMB250 million provided by Borrower E

The Group obtained a new facility of RMB250 million from Borrower E in December 2020 for paying the construction fees, so that it could obtain the pre-sales permits under the Xiangtan Project.

The principal of RMB120 million was matured by end of March 2021 and the Group has successfully extended for repayment up to end of April 2021. The remaining principal of RMB130 million will be matured by end of June 2021. Due to the restraining of the internal policy of Borrower E, the Group was informed that no further extension can be granted. However, Borrower E has agreed to allow more time for the Group to handle and not to enforce the pledged properties, nor to pursue legal action against the Group. The Group is now liaising with two PRC financial institutions for the possibility to replace the loan facility with the term of at least two years and expects to obtain the loan facility by end of September 2021. Although there is no concrete timetable from Borrower E, the Group will update Borrower E the progress of the replacement of the loan facility in order to ensure no further action will be taken by Borrower E.

- (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*

The Group has obtained permit and generated cash inflows of approximately RMB314 million from the sales of the properties of Xiangtan Project in 2020. The cash inflows was mainly used for repaying the construction fees and the remaining sum was used for repaying the outstanding interest of the loan facilities.

The Group will accelerate the pre-sales of the high-rise residential properties of the Xiangtan Project (i.e. the major project) which was launched in June 2020. It is expected that the Group would obtain pre-sales permit of approximately 54,700 square meters by end of June 2021 and 100,000 square meters for the latter half year of 2021 from the major project. The proceeds arising therefrom will be used for settling the construction fees, repayment of existing loan facilities and general working capital.

(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 travel expenses have been significantly decreased in FY2020. The Directors and senior management of the Company have also agreed downward adjustment of their remuneration since January 2021.

(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

Before the outbreak of COVID-19, the Xiangtan Project was targeted to customers from Changsha and nearby cities for investment purpose. In light of the unprecedented pandemic, the local residents in Xiangtan have raised their requirement in their living standard. Hence, taking into account of the high quality of the properties of Xiangtan Project, the Group considered that the local residents in Xiangtan should become one of its major target group of customers.

Further, due to the lockdown and quarantine measures during the outbreak of COVID-19, people spent more time at home and therefore become more concerned about the hygiene conditions in common areas and environmental protection. As such, the Group intended to enhance the apartment designs and use more environmental friendly construction materials to meet people's changing requirements.

In order to accelerate the revenue to be generated from the sales of the properties of Xiangtan Project, the Group intended to put more resources in advertisement with more price-down promotions, so that it can meet the repayment obligations on a timely basis.

Removal of the Audit Qualification

Based on the discussion with the Auditor, it is considered that the proposed actions mentioned above, if successful, could improve the Group's liquidity and therefore could help to address the Audit Qualification. However, as the Management's assessment of the Group's ability to continue as a going concern for the purposes of preparing the Group's consolidated financial statements for the year ending 31 December 2021 has to take into consideration of the then conditions and circumstances and could only be made at the end of the relevant reporting period, the Auditor is unable to ascertain at this moment whether the Audit Qualification can be removed in the next financial year purely based on the Company's action plan above.

The additional information set out above does not affect other information contained in the Annual Report and the contents of the Annual Report remain unchanged.

By order of the Board

KEYNE LTD

ZHANG LI

Executive Director and Chief Executive Officer

Hong Kong, 22 June 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.

* *for identification purpose only*