Keyne 金奥国际
HK00009

KEYNE LTD
金奧國際股份有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 00009)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021, with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2021

	Notes	**2021** *HK$'000*	2020 *HK$'000*
Revenue	5	**18,327**	80,466
Cost of sales		**(2,547)**	(66,797)
Gross profit		**15,780**	13,669
Other income and gains	5	**1,581**	10,104
Fair value loss on investment properties		**(14,103)**	(29,243)
Impairment loss on investments in associates		**(5,871)**	(250,889)
Reversal of expected credit loss ("**ECL**") on rental receivables		**–**	907
Impairment loss on construction in progress		**(156,244)**	(68,769)
Impairment loss on right-of-use assets		**–**	(7,654)
Administrative expenses		**(73,933)**	(69,915)
Selling and marketing expenses		**(15,905)**	(7,469)
Operating loss		**(248,695)**	(409,259)

* *For identification purpose only*

	Notes	**2021** *HK$'000*	2020 *HK$'000*
Finance income	*6*	**412**	266
Finance costs	*6*	**(302,522)**	(196,539)
Finance costs – net	*6*	**(302,110)**	(196,273)
Share of results of associates		**2,049**	2,957
Loss before taxation	*7*	**(548,756)**	(602,575)
Income tax credit	*8*	**11,394**	5,386
Loss for the year attributable to owners of the Company		**(537,362)**	(597,189)
Loss per share attributable to owners of the Company			
Basic	*10*	**HK(15.06) cents**	HK(16.73) cents
Diluted	*10*	**HK(15.06) cents**	HK(16.73) cents

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021	2020
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(537,362)**	(597,189)
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	**37,250**	25,566
Share of other comprehensive income of associates accounted for using the equity method	**190**	515
Other comprehensive income for the year, net of tax	**37,440**	26,081
Total comprehensive expense for the year attributable to owners of the Company	**(499,922)**	(571,108)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**329,865**	397,281
Right-of-use assets		**38,105**	49,346
Investment properties		**198,727**	207,390
Investments in associates		**254,175**	257,790
Deposits, prepayments and other receivables	*12*	**1,501**	1,390
Total non-current assets		**822,373**	913,197
Current assets			
Properties for sale or under development and other contract costs		**2,447,299**	1,770,026
Rental receivables	*11*	**7,355**	8,101
Deposits, prepayments and other receivables	*12*	**413,289**	350,176
Tax recoverable		**6,661**	–
Pledged deposits in a financial institution		**–**	36,567
Restricted bank deposits		**33,648**	40,800
Cash and cash equivalents		**12,437**	9,687
Total current assets		**2,920,689**	2,215,357
LIABILITIES			
Current liabilities			
Trade payables	*13*	**338,366**	57,540
Other payables, accruals and deposits received		**712,669**	649,858
Lease liabilities		**1,096**	4,915
Contract liabilities		**1,132,026**	404,962
Amount due to an associate		**8,603**	7,663
Borrowings	*14*	**1,744,180**	1,714,914
Tax payables		**–**	2,566
Total current liabilities		**3,936,940**	2,842,418
Net current liabilities		**(1,016,251)**	(627,061)
Total assets less current liabilities		**(193,878)**	286,136

	Notes	**2021** *HK$'000*	2020 *HK$'000*
Non-current liabilities			
Lease liabilities		**–**	619
Deposits received		**3,171**	2,598
Borrowings	*14*	**19,431**	1,075
Deferred tax liabilities		**156,913**	155,315
Total non-current liabilities		**179,515**	159,607
Net (liabilities) assets		**(373,393)**	126,529
EQUITY			
Equity attributable to owners of the Company			
Issued share capital		**35,688**	35,688
Reserves		**(409,081)**	90,841
Total (deficit) equity		**(373,393)**	126,529

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.

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

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

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

2.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certificated Public Accountants ("**HKICPA**"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

2.2 Going concern basis

As at 31 December 2021, the Group had accumulated losses of approximately HK$3,082,883,000 (2020: HK$2,545,521,000), the Group's current liabilities exceeded its current assets by approximately HK$1,016,251,000 (2020: HK$627,061,000) and the Group's net liabilities amounted to approximately HK$373,393,000 (2020: net assets of HK$126,529,000). As at the same date, the Group's total borrowings amounted to approximately HK$1,763,611,000 (2020: HK$1,715,989,000), of which current borrowings amounted to approximately HK$1,744,180,000 (2020: HK$1,714,914,000), while its cash and cash equivalents amounted to approximately HK$12,437,000 (2020: HK$9,687,000), and restricted bank deposits amounted to approximately HK$33,648,000 (2020: HK$40,800,000).

As at 31 December 2021, certain borrowings whose principal amounts of approximately HK$143,483,000 (2020: HK$227,321,000) and interest payable amounts of approximately HK$72,978,000 (2020: HK$156,427,000), relating to borrowings with a total principal amounts of approximately HK$1,612,661,000 (2020: HK$1,349,131,000) ("**Overdue Borrowings**") were overdue. The aggregate principal amount of the aforementioned borrowings of approximately HK$1,612,661,000 (2020: HK$1,349,131,000) would be immediately repayable if requested by the lenders. This amount included borrowings of approximately HK$514,387,000 with original contractual repayment dates beyond 31 December 2022 have been reclassified as current liabilities as at 31 December 2021.

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

In view of such circumstances, the Directors 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 property and hotel development ("**Xiangtan Project**") in Xiangtan is expected to give further substantial sales in 2022. Overall, the Group expected to gradually launch a major project and the pre-sales permits were already obtained in 2021;

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

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

The Executive Directors, have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of twelve months from 31 December 2021. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2021. Accordingly, the Executive Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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 2022 for those borrowings that (a) are scheduled for repayment (either based on the original agreements or the existing arrangements) in year 2022; (b) were overdue as at 31 December 2021 because of the Group's failure to repay either the loan principal or the interests on or before the scheduled repayment dates; and (c) became or might become overdue in year 2022;

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

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

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

3. APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the decision of the IFRS interpretations committee (the "**Committee**") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realised value of inventories.

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[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 HKFRSs 2018-2020[2]

[1] Effective for annual periods beginning on or after 1 April 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 for annual periods beginning on or after a date to be determined

Except for the amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)"

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 "Definition of Accounting Estimates"

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant 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.

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 taxation. The profit (loss) before taxation is measured consistently with the Group's profit (loss) before taxation except that finance income, finance costs, as well as head office and corporate expenses 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 2021

	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	–	–	–	–
External revenue from other sources	18,327	–	–	18,327
Total revenue	18,327	–	–	18,327
Segment results	(17,855)	(192,743)	(3,149)	(213,747)
Unallocated corporate expenses				(32,899)
Finance income				412
Finance costs				(302,522)
Loss before taxation				(548,756)
Income tax credit				11,394
Loss for the year				(537,362)

As at 31 December 2021

	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	207,819	3,224,541	–	56,527	3,488,887
Investments in associates	–	–	254,175	–	254,175
Segment liabilities	80,899	2,833,513	–	1,202,043	4,116,455
Other segment information:					
Capital expenditure					
– Owned assets	–	69,293	–	13	69,306
Depreciation					
– Owned assets	107	102	–	204	413
– Right-of-use assets	1,319	–	–	3,393	4,712
Fair value loss on investment properties	14,103	–	–	–	14,103
Impairment loss on investments in associates	685	–	5,186	–	5,871
Impairment loss on construction in progress	–	156,244	–	–	156,244
Share of results of associates	–	–	2,049	–	2,049

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 taxation				(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 properties	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 right-of-use assets	–	7,654	–	–	7,654
Share of results of associates	–	–	2,957	–	2,957

(a) Geographical information

2021

	Hong Kong *HK$'000*	**Mainland China** *HK$'000*	**Total** *HK$'000*
Revenue	**–**	**18,327**	**18,327**
Non-current assets (other than financial instruments)	**1,088**	**819,784**	**820,872**
Capital expenditure	**13**	**69,293**	**69,306**

2020

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

(b) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2021 *HK$'000*	2020 *HK$'000*
Customer A	**13,498**	12,620
Customer B	**1,982**	N/A[1]
	15,480	12,620

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

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.

	2021	2020
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sales of properties	**–**	64,768
Revenue from other sources		
Property rental income	**18,327**	15,698
	18,327	80,466
Other income and gains		
Government grants – Employment Support Scheme subsidies	**–**	605
Net foreign exchange gain	**–**	7,388
Others	**1,581**	2,111
	1,581	10,104

6. FINANCE COSTS – NET

	2021	2020
	HK$'000	*HK$'000*
Finance costs:		
Interest on bank borrowings wholly repayable within five years	**52,061**	12,868
Interest on other borrowings	**182,439**	151,792
Interest on lease liabilities	**340**	763
Significant financing component of contract liabilities	**78,777**	38,007
Foreign exchange difference, net	**206**	(3,407)
	313,823	200,023
Less: amounts capitalised on qualifying assets	**(11,301)**	(3,484)
Total finance costs	**302,522**	196,539
Finance income:		
Interest income on short-term bank deposits	**(248)**	(104)
Interest income from financial assets measured at amortised cost	**(164)**	(162)
Total finance income	**(412)**	(266)
Finance costs – net	**302,110**	196,273

7. LOSS BEFORE TAXATION

	2021	2020
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Directors' remuneration	**3,848**	3,585
Other staff costs:		
Wages and salaries	**14,471**	13,678
Retirement benefit schemes contributions	**631**	442
Total staff costs	**18,950**	17,705
Depreciation of property, plant and equipment	**413**	610
Depreciation of right-of-use assets	**4,712**	5,130
Total depreciation	**5,125**	5,740
Auditors' remuneration	**1,800**	1,890
Compensation to a contractor	**15,006**	30,829
Short-term lease payment	**97**	49
Leases of low value items	**279**	327
Cost of properties sold	**–**	64,267
and after crediting:		
Gross rental income from investment properties	**18,327**	15,698
Less: Direct operating expenses from investment properties that generated rental income during the year	**(2,547)**	(2,530)
	15,780	13,168

8. INCOME TAX CREDIT

	2021	2020
	HK$'000	*HK$'000*
Current tax – PRC		
(Credit) charge for the year	**(8,795)**	953
Deferred tax	**(2,599)**	(6,339)
Total income tax credit	**(11,394)**	(5,386)

The applicable tax rate for the Group's operations in Mainland China is 25% for both years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

9. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

10. LOSS PER SHARE

(a) Basic loss per share

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

	2021	2020
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(537,362)**	(597,189)

Number of shares (in thousand)	**2021**	2020
Weighted average number of ordinary shares for the purpose of basic loss per share	**3,568,791**	3,568,791

	2021	2020
Loss per share attributable to owners of the Company		
Basic	**HK(15.06) cents**	HK(16.73) cents

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the years ended 31 December 2021 and 2020, the Company had one category of dilutive potential ordinary shares, being the share options.

The computation of diluted loss per share does not assume the exercise of the Company's share options for both years because the exercise price of those share options would result in a decrease in loss per share.

11. RENTAL RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Rental receivables	**15,511**	16,040
Less: ECL allowance	**(8,156)**	(7,939)
Rental receivables – net	**7,355**	8,101

The carrying amounts of rental receivables approximate their fair values.

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

	2021	2020
	HK$'000	*HK$'000*
At 1 January	**7,939**	8,345
Reversal of impairment	**–**	(907)
Exchange realignment	**217**	501
At 31 December	**8,156**	7,939

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Other prepayments	**97,266**	44,302
Other receivables	**7,441**	5,094
Prepaid construction cost	**307,884**	300,151
Utility and other deposits	**2,199**	2,019
	414,790	351,566
Less: current portion	**(413,289)**	(350,176)
Non-current portion	**1,501**	1,390

13. TRADE PAYABLES

At 31 December 2021 and 2020, the aging analysis of the trade payables, based on the invoice date, is as follows:

	2021	2020
	HK$'000	*HK$'000*
0 – 90 days	**275,534**	43,841
91 – 180 days	**57,855**	9,514
181 – 365 days	**2,113**	1,397
Over 1 year	**2,864**	2,788
	338,366	57,540

14. BORROWINGS

	Maturity	**2021**	2020
		HK$'000	*HK$'000*
Current liabilities			
Bank borrowings – secured *(note i)*	June 2022	**67,332**	116,091
Bank borrowings – secured *(note ii)*	June 2023	**306,110**	297,974
Other borrowings – secured *(note iii)*	December 2022	**284,704**	260,501
Other borrowings – secured *(note iv)*	November and December 2020	**143,483**	147,307
Other borrowings – secured *(note v)*	January, May and June 2022, and January 2023	**811,032**	825,232
Other borrowings – unsecured *(note vi)*	On demand	**113,103**	50,468
Other borrowings – unsecured *(note vii)*	December 2022	**3,841**	3,841
Other borrowings – unsecured *(note viii)*	June 2022	**1,075**	–
Borrowings from a related party – unsecured *(note ix)*	December 2022	**13,500**	13,500
		1,744,180	1,714,914
Non-current liabilities			
Other borrowings – unsecured *(note viii)*	August 2023	**655**	1,075
Borrowings from a director – unsecured *(note x)*	July and December 2023	**2,280**	–
Other borrowings – unsecured *(note xi)*	February, April, May and June 2023	**16,496**	–
		19,431	1,075
		1,763,611	1,715,989

The Group's borrowings are repayable as follows:

	2021	2020
	HK$'000	*HK$'000*
Within 1 year or on demand	**1,744,180**	1,714,914
Between 1-2 years	**19,431**	1,075
	1,763,611	1,715,989

Notes:

(i) At 31 December 2021, the Group's bank borrowings of HK$67,332,000 (2020: HK$116,091,000) is repayable by instalments from January 2022 to June 2022 (2020: originally repayable by instalments from 2016 to 2021), were interest-bearing per annum at the benchmark interest rate determined by the People's Bank of China for loans over 5 years (2020: 5 years) granted by financial institutions.

At 31 December 2021 and 2020, the bank borrowings were secured and guaranteed by:

(a) the Group's leasehold lands (first priority charge) and construction in progress (first priority charge) with a net carrying amount of HK$37,075,000 (2020: HK$44,083,000) and HK$329,044,000 (2020: HK$396,084,000) respectively;

(b) 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);

(c) a corporate guarantee executed by a subsidiary of the Group including Hunan Jiuhua International City Development Construction Company Limited ("**Hunan Jiuhua**"); and

(d) 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**"). The controlling shareholder of this company is Mr. Zhu Boheng (the controlling shareholder of the Company).

(ii) At 31 December 2021, the Group's bank borrowings of HK$306,110,000 (2020: HK$297,974,000) with maturity date in June 2023 (2020: June 2021), were interest bearing at 9.5% per annum (2020: 9.5% per annum) and will be repayable by instalments. The bank borrowings included borrowings with principal amounts of HK$306,110,000 with original maturity beyond 31 December 2022 have been reclassified as current liabilities as at 31 December 2021 as a result of the default events as described in note 2.2.

Management estimates that after taking the measures as set out in note 2.2 and with its endeavours to ensure that there will be no further delay in repayment of interest, the repayment dates of these reclassified bank borrowings could be reverted to their respective original repayment dates which are all beyond 31 December 2022.

At 31 December 2021 and 2020, the bank borrowings were secured and guaranteed by:

(a) the Group's investment properties with a net carrying amount of HK$198,727,000 (2020: HK$207,390,000);

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

(c) corporate guarantees executed by Shanghai Jin Da Di, Nanjing Jin Gao Real Estate Company Limited* (南京金高房地產開發有限公司) ("**Nanjian Jin Gao**") and Yangzhou Ya Tai Zhi Ye Company Limited* (揚州亞太置業有限公司) ("**Yangzhou Ya Tai**"). 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 the Company and a subsidiary of the Group including Hunan Jiuhua.

(iii) At 31 December 2021, the Group's other borrowings of HK$284,704,000 (2020: HK$260,501,000) were interest bearing at 9% per annum (2020: 8% per annum) and repayable by installments from March 2022 to December 2022 (2020: originally repayable by instalments from 2018 to 2021). At 31 December 2021, principal amount of nil (2020: HK$32,563,000) were overdue.

At 31 December 2021 and 2020, the other borrowings were secured and guaranteed by:

(a) equity interests in subsidiaries of the Group under Brilliant Field Corporation Limited and Profit Source International Limited;

(b) first fixed charge over 2,010,501,197 shares (2020: 2,010,501,197 shares) of the Company owned by KEYNE HOLDINGS, 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 and Nanjing 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 2021, the Group's other borrowings of HK$143,483,000 (2020: HK$147,307,000) were secured and guaranteed, interest bearing at 15% per annum (2020: 15% per annum) and were repayable in November and December 2020 (2020: repayable in November and December 2020).

At 31 December 2021 and 2020, the other borrowings were secured and guaranteed by:

(a) personal guarantees 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);

(b) corporate guarantees executed by Shanghai Jin Da Di and Shanghai Xin Rong Properties Development Limited* (上海新融置業發展有限公司). 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 Development Limited ("**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* (高郵金奧房地產開發有限公司), the ultimate controlling shareholder of this company is Mr. Zhu Boheng (the controlling shareholder of the Company).

(v) At 31 December 2021, the Group's other borrowings of HK$811,032,000 (2020: HK$825,232,000) in total with original maturity dates in January, May, June 2022 and January 2023 (2020: May, June 2022 and January 2023), were interest bearing at 12% per annum (2020: 12% per annum) and will be repayable by instalments. The other borrowings included borrowings with principal amounts of HK$208,277,000 with original maturity beyond 31 December 2022 have been reclassified as current liabilities as at 31 December 2021 as a result of the default events as described in note 2.2.

Management estimates that after taking the measures as set out in note 2.2 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 2022.

The other borrowings were secured and guaranteed by:

(a) certain properties under development, with a net carrying amount of approximately HK$1,724,651,000 (2020: HK$1,446,902,000);

(b) corporate guarantees 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 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);

(d) the Group's leasehold lands (second priority charge) and construction in progress (second priority charge) with a net carrying amount of HK$37,075,000 (2020: HK$44,083,000) and HK$329,044,000 (2020:HK$396,084,000) respectively; and

(e) pledged deposits with carrying amount of nil (2020: HK$36,567,000).

(vi) At 31 December 2021 and 2020, the Group's other borrowings from related parties were interest-free, unsecured and repayable on demand.

(vii) At 31 December 2021 and 2020, the Group's other borrowings from a related party were interest-free, unsecured and repayable on or before 31 December 2022 (2020: 31 December 2021).

(viii) At 31 December 2021 and 2020, the Group's other borrowings from a related party were interest bearing at 5% per annum (2020: 5% per annum), unsecured and repayable by instalments in June 2022 and August 2023 (2020: June 2022).

(ix) At 31 December 2021 and 2020, the Group's borrowings from a related party were repayable in December 2022 (2020: December 2021), unsecured and interest-free, and was assigned from a former shareholder, executed by a deed of loan assignment.

(x) At 31 December 2021, the Group's borrowings from a director were interest bearing at 5% per annum, unsecured and repayable by instalments in July and December 2023.

(xi) At 31 December 2021, the Group's other borrowings for a related party were interest-free, unsecured and payable by installments in February, April, May and June 2023.

* *For identification purpose only*

15. CONTINGENT LIABILITIES

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 recharacterised as a direct transfer by the PRC tax authorities and the capital gain derived will be subject to EIT. The Group should act as EIT withholding agent and report the indirect equity transfer (and settle the EIT, if applicable) to the PRC tax authorities within 30 days after the equity transfer agreement is concluded.

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

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

According to sale and purchase agreement dated 16 November 2015 entered into among the Company, the Vendor and the Guarantors, namely Guarantor C and Guarantor L, the Vendor is responsible for the filing and the settlement of the EIT arising from the indirect equity transfer in accordance to the relevant PRC tax laws and regulations. The Vendor shall compensate the Company in case the Vendor fails to report and payment of the EIT on the indirect equity transfer. In addition, such arrangement was further formally executed through a deed of tax indemnity entered into among the Company, the Vendor and the Guarantors on 30 March 2016. Therefore, the Directors believe the Vendor, who still own 51% equity interest in Ever-Grand, would voluntarily report and pay the EIT to the PRC tax authorities, as well as compensating the Group for any penalty to be imposed to the Group, if any. The Directors do not consider it is probable that a claim will be made against the Group regarding the penalty mentioned above.

At 31 December 2021 and 2020, 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 2022 (2020: on or before 31 December 2021) by one single or multiple payment.

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

MANAGEMENT DISCUSSION AND ANALYSIS

During the year of 2021, the Group focus on (i) property and hotel development (the "**Xiangtan Project**") in Xiangtan, Hunan Province, (ii) property rental (the "**Chengdu Project**") in Chengdu, Sichuan Province, and (iii) investment in centralised heat supply business.

Financial Highlights

For the year ended 31 December 2021, the Group recorded a revenue of approximately HK$18,327,000 (2020: HK$80,466,000). Property rental income increased to approximately HK$18,327,000 (2020: HK$15,698,000) to the total revenue, as a result of the rental income from the new tenants. There is no income from sales of properties (2020: HK$64,768,000) to the total revenue because area of detached villas will be finished construction by 2022.

Loss attributable to owners of the Company was approximately HK$537,362,000 (2020: HK$597,189,000). Basic loss per share was approximately HK15.06 cents (2020: HK16.73 cents). The Board does not recommend dividend payout for the year ended 31 December 2021 (2020: Nil). As at 31 December 2021, cash and cash equivalents were approximately HK$12,437,000 (2020: HK$9,687,000).

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.

The areas of detached villas are in pre-sold stage but not delivered to customers, will be finished construction by 2022. Also, the Group has pre-sold certain areas of high-rise commercial residential units during the reporting period. The Group is currently carrying out the greening, landscape design and road construction works in Phase II. The Group will deliver to customers, the detached villa units in 2022, and the pre-sold proceeds will expect to generate further cash flows and strengthen the financial position of the Group.

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 two high-rise commercial residential buildings with a saleable area of 28,590 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 II and accelerate the construction work of hotel, in the hope of launching relevant products into the market in 2022. 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 2021, the Group's five-storey shopping centre located in No. 19 Yongling Road, Jinniu District, Chengdu City, Sichuan Province, the PRC, held for commercial use, remained almost fully leased and occupied, become the main steady income driver for the Group. Revenue of approximately HK$18,327,000 (2020: HK$15,698,000) from property rental were recorded for the year ended 31 December 2021. The increase in rental income was mainly due to the new tenant with new business coming to the mall.

(iii) Centralised Heat Supply Business

As at 31 December 2021, 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 "Impairment of Assets". The recoverable amount was determined at approximately HK$254,175,000 (2020: HK$257,112,000), which was approximately 6.8% (2020: 8.2%) to the Group's total assets of approximately HK$3,743,062,000 (2020: HK$3,128,554,000) at 31 December 2021.

Currently, the Group is supplying steam to around 25 (2020: 33) active customers in Humen Town through steam transmission pipelines of approximately 4.6km (2020: same). During the reporting period, the centralised heat supply business, generating revenue of approximately HK$47,120,000 (2020: HK$45,590,000) to Ever-Grand, representing an increase of 3.4% 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.

The financial projections, in particular, the capital expenditures ("CAPEX") plan of Ever-Grand have been delayed from the period from 31 December 2021 to 31 December 2022, further delayed to the period from 31 December 2022 to 31 December 2025, thus the revenue projections for Ever-Grand have been delayed accordingly and the revenue projection decreased as compared the valuation for the year ended 31 December 2021 with valuation for the year ended 31 December 2020. The Management of the Ever-Grand Group have then revised the financial forecast of Ever-Grand as at 31 December 2022 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.

Impairment losses and fair value loss

The Group has recorded the total impairment loss, decreased by approximately HK$165,197,000, or approximately 50.5%, from approximately HK$327,312,000 in 2020 to approximately HK$162,115,000 in 2021. Such decrease was primarily due to the decrease of impairment of Shanghai Jiaguan Tianqi Investment Centre (Limited Partnership), from approximately HK$213,059,000 in 2020 to approximately HK$685,000 in 2021.

The COVID-19 epidemic has adversely affected the global economic growth forecast, and the Group update the forecast data to reflect the relevant impact when conducting Xiangtan Jinao Swissotel Hotel and construction in progess impairment assessment. The Group recorded impairment loss of construction in progess and leasehold lands of Hunan Xiang Tan Project Phase I Hotel (湖南省湘潭項目一期酒店) of approximately HK$156,244,000 (2020: HK$76,423,000) during the year ended 31 December 2021. The Group also recorded fair value loss of Cheng Du Min Zu Plaza (四川省成都市民族廣場) and impairment loss of the 49% equity interest in Ever-Grand of approximately HK$14,103,000 (2020: HK$29,243,000), and HK$5,186,000 (2020: HK$37,830,000) in 2021.

Financing Activities

Affected by the COVID-19 epidemic, the sales of the Group have dropped significantly than expected. Therefore, the Group has proactively discussed with creditors for the extension of existed debts.

The Group has recorded the finance cost, increased by approximately HK$105,983,000, or approximately 53.9%, from approximately HK$196,539,000 in 2020 to approximately HK$302,522,000 in 2021. The increase are mainly due to the significant increase of interest expenses of approximately HK$78,777,000 (2020: HK$ 38,007,000) from financial component of contract liabilities, the penalty interest expenses of Donghai International Holdings Limited of approximately HK$46,121,000 (2020: HK$24,970,000), and the penalty interest expenses of China Zhejiang Chouzhou Commercial Bank Jianye Branch (浙江稠州商行南京建鄴支行) of approximately HK$17,318,000 (2020: Nil).

On 30 June 2021, the Company, China Huarong International Holdings Limited (中國華融股份有限公司) and the Connected Guarantors, being the parties to the Listco Facility Agreement entered into the Listco Restructuring and Amendment Deed to restructure and amend the terms of the Listco Facility Agreement with principal USD42,000,000 (equivalent to HK$284,704,000). The loan is outstanding shall bear the interest rate of 9% per annum from 2 January 2021 until December 2022.

On 2 December 2020, the Company has obtained borrowings of principal amount of RMB250,000,000 (equivalent to HK$306,110,000) from China Zhejiang Chouzhou Commercial Bank Jianye Branch (浙江稠州商行南京建鄴支行). The repayment schedule of remaining debt with related interest are being negotiated with the bank to extend the repayment of the remain debt to 30 June 2023 with interest bearing at 9.5% per annum and will be payable by installments.

Prospects

In 2021, the global economy maintained its recovery momentum amidst market fluctuations, and the production activities gradually restored to the pre-pandemic level. Driven by the active and prudent macro-control policies, the PRC economy continued to recover, with an increasingly stronger development momentum and a general development trend of healthy development and positive growth, making solid progress towards the establishment of a new development landscape.

On the real estate industry policy front, adhering to the key principle of “houses are for living instead of speculation”, the central government continued to perfect and tighten the regulation policies over China’s real estate industry by taking various measures from introducing the policies of “Three Red Lines” and “two-centralised land supply” to strictly forbidding the application of business loans and consumption loans to finance the real estate market. During the first half of the year, the local governments across the country implemented the strategy of “differentiated policies for various cities” and launched a series of regulation policies over the real estate industry including restriction in property purchase and credit grant. Entering into the second half of the year, we witnessed easing in the regulation policies over the real estate industry. In particular, after the outbreak of the Evergrande Group crisis, the central government and senior officials from the central bank issued several statements, calling for persistently steady and orderly release of credit grants for the real estate industry and maintaining stable and healthy development of the real estate market.

Looking a close look at the development of the PRC economy since the outbreak of the COVID-19 pandemic, although the real estate market failed to maintain the robust growth momentum since 2017, the construction of residential properties and urban-rural development remained the largest domestic demand and were also the largest consumption market in China, playing an important role in promoting steady growth, expanding domestic demand and building a strong domestic market. The Group believes that the real estate market in China will maintain the growth momentum in 2022. 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 management, hotel management, healthcare, elderly care, prefabricated construction and other areas as priority for development. In 2022, 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.

Looking forward to the development prospect of the PRC economy in 2022, the PRC economy will continue its recovery growth momentum. The success in hosting the Beijing Winter Olympics Games at the beginning of 2022 will substantially drive domestic consumption, promote sports and culture exchanges and increase the influence of China. The "20th National Congress" of the Communist Party of China to be convened in the second half of 2022 will provide political benefits and play a positive role in promoting the economic development. 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 2021, the Group's net current liabilities were approximately HK$1,016,251,000 (2020: HK$627,061,000), with current assets of approximately HK$2,920,689,000 (2020: HK$2,215,357,000) and current liabilities of approximately HK$3,936,940,000 (2020: HK$2,842,418,000), representing a current ratio of approximately 0.74 (2020: 0.78). As at 31 December 2021, the Group had cash and cash equivalents of approximately HK$12,437,000 (2020: HK$9,687,000).

Capital Structure

As at 31 December 2021, the Group's total capital deficiency amounted to approximately HK$373,393,000 (31 December 2020: total equity of HK$126,529,000).

BORROWING AND BANKING FACILITIES AND CHARGE ON GROUP ASSETS

As at 31 December 2021, the Group's outstanding borrowings were approximately HK$1,763,611,000 (2020: HK$1,715,989,000). The Group's bank borrowings of approximately HK$67,332,000 (2020: HK$116,091,000) were secured by the Group's leasehold lands (first priority change) and construction in progress (first priority change) with a net carrying amount of approximately HK$37,075,000 (2020: HK$44,083,000) and approximately HK$329,044,000 (2020: HK$396,084,000) respectively. The Group's bank borrowings of approximately HK$306,110,000 (2020: HK$297,974,000) were secured by the Group's investment properties with a net carrying amount of approximately HK$198,727,000 (2020: HK$207,390,000) and a property owned by a director of the Company.

The Group's borrowings from a former shareholder of approximately of HK$13,500,000 was assigned to a related party upon the execution of a deed of assignment, were unsecured.

The Group's borrowings from a Director of approximately HK$2,280,000 were unsecured.

The Group's other borrowings of approximately HK$135,170,000 (2020: HK$55,384,000) were unsecured. The Group's other borrowings of approximately HK$143,483,000 (2020: HK$147,307,000) were secured by share charge over the equity interest in Ever-Grand and certain properties for sales or under development executed by certain related parties. The Group's other borrowings of approximately of HK$284,704,000 (2020: HK$260,501,000) were secured by share charges given by KEYNE HOLDINGS, the controlling shareholder of the Company and certain related parties, and equity pledges given by certain subsidiaries of the Company. The Group's other borrowings of approximately of HK$811,032,000 (2020: HK$825,232,000) were secured by certain properties under development, with a net carrying amount of approximately HK$1,724,651,000 (2020: HK$1,446,902,000). The gearing ratio based on borrowings over total equity as at 31 December 2021 was approximately -4.72 (2020: 13.56).

Going Concern and Mitigation Measures

The Group had accumulated losses of approximately HK$3,082,883,000, the Group's current liabilities exceeded its current assets by approximately HK$1,016,251,000 and the Group's net liabilities amounted to approximately HK$373,393,000 as at 31 December 2021. As at the same date, the Group's total borrowing amounted to approximately HK$1,763,611,000, of which current borrowing amounted to approximately HK$1,744,180,000, while its cash and cash equivalents amounted to approximately HK$12,437,000, and restricted bank deposits amounted to approximately HK$33,648,000. In addition, as at 31 December 2021, the Group was in default in respect of principal amount of borrowing totaling approximately HK1,612,661,000 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 2021. The conditions, together with other matters described as below, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. However, the Directors have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which include:

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

(ii) The Group will seek to accelerate the pre-sales of its properties under development including remaining units of property projects and saleable car parks. The properties from Xiangtan Project is expected to give further substantial sales in 2022. Overall, the Group expected to gradually launch a major project and the pre-sales permits were already obtained in 2021;

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

(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 cashflows from its operations.

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

The Group has been actively implementing the aforementioned measures in the past year. As a result of the efforts over such period, a number of financial data has once improved, including growth in property pre-sales and decrease of operating net cash flow. As the execution of the Group's business plan for 2022 has been lagged behind due to the COVID-19 epidemic, certain projects that were scheduled to reach pre-sale status in the second half 2021 have failed to release the new launch of properties due to delay in the pace of construction, this resulted in operating net cash flow position again in 2021 and ultimately caused a failure in achieving the business plan target of lowering the Group's borrowing.

Despite the above, the Group has ensured the construction progress of certain high-rise residences properties in the Xiangtan Project, which obtained the pre-sale permit as scheduled, as well as to speed up the sales of the remaining units in Xiangtan project, both of which ensured the Group to improve cashflows for 2021. The Group will actively implement the business plan in 2022, on one hand to adhere to the business plan to construct and launch sale of the property projects so as to increase the cash inflow, on the other hand to actively negotiate with financial institutions to renew and extend the bank loans and other borrowings, and to identifying opportunities to obtain new borrowings so as to improve the Group's debt structure.

Exposure to Foreign Exchange

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

Contingent Liabilities

Save for those disclosed in note 15 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 2021 was approximately HK18,950,000 (2020: HK$17,705,000). The Group had a workforce of 66 (2020: 75). 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 2021 (2020: Nil).

CORPORATE GOVERNANCE

During the year ended 31 December 2021, 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 2021, 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 2021.

AUDIT COMMITTEE

The audit committee of the Company has met with the external auditor of the Company, CL Partners CPA 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 2021, 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 CL PARTNERS CPA 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 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, CL Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by CL Partners CPA 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 CL Partners CPA Limited on the preliminary announcement.

EXTRACTS OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by CL Partners CPA Limited, the Group's auditor, regarding the consolidated financial statements of the Group for the year ended 31 December 2021.

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the multiple uncertainties 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.

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, 29 March 2022

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.