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Keyne 金奧國際
HK00009

KEYNE LTD

金奧國際股份有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00009)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of KEYNE LTD (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2023 with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

| | Notes | Six months ended 30 June | |
|--------------------------------|-------|---------------------------------|---------------------------------|
| | | 2023 HK\$'000 (unaudited) | 2022 HK\$'000 (unaudited) |
| Revenue | 5 | 13,467 | 9,973 |
| Cost of sales | | <u>(4,794)</u> | <u>(1,308)</u> |
| Gross profit | | 8,673 | 8,665 |
| Other income | | 240 | 330 |
| Administrative expenses | | (10,070) | (13,117) |
| Selling and marketing expenses | | <u>(193)</u> | <u>(9,169)</u> |
| Operating loss | 8 | (1,350) | (13,291) |
| Finance income | 7 | 86 | 56 |
| Finance costs | 7 | <u>(101,916)</u> | <u>(101,815)</u> |

* For identification purpose only

| | | Six months ended 30 June | |
|--|--------------|---------------------------------|------------------------------|
| | | 2023 | 2022 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (unaudited) | (unaudited) |
| Finance costs – net | 7 | <u>(101,830)</u> | <u>(101,759)</u> |
| Share of results of associates | | <u>(361)</u> | <u>(250)</u> |
| Loss before income tax | | (103,541) | (115,300) |
| Income tax expense | 9 | <u>(724)</u> | <u>(372)</u> |
| Loss for the period attributable to owners of the Company | | <u>(104,265)</u> | <u>(115,672)</u> |
| Loss per share | <i>11</i> | | |
| Basic | | <u>HK(2.92) cents</u> | <u>HK(3.24) cents</u> |
| Diluted | | <u>HK(2.92) cents</u> | <u>HK(3.24) cents</u> |

Details of the dividend are disclosed in note 10 to the condensed consolidated interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2023

| | Six months ended 30 June | |
|--|---------------------------------|--------------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Loss for the period attributable to owners of the Company | (104,265) | (115,672) |
| Other comprehensive income (expense): | | |
| <i>Items that may be reclassified to profit or loss</i> | | |
| Exchange differences arising on translation of foreign operations | 7,628 | (1,742) |
| Share of other comprehensive expense of associates accounted for using the equity method | (347) | (366) |
| Other comprehensive income (expense) for the period, net of tax | 7,281 | (2,108) |
| Total comprehensive expense for the period attributable to owners of the Company | (96,984) | (117,780) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

| | | 30 June 2023 | 31 December 2022 |
|--|--------------|--------------------------------|------------------------------|
| | <i>Notes</i> | <i>HK\$'000</i> (unaudited) | <i>HK\$'000</i> (audited) |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 209,238 | 217,133 |
| Right-of-use assets | 12 | 27,582 | 31,613 |
| Investment properties | 13 | 165,110 | 172,719 |
| Investments in associates | 14 | 196,660 | 197,368 |
| Prepayments and other receivables | | <u>1,191</u> | <u>1,183</u> |
| Total non-current assets | | <u>599,781</u> | <u>620,016</u> |
| Current assets | | | |
| Properties for sale or under development and other contract costs | | 2,099,598 | 2,208,704 |
| Rental receivables | 15 | 8,064 | 8,122 |
| Deposits, prepayments and other receivables | | 359,278 | 366,673 |
| Tax recoverable | | 15,384 | 15,792 |
| Pledged deposits in a financial institution | | 13,592 | 105,381 |
| Restricted bank deposits | | 10,712 | 12,438 |
| Cash and cash equivalents | | <u>1,345</u> | <u>1,119</u> |
| Total current assets | | <u>2,507,973</u> | <u>2,718,229</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade payables | 16 | 194,217 | 303,266 |
| Other payables, accruals and deposits received | | 904,963 | 866,999 |
| Lease liabilities | 17 | 3,113 | 2,554 |
| Contract liabilities | 5 | 1,007,008 | 1,056,891 |
| Amount due to an associate | | 8,563 | 8,615 |
| Borrowings | 18 | <u>1,807,827</u> | <u>1,808,203</u> |
| Total current liabilities | | <u>3,925,691</u> | <u>4,046,528</u> |
| Net current liabilities | | <u>(1,417,718)</u> | <u>(1,328,299)</u> |
| Total assets less current liabilities | | <u>(817,937)</u> | <u>(708,283)</u> |

| | | 30 June | 31 December |
|---|--------------|-------------------------|-------------------------|
| | | 2023 | 2022 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (unaudited) | (audited) |
| Non-current liabilities | | | |
| Deposits received | | 2,534 | 2,651 |
| Lease liabilities | 17 | 2,154 | 3,286 |
| Borrowings | 18 | 25,803 | 30,929 |
| Deferred tax liabilities | | <u>137,610</u> | <u>143,905</u> |
| Total non-current liabilities | | <u>168,101</u> | <u>180,771</u> |
| Net liabilities | | <u>(986,038)</u> | <u>(889,054)</u> |
| EQUITY | | | |
| Deficiency attributable to owners of the Company | | | |
| Issued share capital | 19 | 35,688 | 35,688 |
| Reserves | | <u>(1,021,726)</u> | <u>(924,742)</u> |
| Capital deficiency | | <u>(986,038)</u> | <u>(889,054)</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

| | Issued share capital HK\$'000 | Share premium HK\$'000 | Contributed surplus ¹ HK\$'000 | Exchange reserve HK\$'000 | Special reserve ² HK\$'000 | Share options reserve HK\$'000 | Other reserve HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
|--|--|------------------------------|---|---------------------------------|---|---|------------------------------|-----------------------------------|-------------------|
| Balance at 1 January 2022 | 35,688 | 2,174,200 | 459,047 | 17,728 | 17,926 | 4,362 | 539 | (3,082,883) | (373,393) |
| Loss for the period | - | - | - | - | - | - | - | (115,672) | (115,672) |
| Other comprehensive income | - | - | - | (1,742) | - | - | (366) | - | (2,108) |
| Total comprehensive income for the period | - | - | - | (1,742) | - | - | (366) | (115,672) | (117,780) |
| Change in equity for the period | - | - | - | (1,742) | - | - | (366) | (115,672) | (117,780) |
| Balance at 30 June 2022 (unaudited) | <u>35,688</u> | <u>2,174,200</u> | <u>459,047</u> | <u>15,986</u> | <u>17,926</u> | <u>4,362</u> | <u>173</u> | <u>(3,198,555)</u> | <u>(491,173)</u> |
| Balance at 1 January 2023 | 35,688 | 2,174,200 | 459,047 | 8,827 | 17,926 | 4,362 | (269) | (3,588,835) | (889,054) |
| Loss for the period | - | - | - | - | - | - | - | (104,265) | (104,265) |
| Other comprehensive income | - | - | - | 7,628 | - | - | (347) | - | 7,281 |
| Total comprehensive income for the period | - | - | - | 7,628 | - | - | (347) | (104,265) | (96,984) |
| Change in equity for the period | - | - | - | 7,628 | - | - | (347) | (104,265) | (96,984) |
| Balance at 30 June 2023 (unaudited) | <u>35,688</u> | <u>2,174,200</u> | <u>459,047</u> | <u>16,455</u> | <u>17,926</u> | <u>4,362</u> | <u>(616)</u> | <u>(3,693,100)</u> | <u>(986,038)</u> |

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

| | Six months ended 30 June | |
|---|----------------------------|---------------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Net cash (used in) from operating activities | <u>(141,768)</u> | <u>138,529</u> |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | – | (67,744) |
| Decrease in restricted bank deposits | 88,696 | 22,216 |
| Interest (used) received | <u>(5)</u> | <u>199</u> |
| Net cash from (used in) investing activities | <u>88,691</u> | <u>(45,329)</u> |
| Cash flows from financing activities | | |
| Proceeds from borrowings | – | 4,960 |
| Payment of lease liabilities | (1,729) | (1,549) |
| Interest paid on lease liabilities | (273) | (343) |
| Interest paid on borrowings | <u>(835)</u> | <u>(154,436)</u> |
| Net cash used in financing activities | <u>(2,837)</u> | <u>(151,368)</u> |
| Net decrease in cash and cash equivalents | (55,914) | (58,168) |
| Cash and cash equivalents at beginning of the period | 1,119 | 12,437 |
| Effect of foreign exchange rate changes, net | <u>56,140</u> | <u>53,327</u> |
| Cash and cash equivalents at end of the period | <u><u>1,345</u></u> | <u><u>7,596</u></u> |
| Analysis of the balance of cash and cash equivalents | | |
| Cash and cash equivalents as stated in the condensed consolidated statement of financial position | <u><u>1,345</u></u> | <u><u>7,596</u></u> |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 in Hong Kong of the Company 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 centralized heat supply.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

2.1 Going concern basis

As at 30 June 2023, the Group had accumulated losses of HK\$3,693,100,000 (31 December 2022: HK\$3,588,835,000), the Group’s current liabilities exceeded its current assets by approximately HK\$1,417,718,000 (31 December 2022: HK\$1,328,299,000) and the Group’s net liabilities amounted to approximately HK\$986,038,000 (31 December 2022: HK\$889,054,000). As at the same date, the Group’s total borrowings amounted to HK\$1,833,630,000 (31 December 2022: HK\$1,839,132,000), of which current borrowings amounted to HK\$1,807,827,000 (31 December 2022: HK\$1,808,203,000), while its cash and cash equivalents amounted to HK\$1,345,000 (31 December 2022: HK\$1,119,000), and restricted bank deposits amounted to HK\$10,712,000 (31 December 2022: HK\$12,438,000).

As at 30 June 2023, certain borrowings whose principal amounts of approximately HK\$489,474,000 and interest payable amounts of approximately HK\$285,685,000, relating to borrowings with a total principal amounts of approximately HK\$775,159,000 (“**Overdue Borrowings**”) were overdue. The Group had failed to fulfil certain financial covenants, terms and conditions as stipulated in the relevant loan agreements in approximately HK\$269,600,000 and interest payable amounts in approximately HK\$55,055,000. The aggregate principal amount of aforementioned borrowings of approximately HK\$1,621,114,000 would be immediately repayable if requested by the lenders. This amount included borrowings of approximately HK\$147,740,000 with original contractual repayment dates beyond 30 June 2023 have been reclassified as current liabilities as at 30 June 2023. 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 Executive 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 several financial institutions and seeking for various options for fund to finance the Group's working capital and commitments in the foreseeable future. The management of the Company is confident that it will be able to extend the loans or complete debt restructuring to resolve the going concern issue before the end of the new financial year.
- (ii) The Group will seek to accelerate the pre-sales of its properties under development (including the remaining units of property projects and saleable car parks). Currently, the sale of the properties in Xiangtan ("**Xiangtan Project**") is the Company's primary source of cashflow. By accelerating the sale of the properties, the Company may meet the cashflow requirements and pay interest on debts with cash inflows from property pre-sales, thereby improving its cash flow;
- (iii) The Group will continue to take active measures to control administrative costs through various channels including human resources optimization, management remuneration adjustments and capital expenditure control. This measure may reduce cash outflow and improve the cash flow of the Company.

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 30 June 2023. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2023. Accordingly, the Executive Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

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

- (i) Continue to negotiate with the lenders for the renewal of or extension for repayments beyond 30 June 2023 for those borrowings that (a) were overdue as at 30 June 2023 because of the Group's failure to repay either the loan principal or the interests on or before the scheduled repayment dates; and (b) became or might become overdue in year subsequent to 30 June 2024;
- (ii) Successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in default, include those with cross-default terms;
- (iii) Successful obtaining the support from the government, under the Guaranteed Building Special Loan and further development of a platform for restructuring plan ("**Judicial Restructuring**");

- (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

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 CHANGE IN SIGNIFICANT ACCOUNTING POLICIES

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

| | |
|--|--|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKFRS 12 | Deferred Tax related to Assets and Liabilities arising from a Single transaction |

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

4 ESTIMATES

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

The judgments, estimates and assumptions applied in the condensed consolidated interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's annual financial statements for the year ended 31 December 2022. The only exceptions are the estimate of income tax liabilities which is determined in the condensed consolidated interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

5 REVENUE

The Group's operations and main revenue streams are those described in the annual financial statements for the year ended 31 December 2022.

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

| | Six months ended 30 June | |
|---|---------------------------------|------------------------|
| | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| External revenue from contracts with customers by timing of revenue recognition-Point in time | 3,426 | – |
| External revenue from other sources | 10,041 | 9,973 |
| Total | 13,467 | 9,973 |

The following table provides information about contract assets and contract liabilities from contracts with customers:

| | 30 June | 31 December |
|----------------------|------------------------|------------------------|
| | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (audited) |
| Contract assets | – | – |
| Contract liabilities | 1,007,008 | 1,056,891 |

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. A contract liabilities if recognised when the customer pays consideration before the Group recognises the related revenue.

6 SEGMENTAL INFORMATION

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

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

For the six months ended 30 June 2023 (unaudited)

| | Property rental | Property and hotel development | Centralised heat supply | Total |
|--|----------------------------|---|------------------------------------|------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Segment revenue: | | | | |
| External revenue from contracts with customers by timing of revenue recognition | | | | |
| – Point in time | – | 3,426 | – | 3,426 |
| External revenue from other sources | <u>10,041</u> | <u>–</u> | <u>–</u> | <u>10,041</u> |
| Total revenue | <u>10,041</u> | <u>3,426</u> | <u>–</u> | <u>13,467</u> |
| Segment results | <u>5,677</u> | <u>(2,285)</u> | <u>(361)</u> | <u>3,031</u> |
| Unallocated corporate expenses | | | | (4,742) |
| Finance income | | | | 86 |
| Finance costs | | | | <u>(101,916)</u> |
| Loss before income tax | | | | (103,541) |
| Income tax expense | | | | <u>(724)</u> |
| Loss for the period | | | | <u>(104,265)</u> |

For the six months ended 30 June 2022 (unaudited)

| | Property rental <i>HK\$'000</i> | Property and hotel development <i>HK\$'000</i> | Centralised heat supply <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---------------------------------------|---|---|--------------------------|
| Segment revenue: | | | | |
| External revenue from contracts with customers by timing of revenue recognition | | | | |
| – Point in time | – | – | – | – |
| External revenue from other sources | <u>9,973</u> | <u>–</u> | <u>–</u> | <u>9,973</u> |
| Total revenue | <u><u>9,973</u></u> | <u><u>–</u></u> | <u><u>–</u></u> | <u><u>9,973</u></u> |
| Segment results | <u><u>6,556</u></u> | <u><u>(11,643)</u></u> | <u><u>(257)</u></u> | <u><u>(5,344)</u></u> |
| Unallocated corporate expenses | | | | (8,197) |
| Finance income | | | | 56 |
| Finance costs | | | | <u>(101,815)</u> |
| Loss before income tax | | | | (115,300) |
| Income tax expense | | | | <u>(372)</u> |
| Loss for the period | | | | <u><u>(115,672)</u></u> |

The following table presents segment assets of the Group's reportable segments as at 30 June 2023 and 31 December 2022

As at 30 June 2023 (unaudited)

| | Property rental <i>HK\$'000</i> | Property and hotel development <i>HK\$'000</i> | Centralised heat supply <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---------------------------|--|---|--|--|----------------------------------|
| Segment assets | 174,593 | 2,735,391 | – | 1,110 | 2,911,094 |
| Investments in associates | – | – | 196,660 | – | 196,660 |
| Total assets | | | | | <u>3,107,754</u> |

As at 31 December 2022 (audited)

| | Property rental <i>HK\$'000</i> | Property and hotel development <i>HK\$'000</i> | Centralised heat supply <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---------------------------|--|---|--|--|----------------------------------|
| Segment assets | 182,370 | 2,816,484 | – | 142,023 | 3,140,877 |
| Investments in associates | – | – | 197,368 | – | 197,368 |
| Total assets | | | | | <u>3,338,245</u> |

7 FINANCE COSTS – NET

An analysis of finance costs and income is as follows:

| | Six months ended 30 June | |
|--|---------------------------------|--------------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Finance costs: | | |
| Interest on bank borrowings | 4,047 | 16,965 |
| Interest on other borrowings | 92,261 | 81,037 |
| Significant financing component of contract liabilities | – | 1,515 |
| Interest on lease liabilities | 273 | 284 |
| Foreign exchange difference, net | 16,629 | 7,487 |
| | 113,210 | 107,288 |
| Less: amounts capitalised on qualifying assets | (11,294) | (5,473) |
| Total finance costs | 101,916 | 101,815 |
| Finance income: | | |
| Interest income from financial assets measured at amortised cost | (86) | (56) |
| Total finance income | (86) | (56) |
| Finance costs – net | 101,830 | 101,759 |

8 OPERATING LOSS

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

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2023 HK\$'000 (unaudited) | 2022 HK\$'000 (unaudited) |
| Auditors' remuneration | 870 | 949 |
| Cost of properties sold* | 3,426 | – |
| Director operating expense of investment property that generate rental income* | 1,369 | 1,308 |
| Lease charges – short-term leases with lease term shorter than 12 months | 13 | 22 |
| Depreciation – owned assets | 55 | 103 |
| Depreciation – right-of-use assets^ | 1,577 | 1,368 |
| Professional fees | 945 | 1,577 |

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

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

9 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. The applicable tax rate for the Group's operation in the Mainland China is 25%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

| | Six months ended 30 June | |
|-------------------|---------------------------------|---------------------------------|
| | 2023 HK\$'000 (unaudited) | 2022 HK\$'000 (unaudited) |
| Current tax | (208) | 224 |
| Deferred tax | 932 | 148 |
| Total tax expense | 724 | 372 |

10 DIVIDENDS

No dividend was paid or proposed during the period, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

11 LOSS PER SHARE

(a) Basic

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

| | Six months ended 30 June | |
|--|---------------------------------|-------------------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Loss figures are calculated as follows: | | |
| Loss for the period attributable to owners of the Company | <u>(104,265)</u> | <u>(115,672)</u> |
| | | |
| | Six months ended 30 June | |
| | 2023 | 2022 |
| Number of shares (in thousand) | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | <u>3,568,791</u> | <u>3,568,791</u> |

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had one (2022: one) category of dilutive potential ordinary shares, share options (2022: share options), for the period ended 30 June 2023 and 2022.

For the share options, calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. As the exercise price of the share options granted by the Company was higher than the average annual market price of the Company's shares for the six months ended 30 June 2023 and 2022, the outstanding share options had no dilutive effect on loss per share. Therefore, diluted loss per share for the six months ended 30 June 2023 and 2022 equals basic loss per share.

12 RIGHT-OF-USE ASSETS

| | Leasehold lands <i>HK\$'000</i> | Leased properties <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|-----------------------------------|---------------------------------------|---|--------------------------|
| As at 30 June 2023 | | | |
| Carrying amount | <u>22,402</u> | <u>5,180</u> | <u>27,582</u> |
| As at 31 December 2022 | | | |
| Carrying amount | <u>25,752</u> | <u>5,861</u> | <u>31,613</u> |
| | | 30 June 2023 | 31 December 2022 |
| | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | (unaudited) | (audited) |
| Buildings carried at cost: | | | |
| At 1 January | | 5,861 | 1,030 |
| Additions | | 896 | 8,116 |
| Depreciation | | <u>(1,577)</u> | <u>(3,285)</u> |
| At 30 June/31 December | | <u>5,180</u> | <u>5,861</u> |

13 INVESTMENT PROPERTIES

As at 30 June 2023 the Group's investment properties with a net carrying amount of approximately HK\$165,110,000 (2022: HK\$172,719,000) were pledged to secure borrowings granted to a group.

14 INVESTMENTS IN ASSOCIATES

| | 30 June 2023 | 31 December 2022 |
|-----------------------------|-------------------------|---------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (audited) |
| Unlisted investments: | | |
| Share of net assets | 224,905 | 225,613 |
| Goodwill | 1,040,373 | 1,040,373 |
| Loan to an associate | 1,176 | 1,176 |
| Accumulated impairment loss | (1,079,935) | (1,079,935) |
| Exchange realignment | <u>10,141</u> | <u>10,141</u> |
| | <u>196,660</u> | <u>197,368</u> |

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

15 RENTAL RECEIVABLES

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

| | 30 June 2023 <i>HK\$'000</i> (unaudited) | 31 December 2022 <i>HK\$'000</i> (audited) |
|-------------|---|---|
| 0 – 90 days | <u>8,064</u> | <u>8,112</u> |

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

16 TRADE PAYABLES

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

| | 30 June 2023 <i>HK\$'000</i> (unaudited) | 31 December 2022 <i>HK\$'000</i> (audited) |
|----------------|---|---|
| 0 – 90 days | 102,482 | 290,809 |
| 91 – 180 days | 47,505 | 5,585 |
| 181 – 365 days | 29,658 | 4,233 |
| Over 1 year | <u>14,572</u> | <u>2,639</u> |
| | <u>194,217</u> | <u>303,266</u> |

17 LEASE LIABILITIES

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

| | 30 June 2023 HK\$'000 (unaudited) | 31 December 2022 HK\$'000 (audited) |
|--|--|--|
| Total minimum lease payments: | | |
| Due within one year | 3,458 | 2,978 |
| Due in the second to fifth years | <u>2,224</u> | <u>3,475</u> |
| | 5,682 | 6,453 |
| Future finance charges on lease liabilities | <u>(415)</u> | <u>(613)</u> |
| Present value of lease liabilities | <u>5,267</u> | <u>5,840</u> |
| Present value of minimum lease payments: | | |
| Due within one year | 3,113 | 2,554 |
| Due in the second to fifth years | <u>2,154</u> | <u>3,286</u> |
| | 5,267 | 5,840 |
| Less: Portion due within one year included under current liabilities | <u>(3,113)</u> | <u>(2,554)</u> |
| Portion due after one year included under current liabilities | <u>2,154</u> | <u>3,286</u> |

During the six months ended 30 June 2023, the total cash outflows for the leases are HK\$2,015,000 (2022: HK\$3,701,000).

As at 30 June 2023 and 31 December 2022, the Group has entered into leases for one office and one staff quarter. The Group considered that no extension option or termination option would be exercised at the lease commencement date.

18 BORROWINGS

| | Maturity | 30 June 2023 HK\$'000 (unaudited) | 31 December 2022 HK\$'000 (audited) |
|---|--------------------------------|--|--|
| Current | | | |
| Bank borrowings – secured (<i>note i</i>) | June 2022 | 59,301 | 62,037 |
| Other borrowings – secured (<i>note ii</i>) | On demand | 269,600 | 282,025 |
| Borrowings from a related party – unsecured (<i>note iii</i>) | December 2022 | 286,091 | 285,069 |
| Other borrowings – unsecured (<i>note iv</i>) | November and December 2020 | 144,082 | 143,567 |
| Other borrowings – secured (<i>note v</i>) | December 2023 | 714,300 | 747,259 |
| Other borrowings – secured (<i>note vi</i>) | On demand | 147,740 | 118,919 |
| Other borrowings – unsecured (<i>note vii</i>) | On demand | 169,372 | 151,986 |
| Other borrowings – unsecured (<i>note viii</i>) | December 2023 | 3,841 | 3,841 |
| Borrowings from a related party – unsecured (<i>note x</i>) | December 2023 | 13,500 | 13,500 |
| | | <u>1,807,827</u> | <u>1,808,203</u> |
| Non-current | | | |
| Other borrowings – unsecured (<i>note ix</i>) | June, August and November 2026 | 1,942 | 1,942 |
| Borrowings from a director – unsecured (<i>note xi</i>) | 2026 & 2027 | 7,380 | 7,380 |
| Other borrowings – unsecured (<i>note xii</i>) | 2025 | 16,481 | 21,607 |
| | | <u>25,803</u> | <u>30,929</u> |
| | | <u>1,833,630</u> | <u>1,839,132</u> |

Notes:

- (i) At 30 June 2023, the Group's bank borrowings of approximately HK\$59,301,000 (2022: HK\$62,037,000) is repayable by June 2022 (2022: repayable by June 2022), were interest bearing per annum at the benchmark interest rate determined by the People's Bank of China for loans over 5 years (2022: 5 years) granted by financial institutions. At 30 June 2023, principal amount of HK\$59,301,000 (2022: HK\$62,037,000) were overdue.

At 30 June 2023 and 31 December 2022, 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\$33,862,000 (2022: HK\$25,752,000) and HK\$137,991,000 (2022: HK\$216,551,000) 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 30 June 2023, the Group's bank borrowings of HK\$269,600,000 (2022: HK\$282,025,000) is repayable on demand (2022: on demand), were interest bearing at 9.5% per annum and penalty interest at 14.5% per annum (2022: 9.5% per annum and penalty interest 14.5% per annum). At 30 June 2023, principal amount of HK\$269,600,000 were failed to fulfill certain financial covenants, terms and conditions.

At 30 June 2023 and 31 December 2022, the bank borrowings were secured and guaranteed by:

- (a) the Group's investment properties with a net carrying amount of HK\$165,110,000 (2022: HK\$172,719,000);
 - (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 30 June 2023, the Group's other borrowings of HK\$286,091,000 (2022: HK\$285,069,000) were penalty interest bearing at 18% per annum (2022: penalty interest bearing at 18% per annum) and repayable by installments from March 2022 to December 2022 (2022: same). At 30 June 2023, principal amount of HK\$286,091,000 (2022: HK\$285,069,000) were overdue.

At 30 June 2023 and 31 December 2022, the other borrowings were secured and guaranteed by:

- (a) equity interests in subsidiaries of the Group under Brilliant Field and Profit Source;
- (b) first fixed charge over 2,010,501,197 shares (2022: 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 30 June 2023, the Group's other borrowings of HK\$144,082,000 (2022: HK\$143,567,000) were secured and guaranteed, interest bearing at bank best lending rate and penalty interest bearing 22.5% (2022: same) and were repayable in November and December 2020 (2022: same). At 30 June 2023, principal amount of HK\$144,082,000 (2022: HK\$143,567,000) were overdue.

At 30 June 2023 and 31 December 2022, the bank 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 guarantee 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; and
 - (d) certain properties for sale or under development owned by related parties, Shanghai Hua Hu Yin Nian Investment Partnership Corporation (Limited Partnership)* (上海華哥滬銀年投資合夥企業(有限公司)), 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), ultimate controlling shareholder of this company is Mr. Zhu Boheng (the controlling shareholder of the Company).
- (v) At 30 June 2023, the Group's other borrowings of HK\$714,300,000 (2022: HK\$747,259,000) in total with extended maturity date in December 2023 (2022: December 2023), were interest bearing at 12% per annum (2022: 12% per annum) and will be repayable by instalments.

The other borrowings were secured and guaranteed by:

- (a) certain properties under development, with a net carrying amount of approximately HK\$1,816,028,000 (2022: HK\$1,517,323,000);
- (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\$33,862,000 (2022: HK\$25,752,000) and HK\$137,991,000 (2022: HK\$216,551,000) respectively; and

- (vi) As at 30 June 2023, the Group's other borrowings of Guaranteed Building Special Loan provided by the PRC Government to support Xiangtan Project were interest bearing at 2.8% per annum, secured by certain properties under development with a net carrying amount of approximately HK\$140,993,000 and repayable on demand (2022: on demand).

Management estimates that after taking the measures as Note 2.1 (ii) set out and with its endeavours to ensure that there will be no further delay in repayment of interest, the repayment date of these reclassified other borrowings could be reverted to their respective original repayment date in September 2024 are all beyond 30 June 2023.

- (vii) At 30 June 2023 and 31 December 2022, the Group's other borrowings from a related parties were interest-free, unsecured and repayable on demand.
- (viii) At 30 June 2023 and 31 December 2022, the Group's other borrowings from a related party were interest-free, unsecured and repayable on or before 31 December 2023 (2022: 31 December 2023).
- (ix) At 30 June 2023 and 31 December 2022, the Group's borrowings from a related party were interest bearing at 5% per annum (2022: 5% per annum), unsecured and repayable by instalments in June, August, November 2026 (2022: June, August, November 2024).
- (x) At 30 June 2023 and 31 December 2022, the Group's borrowings from a related party were payable in December 2023 (2022: December 2022), unsecured and interest free, and was assigned from a former shareholder, executed by a deed of loan assignment.
- (xi) At 30 June 2023 and 31 December 2022, the Group's other borrowings from a director were bearing at 5% per annum, unsecured and repayable by installments in 2026 and 2027 (2022: 2024 and 2025).
- (xii) As 30 June 2023 and 31 December 2022, the Group's other borrowings from related parties were interest-free, unsecured and payable by installments in 2025 (2022: 2024)

* *For identification purpose only*

19 ISSUED SHARE CAPITAL

| | 30 June 2023 HK\$'000 (unaudited) | 31 December 2022 HK\$'000 (audited) |
|---|--|--|
| Authorised: | | |
| 100,000,000,000 (2022: same) ordinary shares of HK\$0.01 (2022: same) each | <u>1,000,000</u> | <u>1,000,000</u> |
| Issued and fully paid: | | |
| 3,568,790,629 (2022: same) ordinary shares of HK\$0.01 (2022: same) each | <u>35,688</u> | <u>35,688</u> |

There were no movements in the Company's share capital during the six months ended 30 June 2023.

20 SHARE-BASED PAYMENT

Share options are granted to Directors, employees and certain eligible persons. The options are exercisable in ten years starting from the grant date. The Group has no legal or constructive obligation to repurchase or settle the options in cash. All the outstanding options were exercisable as at 30 June 2020. The fair value of options granted was determined using the binomial valuation model. The significant inputs into the model were stated as follows:

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

There were no options granted or exercised during the six months ended 30 June 2023.

21 LEASE COMMITMENTS

(a) Lease commitments

(i) As lessor

The Group leases its investment property under non-cancellable lease arrangements, with leases negotiated for terms ranging from 2 to 14 years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions.

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

| | 30 June 2023 HK\$'000 (unaudited) | 31 December 2022 HK\$'000 (audited) |
|----------------------------------|--|--|
| Within 1 year | 19,497 | 20,059 |
| After 1 year but within 2 years | 19,789 | 20,667 |
| After 2 years but within 3 years | 20,221 | 21,083 |
| After 3 years but within 4 years | 20,305 | 21,197 |
| After 4 years but within 5 years | <u>5,528</u> | <u>7,729</u> |
| | <u>85,340</u> | <u>90,735</u> |

(ii) As lessee

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

| | 30 June 2023 HK\$'000 (unaudited) | 31 December 2022 HK\$'000 (audited) |
|-----------------|--|--|
| Within one year | <u>25</u> | <u>21</u> |

(b) Capital commitments

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

| | 30 June 2023 HK\$'000 (unaudited) | 31 December 2022 HK\$'000 (audited) |
|--|--|--|
| Contracted but not provided for: Property and hotel development | <u>1,907,834</u> | <u>2,056,280</u> |

22 RELATED PARTY DISCLOSURES

Related party transactions

- a) During the period ended 30 June 2023 and 31 December 2022, a loan was assigned to Mr. Cheng Keung Fai, the beneficial owner of Full Dragon Group Limited and a former shareholder of the Company, executed by a deed of loan assignment.
- b) During the interim ended 30 June 2023, the Group entered into a director loan agreement with Ms. Qian Ling Ling, a director of the Company for an unsecured and bears interest at 5% per annum. As at 30 June 2023, HK\$7,380,000 in total had been drawn down by the Company. The interest expenses to Ms. Qian Ling Ling was HK\$450,000 during the period ended 30 June 2023.

23 CONTINGENT LIABILITIES

(i) Provision of contingent withholding EIT

According to Tax Circular 698 and Public Notice [2015] No. 7 (“**Public Notice 7**”) of the State Administration of Taxation (the “**SAT**”), the Group’s acquisition of 49% equity interest in Ever-Grand Development Limited (“**Ever-Grand**”) during the year ended 31 December 2016 had led to an indirect acquisition of subsidiaries of Ever-Grand in the PRC, including 東莞市德晉能源科技有限公司 (Dongguan City Dejin Energy Technology Company Limited) and 東莞市德晉熱力有限公司 (Dongguan City Dejin Thermal Power Company Limited). Such arrangement shall be 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.

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.

On 22 July 2022, the Vendor has transferred HK\$60,000,000 payable to a third party Vendor, while terms and conditions are same as before.

At 31 December 2022, the Company and the third party vendor/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 2023 by one single or multiple payment.

(ii) Pending litigation

- (a) During the year ended 31 December 2022, the court ordered Chengdu Zhongfa for the repayment to Zhejiang Chouzhou Commercial Bank Co., Ltd (Nanjing Branch) (“**ZCCB**”) all outstanding loan principal, accrued interests, default interests and compound interests up to the date of repayment in respect of the loan agreement dated 17 November 2020 and the settlement agreement dated 17 December 2021 entered into between Chengdu Zhongfa as borrower and ZCCB as lender (collectively, the “**ZCCB Loan Agreements**”) for the loan principal of RMB250,000,000 (the “**ZCCB Loan**”), on the basis of the Company’s alleged joint and several liability to the ZCCB Loan under the guarantee agreement dated 17 November 2020 entered into between the Company as guarantor and ZCCB as lender in respect of the ZCCB Loan; On 22 February 2023, Chengdu Zhongfa has received a court notice and enforcement judgement. Pursuant to the court notice and enforcement judgement, Chengdu Zhongfa failed to perform their obligations under the judgement, the Nanjing Court has ruled to a forced sale of Chengdu Zhongfa’s real estate located at No. 19 Yongling Road, Jinniu District, Chengdu City, Sichuan Province by way of auction through the website of Taobao. Up to the date of this announcement, the litigation is still in progress.
- (b) During the year ended 31 December 2022, the court ordered Dong Fang Hotel and Hunan Jiuhua, that (i) Dong Fang Hotel be ordered to repay to the Industrial and Commercial Bank of China Limited (Xiangtan Xiangjiang Branch) (“**ICBC**”) all outstanding loan principal, accrued interests, default interests and compound interests up to the date of repayment (the “**ICBC Liabilities**”) in respect of the loan agreement dated 11 September 2012 for the loan principal of RMB250,000,000, the first loan extension agreement dated 31 March 2016 for the loan principal of RMB190,000,000, the second loan extension agreement dated 30 December 2019 for the loan principal of RMB68,000,000, the third loan extension agreement dated 11 December 2020 for the loan principal of RMB20,000,000 and the fourth loan extension agreement dated 28 June 2021 for the loan principal of RMB60,000,000 all entered into between Dong Fang Hotel as borrower and ICBC as lender (collectively, the “**ICBC Loan Agreements**”), and (“**ICBC Loans**”) refers to the loans granted by ICBC to Dong Fang Hotel under the ICBC Loan Agreements). (ii) among other defendants, Hunan Jiuhua and Ms. Qian Ling Ling be ordered to repay the ICBC Liabilities on the basis of Hunan Jiuhua and Ms. Qian Ling Ling’s alleged joint and several liability to the ICBC Loans under the guarantee agreement dated 28 June 2021 entered into between Hunan Jiuhua as guarantor and ICBC as lender in respect of the ICBC Loans, and the guarantee agreement dated 29 June 2021 entered into between Ms. Qian Ling Ling as guarantor and ICBC as lender of the ICBC Loans. The ICBC Civil Complaint was accepted by the Hunan Court and the ICBC Proceedings have been scheduled for hearing on 6 September 2022. Furthermore, Dong Fang Hotel and Hunan Jiuhua have recently received from the People’s Court of Yuhu District, Xiangtan City, Hunan Province (the “**Hunan Court**”) the civil judgement. Pursuant to the civil judgement, the Hunan

Court has passed the application made by ICBC to apply for property preservation against Dong Fang Hotel, Hunan Jiuhua and Ms. Qian Ling Ling, the chairman and executive director of the board of directors, and ruled to freeze the bank deposits, valued RMB56,481,508.80, of Dong Fang Hotel, Hunan Jiuhua and Ms. Qian Ling Ling or seal up or distrain upon other property of equal value. Up to the date of this announcement, the litigation is still in progress.

- (c) During the year ended 31 December 2022, a construction contractor filed legal proceedings against the Group, for the overdue construction cost of RMB12,110,000. The court requested to freeze the bank deposits or other properties of RMB12,110,000. In respect of the litigation case, the Group has frozen the construction in progress amounted to RMB12,110,000. Up to the date of this announcement, the litigation is still in progress.

Except as above, the Group has no material contingent liabilities as at 30 June 2023 and 31 December 2022.

24 APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 30 August 2023.

25. EVENTS AFTER REPORTING PERIOD

On 9 August 2023, the board of directors of the Company (the “**Board**”) would like to inform the Company’s shareholders and potential investors that the Company’s indirectly wholly-owned subsidiary (the “**Subsidiary**”), namely Hunan Jiuhua International New City Development Construction Co., Ltd.* (湖南九華國際新城開發建設有限公司) (“**Hunan Jiuhua International**”) initiated and is prepared to file the application for judicial reorganisation (the “**Application**”) with the People’s Court (the “**Court**”) of Hunan Province of the PRC.

The Board is of the opinion that, by filing the Application with the Court and, if subsequently consents by the Court, there would a platform for the subsidiary to restructure its existing indebtedness with the creditors (the “**Judicial Restructuring**”). The Company will make further announcement(s) to keep its shareholders and potential investors informed of any significant development on the Application as and when appropriate. Shareholders and potential investors should exercise caution when they deal or contemplate dealing in the shares of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2023, the Group focus on (i) property and hotel development (the “**Xiangtan Project**”) in Xiangtan, Hunan Province, (ii) property rentals (the “**Chengdu Project**”) in Chengdu, Sichuan Province and (iii) investment in centralised heat supply business.

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2023, the Group recorded a revenue of approximately HK\$13,467,000 (2022: HK\$9,973,000). Property rental income increased to approximately HK\$10,041,000 (2022: HK\$9,973,000) to the total revenue, as a result of the rent concessions. Income from sales of properties contributed approximately HK\$3,425,000 (2022: Nil) to the total revenue.

Loss attributable to owners of the Company was approximately HK\$104,265,000 (2022: HK\$115,672,000). Basic loss per share was approximately HK2.92 cents (2022: HK3.24 cents). The Board does not recommend dividend payout for the six months ended 30 June 2023 (2022: Nil). As at 30 June 2023, cash and cash equivalents were approximately HK\$1,345,000 (31 December 2022: HK\$7,596,000).

BUSINESS REVIEW

(i) **Xiangtan Project**

The Xiangtan Project currently focuses on the development, construction and sales of high-rise residential buildings. Situated in the Jiuhoa Economic Zone of Xiangtan City, Hunan Province, the Xiangtan Project encompasses a land area of 559,696 square meters for the development of a five-star hotel and residential properties with ancillary commercial space, etc.

The Xiangtan Project continued to develop the high-rise residential buildings in Yr2023. Some of the remaining high-rise residences in Phase I are partially sold out by launching relevant products into market between June and July 2023. The other session of remaining high-rise residences in Phase I will be scheduled to get pre-sold permit by second half of Yr2023 and first half of Yr2024. The hotel session will be scheduled to be opened by June 2024.

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 cashflow of the project. Upon completion of the construction work in Phase I in Yr2024, the Phase II high rise residential will be speed up and will expect to get the pre-sale permit by Yr 2025-2027 progressively.

For the six months ended 30 June 2020, the Group had recognised revenues of approximately HK\$3,425,000 (2022: Nil), which was delivered to the customers during the period. Certain units of semi-detached villas pre-sold but not delivered to customers, will be recognised in subsequent financial periods.

(ii) Chengdu Project

For the six months ended 30 June 2023, 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\$10,041,000 (2022: HK\$9,973,000) from property rental were recorded for the six months ended 30 June 2023.

(iii) Centralised Heat Supply Business

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

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

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

As of 30 June 2023, the Group is supplying steam to around 17 (2022: 28) active customers in Humen Town through steam transmission pipelines of approximately 4.6km (2022: same). During the reporting period, the centralised heat supply business, generating revenue of approximately HK\$12,560,000(2022: HK\$6,613,000) to Ever-Grand, representing an increase in revenue as compared with the last reporting period. In the ChangAn town, as a result of the continuous delay of the pipeline deployment plan rolled out in ChangAn town, coupled with the sustained delay of the public release from the local and central government of the Changan Binhai New Area's “Guangdong, Hong Kong, and Macau Greater Bay Area Development Plan Outline” and the Dawan District Plan, the business plan of the ChangAn town was further delayed and suspended with uncertainties.

FINANCING ACTIVITIES AND PENDING LITIGATION

CHINA HUARONG PROCEEDINGS

Chengdu Zhongfa Yellow River Industry Co., Ltd* (成都中發黃河實業有限公司) (“**Chengdu Zhongfa**”), an wholly-owned subsidiary of the Company, has recently received, among other court documents, the enforcement notice numbered (2022) Jing 01 Zhi No.694* ((2022)京01執694號《執行通知書》) (the “**First Enforcement Notice**”) from the Beijing No. 1 Intermediate People’s Court* (北京市第一中級人民法院) (the “**Beijing Court**”).

Pursuant to the First Enforcement Notice, the Beijing Court has ordered for the mandatory enforcement of the execution certificate numbered (2022) Jing Zhongxin Zhi No.00413* ((2022)京中信執字第00413號《執行證書》) issued by the Beijing Zhongxin Notary Public Office* (北京市中信公證署) (the “**Beijing Notary Office**”) ordering, among other defendants, Chengdu Zhongfa, Hunan Jiuhua Oriental Hotel Co., Ltd* (湖南九華東方酒店有限公司) (“**Hunan Jiuhua Oriental Hotel**”), Hunan Jiuhua International New City Development Construction Co., Ltd* (湖南九華國際新城開發建設有限公司) (“**Hunan Jiuhua International**”), being indirect wholly-owned subsidiaries of the Company, and Ms. Qian Ling Ling (“**Ms. Qian**”), the chairman of the Board and executive Director, to repay China Huarong Asset Management Co., Ltd (Beijing Branch)* (中國華融資產管理股份有限公司北京市分公司) (“**China Huarong**”) the sum of the outstanding loan principal, default compensation, default interests, legal costs and notary fee in the aggregate amount of not less than approximately RMB203 million, pursuant to certain loan assignment agreement, loan agreements, supplemental loan agreements and guarantee agreement entered into among Chengdu Zhongfa, Hunan Jiuhua Oriental Hotel, Hunan Jiuhua International, Ms. Qian and China Huarong (the “**First China Huarong Proceedings**”).

Hunan Jiuhua International has recently received, among other court documents, the enforcement notice numbered (2022) Jing 01 Zhi No.695* ((2022)京01執695號《執行通知書》) (the “**Second Enforcement Notice**”) from the Beijing Court.

Hunan Jiuhua International has also recently received, among other court documents, the enforcement notice numbered (2022) Jing 01 Zhi No.697* ((2022)京01執697號《執行通知書》) (the “**Third Enforcement Notice**”, the “**Enforcement Notices**”) from the Beijing Court.

Pursuant to the Second and Third Enforcement Notice, the Beijing Court has ordered for the mandatory enforcement of the execution certificate numbered (2022) Jing Zhongxin Zhi No.00414* ((2022)京中信執字第00414號《執行證書》), and Jing Zhongxin Zhi No.00415* ((2022)京中信執字第00415號《執行證書》) issued by the Beijing Notary Office ordering, among other defendants, Hunan Jiuhua International and Ms. Qian, to repay China Huarong the sum of the outstanding loan principal, default compensation, default interests, legal costs and notary fee in the aggregate amount of not less than approximately RMB468 million, and RMB270 million (including the sum of the outstanding loan principal, default compensation, default interests, legal costs and notary fee in the aggregate amount), pursuant to certain loan assignment agreement, loan agreements, supplemental loan agreements and guarantee agreement entered into by, among others, Hunan Jiuhua International, Ms. Qian and China Huarong.

The Company has recently received, among other court documents, a writ of summons (傳票), notice of response (應訴通知書) and civil complaint (民事起訴狀) (the “**ZCCB Civil Complaint**”) from the Nanjing Intermediate People’s Court of Jiangsu Province* (江蘇省南京市中級人民法院) (the “**Jiangsu Court**”) in the legal proceedings (2022) Su 01 MinchuNo.2374* ((2022)蘇01民初2374號) (the “**ZCCB Proceedings**”).

Pursuant to the ZCCB Civil Complaint, the 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) (“**ZCCB**”) as plaintiff, sought orders from the Jiangsu Court against the Company as defendant, for the repayment to ZCCB all outstanding loan principal, accrued interests, default interests and compound interests up to the date of repayment in respect of the loan agreement dated 17 November 2020 and the settlement agreement dated 17 December 2021 entered into between Chengdu Zhongfa as borrower and ZCCB as lender (collectively, the “**ZCCB Loan Agreements**”) for the loan principal of RMB250,000,000 (the “**ZCCB Loan**”), on the basis of the Company’s alleged joint and several liability to the ZCCB Loan under the guarantee agreement dated 17 November 2020 entered into between the Company as guarantor and ZCCB as lender in respect of the ZCCB Loan.

The ZCCB Civil Complaint was accepted by the Jiangsu Court and the ZCCB Proceedings have been scheduled for hearing on 6 September 2022.

At 22th Febuary 2023, Chengdu Zhongfa Yellow River Industry Co., Ltd* (成都中發黃河實業有限公司) (“**Chengdu Zhongfa**”), an indirect wholly-owned subsidiary of the Company, has recently received a court notice (the “**Court Notice**”) and enforcement judgment numbered (2023) Su 0105 Zhihui No. 53* ((2023) 蘇0105執恢53號《公告》及《執行裁定書》) (the “**Judgment**”) from the Nanjing Jianye District People’s Court* (南京市建鄴區人民法院) (the “**Nanjing Court**”). Pursuant to the Court Notice and the Judgment, given that the defendant under ZCCB Proceedings failed to perform their obligations under the Judgment, the Nanjing Court has ruled to a forced sale of Chengdu Zhongfa’s real estate located at No. 19 Yongling Road, Jinniu District, Chengdu City, Sichuan Province by way of auction through the website of Taobao.

ICBC PROCEEDINGS

Hunan Jiuhua Oriental Hotel and Hunan Jiuhua International have recently received, among other court documents, a writ of summons (傳票), notice of response (應訴通知書) and civil complaint (民事起訴狀) (the “**ICBC Civil Complaint**”) from the People’s Court of Yuhu District, Xiangtan City, Hunan Province* (湖南省湘潭市雨湖區人民法院) (the “**Hunan Court**”) in the legal proceedings (2022) Xiang 0302 Minchu No.2878* ((2022)湘0302民初2878號) (the “**ICBC Proceedings**”).

Pursuant to the ICBC Civil Complaint, the Industrial and Commercial Bank of China Limited (Xiangtan Xiangjiang Branch)* (中國工商銀行股份有限公司湘潭湘江支行) (“**ICBC**”) as plaintiff, sought from the Hunan Court against, among others, Hunan Jiuhua Oriental Hotel and Hunan Jiuhua International as defendants, the following orders:–

- (i) that Hunan Jiuhua Oriental Hotel be ordered to repay to ICBC all outstanding loan principal, accrued interests, default interests and compound interests up to the date of repayment (the “**ICBC Liabilities**”) in respect of the loan agreement dated 11 September 2012 for the loan principal of RMB250,000,000, the first loan extension agreement dated 31 March 2016 for the loan principal of RMB190,000,000, the second loan extension agreement dated 30 December 2019 for the loan principal of RMB68,000,000, the third loan extension agreement dated 11 December 2020 for the loan principal of RMB20,000,000 and the fourth loan extension agreement dated 28 June 2021 for the loan principal of RMB60,000,000 all entered into between Hunan Jiuhua Oriental Hotel as borrower and ICBC as lender (collectively, the “**ICBC Loan Agreements**”, and “**ICBC Loans**” refers to the loans granted by ICBC to Hunan Jiuhua Oriental Hotel under the ICBC Loan Agreements);
- (ii) that, among other defendants, Hunan Jiuhua International and Ms. Qian be ordered to repay the ICBC Liabilities on the basis of Hunan Jiuhua International’s and Ms. Qian’s alleged joint and several liability to the ICBC Loans under the guarantee agreement dated 28 June 2021 entered into between Hunan Jiuhua International as guarantor and ICBC as lender in respect of the ICBC Loans, and the guarantee agreement dated 29 June 2021 entered into between Ms. Qian as guarantor and ICBC as lender of the ICBC Loans.

The ICBC Civil Complaint was accepted by the Hunan Court and the ICBC Proceedings have been scheduled for hearing on 6 September 2022.

Events after reporting period

At 9th August 2023, the board of directors of the Company (the “**Board**”) would like to inform the Company’s shareholders and potential investors that the Company’s indirectly wholly-owned subsidiary (the “**Subsidiary**”), namely Hunan Jiuhua International New City Development Construction Co., Ltd.* (湖南九華國際新城開發建設有限公司) (“**Hunan Jiuhua International**”) initiated and is prepared to file the application for judicial reorganisation (the “**Application**”) with the People’s Court (the “**Court**”) of Hunan Province of the PRC.

The Board is of the opinion that, by filing the Application with the Court and, if subsequently consents by the Court, there would a platform for the subsidiary to restructure its existing indebtedness with the creditors (the “**Judicial Restructuring**”). The Company will make further announcement(s) to keep its shareholders and potential investors informed of any significant development on the Application as and when appropriate. Shareholders and potential investors should exercise caution when they deal or contemplate dealing in the shares of the Company.

PROSPECTS

Heading into FY2023/24, the Group expects the market to remain volatile and unpredictable. The lingering effect of geopolitical events and tension, the low short-term economic visibility, as well as the expectation of sustained high interest rates, are all likely to post sustained impact on existing Xiangtan Project. Such situation may hinder property leasing decision and investment appetite.

Nonetheless, under the support of the PRC government under the Guaranteed Building Special Loan and further development of a platform for restructure its existing indebtedness with the creditors (“the **Judicial Restructuring**”), the Group remain cautiously optimistic on the economic development of Xiangtan project on next 5-6 years.

As continuing to start to the development of the remaining Xiangtan Project Phase II, the start-up construction at Yr2025-2027 aims to get pre-sale permits within 3-5 years, so as to accelerate cash collection and relieve capital pressure.

Regarding the property investment and investment business, the Group saw various policies and domestic measures that have been put forth by the municipal government in stimulating economic recovery and restoring market confidence. China gradually moves out of the shadow of COVID-19, with the resumption of business as well as conference and exhibitions activities, we will see a high occupancy rate once the hotel are being scheduled to be opened at Yr2024. The Group will continue to keep a keen eye on available market opportunities and expand its high residential area in the future.

LIQUIDITY AND FINANCIAL RESOURCES

The Group’s financing and treasury activities are centrally managed and controlled at the corporate level. The Group’s overall treasury and funding policies focus on managing financial risks including interest rate and foreign exchange risks; and cost efficient funding of the Company and its subsidiaries.

As at 30 June 2023, the Group’s net current liabilities were approximately HK\$1,417,715,000 (31 December 2022: HK\$1,328,299,000), with current assets of approximately HK\$2,507,973,000 (31 December 2022: HK\$2,718,229,000) and current liabilities of approximately HK\$3,663,000 (31 December 2022: HK\$3,936,000), representing a current ratio of approximately 0.64 (31 December 2022: 0.67). As at 30 June 2023, the Group had cash and cash equivalents of approximately HK\$1,345,000 (31 December 2022: HK\$1,119,000).

CAPITAL STRUCTURE

As at 30 June 2023, the Group's total capital deficiency amounted to approximately HK\$986,038,000 (Total capital for 31 December 2022: HK\$889,054,000).

BORROWING AND BANKING FACILITIES AND CHARGE ON GROUP ASSETS

As at 30 June 2023, the Group's outstanding borrowings were approximately HK\$1,833,630,000 (2022: HK\$1,763,611,000). The Group's bank borrowings of approximately HK\$59,301,000 (2022: HK\$62,037,000) were secured by the Group's leasehold lands (first priority charge) and construction in progress (first priority charge) with a net carrying amount of approximately HK\$33,863,000 (2022: HK\$25,752,000) and approximately HK\$137,990,000 (2021: HK\$216,550,000) respectively.

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\$7,380,000 (2022: HK\$7,380,000) were unsecured.

The Group's other borrowings of approximately HK\$173,428,000 (2022: HK\$192,875,000) were unsecured. The Group's other borrowings of approximately HK\$144,384,000 (2022: HK\$143,567,000) 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\$286,091,000 (2022: HK\$285,069,000) were secured by share charges given by KEYNE HOLDINGS LTD, 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\$714,300,000 (2022: HK\$747,258,000) were secured by certain properties under development, with a net carrying amount of approximately HK\$1,816,028,000 (2022: HK\$1,517,323,000). The gearing ratio based on borrowings over total equity as at 31 December 2022 was approximately -1.86 (2022: -2.91).

GOING CONCERN AND MITIGATION MEASURES

The Group had accumulated losses of HK\$3,693,100,000 at 30 June 2023 and net cash outflows from operating activities of HK\$141,768,000 for the six months ended 30 June 2023. As at the same date, the Group's total borrowings amounted to HK\$1,833,630,000, of which current borrowings amounted to HK\$1,807,826,000, while its cash and cash equivalents amounted to HK\$1,345,000, and restricted bank deposits amounted to HK\$10,712,000. In addition, as at 30 June 2023, loan principal repayments and interest payments of HK\$55,055,000 relating to certain borrowings of the Group of principal amount of HK\$1,621,114,000 were not repaid in accordance with the repayment schedules pursuant to the borrowing agreements. These conditions, together with other matters described in note 2.1 to the condensed consolidated interim financial statements, indicate the existence of material uncertainties

which may cast significant doubt about the Group's ability to continue as a going concern. However, the Directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which include:

- (i) The Group is negotiating with various financial institutions with different financial restructure plan, identifying various options for financing the Group's working capital and commitments in the foreseeable future.
- (ii) The Group has accelerated the pre-sales and sales of its properties under development and completed properties. The properties from Xiangtan Project is expected to give further substantial sales for 2022.
- (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) The Group is closely monitoring the latest development and will continue to assess the impact of the epidemic; as well as any government's stimulus in response, on the Group's operations from time to time and adjust its sales and marketing strategy for its property sales to generate sufficient cash flows from its operations.

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

EXPOSURE TO FOREIGN EXCHANGE

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

CONTINGENT LIABILITIES

Save for those disclosed in note 25 to the condensed consolidated interim financial statements, there were no contingent liabilities that the Group is aware of.

EMPLOYEES AND REMUNERATION POLICIES

Staff costs for the period ended 30 June 2023 was approximately HK\$4,561,000 (2022: HK\$7,170,000). The Group had a workforce of 49 (2022: 49). Salaries of employees were maintained at competitive levels while bonuses were granted on a discretionary basis.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023 (2022: Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation

As at 30 June 2023, the interests and short positions of the Directors and chief executive of the Company in the existing shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which are required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company or which are required to be notified the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules, were as follows:

Long positions

Ordinary shares of HK\$0.01 each of the Company

| Name of Director | Capacity | Number of ordinary shares held | Approximate percentage of the issued share capital of the Company (Note 2) |
|-------------------------|------------------|---|---|
| Mr. Zhang Li | Beneficial owner | 14,655,625 (L) | 0.41%(L) |

Notes:

1. The letter “L” denotes the person’s long position in such shares.
2. The percentage is calculated on the basis of 3,568,790,629 shares in issue as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, none of the Directors and chief executive of the Company have any interests or short positions in the existing shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which are required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company or which are required pursuant to the Model Code contained in the Listing Rules to be notified to the Company and the Stock Exchange.

Directors' rights to acquire shares or debentures

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

Share options

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

The Eligible Participants of the Scheme are (i) any employee or officer (whether full time or part time, and including any executive director) of any member of the Group; (ii) or any non-executive director (including independent non-executive director) of any member of the Group; (iii) any supplier of goods or services to any member of the Group; (iv) any customer of any member of the Group; (v) any holder of any securities or securities convertible into any securities issued by any member of the Group; (vi) any person or entity that provides advisory, consultancy or professional services to any member of the Group or any director or employee of any such entity; and (vii) any other group or classes of participants from time to time determined by the Directors as having contributed to the development and growth of the Group.

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

| | Date of grant | Exercisable period | Exercise price per share HK\$ | Number of share options | | | | Outstanding as at 30.06.2023 | Approximate percentage of the issued capital of the Company % ⁽⁴⁾ |
|-----------|---------------|--------------------------|-------------------------------|------------------------------|----------------------------------|------------------------------------|--|------------------------------|--|
| | | | | Outstanding as at 01.01.2023 | Granted during the review period | Exercised during the review period | Cancelled/ Lapsed during the review period | | |
| Employees | 23.01.2018 | 23.01.2018 to 22.01.2028 | 0.362 | 24,711,625 ⁽¹⁾ | - | - | - | 24,711,625 | 0.69 |
| | | | | <u>24,711,625</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>24,711,625</u> | <u>0.69</u> |

Notes:

- (1) The closing price of the Company's shares immediately before the date on which the share options were granted was HK\$0.355.
- (2) The total number of the Company's share available for issue under the Scheme was 98,846,500 which represented approximately 2.77% of the issued share capital of the Company as at the date of this announcement.
- (3) There is no minimum period for which the share options must be held before the share options can be exercised unless otherwise determined by the Board.
- (4) As at 30 June 2023, the number of issued shares of the Company, which is 3,568,790,629 shares, has been used for the calculation of approximate percentage shareholding in the Company.

Substantial shareholders' and other person's interests and short positions in the shares and underlying shares of the Company

As at 30 June 2023, the register of substantial shareholders and other person's maintained by the Company under Section 336 of the SFO showed that the following persons notified the Company of the relevant interests in the issued share capital of the Company:

Long positions

Ordinary shares of HK\$0.01 each of the Company

| Name of Shareholder | Capacity | Number of ordinary shares held/Number of underlying shares held under equity interest | Approximate percentage of the issued share capital of the Company (Note 8) |
|--|---|---|---|
| Zhu Boheng (Note 1) | Interest of controlled corporation | 2,073,549,197(L) | 58.10%(L) |
| KEYNE HOLDINGS LTD (Note 1) | Beneficial owner | 2,073,549,197(L) | 58.10%(L) |
| Cheng Ngok Fai (Note 2) | Interest of controlled corporation | 205,175,000(L) | 5.75%(L) |
| Connected-World Group Limited (Note 2) | Beneficial owner | 205,175,000(L) | 5.75%(L) |
| Jovial Paradise Limited (“JP”) (Notes 3, 4, 5 & 6) | Person having a security interest in shares | 173,121,000(L) | 4.85%(L) |
| | Beneficial owner | 70,796,663(L) | 1.98%(L) |
| | Interest of controlled corporation | 2,073,549,197(L) | 58.10%(L) |
| Unicorn Star Properties Limited (“USP”) (Note 4) | Interest of controlled corporation | 2,317,466,860(L) | 64.94%(L) |
| Soaring Sky Worldwide Limited (“SSW”) (Note 4) | Interest of controlled corporation | 2,317,466,860(L) | 64.94%(L) |
| InfraRed NF China Real Estate Fund III L.P. (“INFCREF”) (Note 4) | Interest of controlled corporation | 2,317,466,860(L) | 64.94%(L) |
| InfraRed NF China Investors III Limited (“INFCI”) (Note 4) | Interest of controlled corporation | 2,317,466,860(L) | 64.94%(L) |
| InfraRed Partners LLP (“IP”) (Note 4) | Interest of controlled corporation | 2,317,466,860(L) | 64.94%(L) |
| Charles II Realisation LLP (“CIIR”) (Note 4) | Interest of controlled corporation | 2,317,466,860(L) | 64.94%(L) |
| Vervain Consolidated Investments Limited (“VCI”) (Note 4) | Interest of controlled corporation | 2,317,466,860(L) | 64.94%(L) |
| Vervain China Development Holdings Limited (“VCDH”) (Note 4) | Interest of controlled corporation | 2,317,466,860(L) | 64.94%(L) |
| Vervain Enterprises Limited (“VE”) (Note 4) | Interest of controlled corporation | 2,317,466,860(L) | 64.94%(L) |
| Crosby Investment Holdings Inc. (“CIH”) (Note 4) | Interest of controlled corporation | 2,317,466,860(L) | 64.94%(L) |
| Chen Wai Wai Vivien (Note 4) | Interest of controlled corporation | 2,317,466,860(L) | 64.94%(L) |
| Firewave Management Limited (“FM”) (Note 5) | Interest of controlled corporation | 2,317,466,860(L) | 64.94%(L) |
| Crown Investments Limited (“CI”) (Note 5) | Interest of controlled corporation | 2,317,466,860(L) | 64.94%(L) |
| Metro China Holdings Pte Ltd (“MCH”) (Note 5) | Interest of controlled corporation | 2,317,466,860(L) | 64.94%(L) |
| Metro Holdings Limited (“MH”) (Note 5) | Interest of controlled corporation | 2,317,466,860(L) | 64.94%(L) |
| Ong Jenn (Wang Zhen) (Note 5) | Interest of controlled corporation | 2,317,466,860(L) | 64.94%(L) |
| Ong Sek Hian (Wang Shixian) (Note 5) | Interest of controlled corporation | 2,317,466,860(L) | 64.94%(L) |
| China Huarong International Holdings Limited (“CHIH”) (Note 6) | Person having a security interest in shares | 2,010,501,197(L) | 56.34%(L) |
| Huarong Real Estate Co., Ltd (“HREC”) (Note 6) | Interest of controlled corporation | 2,010,501,197(L) | 56.34%(L) |
| 中國華融資產管理股份有限公司 (Note 6) | Interest of controlled corporation | 2,010,501,197(L) | 56.34%(L) |

Notes:

1. Mr. Zhu Boheng, being the sole shareholder of KEYNE HOLDINGS LTD (“**KEYNE HOLDINGS**”), is deemed to be interested in the shares in which KEYNE HOLDINGS is interested.
2. Mr. Cheng Ngok Fai, being the sole shareholder of Connected-World Group Limited (“**Connected-World**”), is deemed to be interested in the shares in which Connected-World is interested.
3. Based on the forms of disclosure in interest filed by JP dated 4 January 2021, JP beneficially owns 70,796,663 shares and is interested in 173,121,000 shares in the capacity of being a person having a security interest in these shares and is deemed to be interested in 2,073,549,197 shares in which KEYNE HOLDINGS is interested.
4. Based on the form of disclosure of interest filed by (a) Chen Wai Wai Vivien dated 4 January 2021 and IP dated 4 January 2021, (i) JP is owned as to 56.23% by USP, which, in turn, is owned as to 78.26% by SSW; (ii) SSW is wholly-owned by INFCREF, which is managed by INFCCI as its general partner; (iii) INFCCI is wholly-owned by INFCH, which, in turn, is owned as to 50% by IP and 50% by VCI; (iv) the substantial shareholder or directors of IP are accustomed to act in accordance with the directors of CIIR; (v) VCI is wholly-owned by VCDH, which, in turn, is wholly-owned by VE; and (vi) VE is wholly-owned by CIH, which, in turn, is wholly-owned by Chen Wai Wai Vivien. Therefore, each of USP, SSW, INFCREF, INFCCI, INFCH, IP, CIIR, VCI, VCDH, VE, CIH and Chen Wai Wai Vivien is interested in the shares in which JP is interested under the SFO.
5. Based on the forms of disclosure of interest filed by (a) Ong Jenn (Wang Zhen) dated 4 January 2021 and Ong Sek Hian (Wang Shixian) dated 4 January 2021, (i) JP is owned as to 43.77% by FM, which, in turn, is wholly-owned by CI; (ii) CI is wholly-owned by MCH, which, in turn, is wholly-owned by MH; and (iii) MH is owned as to 35.4% by Ong Jen (Wang Zhen) and 35.4% by Ong Sek Hian (Wang Shixian). Therefore, each of FM, CI, MCH, MH, Ong Jenn (Wang Zhen) and Ong Sek Hian (Wang Shixian) is interested in the shares in which JP is interested under the SFO.
6. Based on the form of disclosure of interest filed by 中國華融資產管理股份有限公司 (transliterated in English as China Huarong Asset Management Company Limited, “**CHAMC**”) dated 6 December 2018, CHIH is owned as to approximately 88.10% by HREC, which, in turn, is wholly-owned by CHAMC. Each of CHAMC and HREC is therefore deemed to be interested in the shares in which CHIH is interested under the SFO.
7. These percentages are calculated on the basis of 3,568,790,629 shares in issue as of 30 June 2023.
8. The letter “L” denotes the person’s long position in such shares and the underlying shares.

Save as disclosed above, as at 30 June 2023, the Company has not been notified of any other interests or short positions in the shares or underlying shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

Major and Connected transaction and advance to an entity

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

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

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

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

As at the date of the Security Documents, Yonghong is a company owned as to 30% by Ms. Qian, and as to 70% by Mr. Zhu Boheng (“**Mr. Zhu**”), son of Ms. Qian and a controlling shareholder of the Company. Being an associate of Ms. Qian and Mr. Zhu, Yonghong is a connected person of the Company. As such, Yonghong is a connected person of the Company and the provision of financial assistance to Yonghong pursuant to the Security Documents constituted a non-exempted connected transaction on the part of the Company under Chapter 14A of the Listing Rules and the Security Documents are subject to reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As additional time was required for the Company to prepare and finalise the information to be included in the circular containing, among other matters, further details of the Security Documents, the recommendation of the independent board committee to the independent shareholders, the letter of advice from the independent financial adviser to the independent board committee and the independent shareholders, the financial information of the Group and a notice to convene a special general meeting (the “**Circular**”), the Company published announcements on 24 August 2021, 30 September 2021 and 30 November 2021 regarding the delay of despatch of the Circular.

On 28 January 2022, the Company announced that, as agreed and confirmed by the Lender, the Group was no longer required to provide the Corporate Guarantees and Mortgaged Properties to secure all the repayment obligations of Yonghong under the Amended YH Facility Agreements. Other alternative credit enhancement would be further negotiated among the parties. As a result, this transaction has been terminated.

For details, please refer to the announcements of the Company dated 30 June 2021, 24 August 2021, 30 September 2021, 30 November 2021 and 28 January 2022.

Continuing obligation under Chapter 13 of the Listing Rules

1. As disclosed in the announcement made by the Company on 18 December 2017 (the “**2017 Announcement**”), the Company as borrower entered into the facility agreement (the “**Facility Agreement**”) with China Huarong International Holdings Limited (中國華融國際控股有限公司) as lender (the “**Lender**”), pursuant to which the Lender agreed to make available a loan facility of up to US\$42,000,000 (the “**Commitment**”) to the Company. Pursuant to the Facility Agreement, if KEYNE HOLDINGS LTD, being the substantial shareholder of the Company and the guarantor to the Facility Agreement, ceases to be the single largest shareholder of the Company or Ms. Qian, being the executive Director and Chairman of the Company and one of the guarantors to the Facility Agreement, ceases to be a Director: 1. the Company shall promptly notify the Lender upon becoming aware of the event; 2. the Lender shall not be obliged to fund a utilisation; and 3. If the Lender so requires, the Lender shall, by notice to the Company, cancel the Commitment and declare all outstanding loans under the Facility Agreement, together with accrued interest, and all other amounts accrued under the Finance Documents (as defined in the 2017 Announcement) immediately due and payable, whereupon the Commitment shall be cancelled and all such outstanding loans and amounts shall become immediately due and payable. On 30 June 2021, the parties to the facility agreement entered into the Listco Restructuring and Amendment Deed to restructure and amend the terms of Listco Facility Agreement. On 31 December 2021, the aggregate outstanding loan owned to the Lender amounted to approximately US\$42,196,000 (consisting the principal of approximately US\$31,670,000, interests of US\$3,230,000 and default interests of \$7,296,000) and being extended to 17 December 2022.

According to the Facility Agreement, as security for the obligations of the Company under the Facility Agreement, KEYNE HOLDINGS, as the controlling shareholder of the Company, is required to execute the share charge, pursuant to which KEYNE HOLDINGS LTD has agreed to charge to the Lender by way of first fixed charge as beneficial owner of 2,010,501,197 ordinary shares of the Company owned by it.

2. As disclosed in the announcement made by the Company on 27 November 2018 (the “**2018 Announcement**”), the Company entered into the subscription agreement (the “**Subscription Agreement**”) with Donghai International Financial Holdings Company Limited (東海國際金融控股有限公司) (“**Donghai Financial**”) as the subscriber, and Mr. Peter Zhu, Ms. Qian, Mr. Zhu, and Shanghai Jin Da Di Investment Company Limited* (上海金大地投資有限公司) as guarantors, pursuant to which the Company has agreed to issue the Series 1 Notes and Series 2 Notes (As defined in the 2018 Announcement) in the aggregate principal amount of US\$20,000,000 in favour of Donghai Financial (the “**Notes**”). The Notes shall mature on the date falling 364 days from the closing date of the Series 1 Notes and Series 2 Notes respectively pursuant to the terms of the Subscription Agreement and the conditions to the Notes (the “**Note Conditions**”).

As at the date of the 2018 Announcement, Mr. Zhu owns 100% of the issued share capital of KEYNE HOLDINGS LTD, which in turn holds approximately 60.20% of the total issued share capital of the Company. As such, Mr. Zhu is the controlling shareholder of the Company pursuant to the Listing Rules.

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

* *For identification purpose only*

Purchase, redemption and sale of shares

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

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Part 2 of Appendix 14 to the Listing Rules throughout the period under review.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the requirement set out under the Model Code during the six months ended 30 June 2023.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The Audit Committee, comprises three independent non-executive Directors, has reviewed the accounting policies and practices adopted by the Group with the management and has discussed internal controls and financial reporting matters, including a review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2023.

CHANGE OF COMPANY WEBSITE

The board of directors (the "**Board**") of KEYNE LTD (the "**Company**") hereby announces that the website of the Company will be changed from "<http://www.keyneltd.com>" to "<http://www.nine-express.com.hk>" with effect from 30 August 2023. All announcements, notices or other documents submitted by the Company for publication on the websites of The Stock Exchange of Hong Kong Limited will also be published on this new website of the Company.

Publication of interim results and interim report on the websites of the Stock Exchange and the Company

The interim results announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and that of the Company (<http://www.nine-express.com.hk>). The interim report will be despatched 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 August 2023

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. Neil Kai Gu.