HKC (HOLDINGS) LIMITED
香港建設（控股）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 190)

(Warrant code: 1403)

(website: *www.hkcholdings.com*)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

* *For identification purposes only*

The board of directors ("the Board") of HKC (Holdings) Limited ("the Company" or "HKC") wishes to present the consolidated results of the Company and its subsidiaries ("the Group") for the year ended 31 December 2014 as follows:–

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	2014 HK$ Million	2013 HK$ Million
Revenue	4	**881.2**	1,441.0
Cost of sales		**(563.2)**	(1,014.8)
Gross profit		**318.0**	426.2
Other income	5	**120.3**	51.7
Fair value adjustments on investment properties		**351.5**	1.7
Provision for impairment losses on assets	6	**(223.4)**	(16.1)
Selling and distribution costs		**(44.4)**	(65.2)
Administrative expenses		**(183.7)**	(198.1)
Other and general expenses		**(72.0)**	(115.3)
Operating profit	7	**266.3**	84.9
Finance income	8	**48.8**	36.7
Finance costs	8	**(151.6)**	(135.5)
Finance costs – net		**(102.8)**	(98.8)
Share of profits less losses of associated companies		**65.4**	100.5
Share of profits less losses of joint ventures		**(10.9)**	75.9
Profit before income tax		**218.0**	162.5
Income tax expense	9	**(168.7)**	(85.0)
Profit for the year		**49.3**	77.5
Attributable to:			
Equity holders of the Company		**(87.2)**	72.8
Non-controlling interests		**136.5**	4.7
		49.3	77.5
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company, expressed in HK cents per share	10		
Basic		**(0.8)**	0.6
Diluted		**(0.9)**	0.6
Dividends	11	**–**	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	HK$ Million	*HK$ Million*
Profit for the year	**49.3**	77.5
Other comprehensive (loss)/income		
Items reclassifiable to profit or loss		
Translation of financial statements of foreign operations		
– Currency translation differences	**(351.1)**	556.4
– Currency translation differences reclassified to profit or loss upon liquidation and disposal	**(26.3)**	–
Investments available for sale		
– Gain in fair value	**2.1**	0.9
Items not reclassifiable to profit or loss		
Gain on property revaluation	**11.7**	–
Other comprehensive (loss)/income for the year, net of tax	**(363.6)**	557.3
Total comprehensive (loss)/income for the year	**(314.3)**	634.8
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	**(396.1)**	570.8
Non-controlling interests	**81.8**	64.0
	(314.3)	634.8

CONSOLIDATED BALANCE SHEET

As at 31 December 2014

	Note	**31 December 2014** *HK$ Million*	31 December 2013 *HK$ Million*
ASSETS			
Non-current assets			
Investment properties		**8,044.1**	6,771.1
Prepaid land lease payments		**1,720.8**	2,601.6
Property, plant and equipment			
– Other property, plant and equipment		**1,282.8**	1,025.5
– Construction in progress		**0.5**	250.9
Intangible assets		**1,183.7**	1,226.8
Properties under development		**644.8**	1,743.5
Interests in associated companies		**1,223.3**	1,325.6
Interests in joint ventures		**2,225.0**	2,218.8
Available-for-sale financial assets		**26.8**	26.1
Prepayments and other receivables	*12*	**258.2**	466.4
Total non-current assets		**16,610.0**	17,656.3
Current assets			
Properties under development		**1,554.7**	–
Inventories		**6.1**	6.6
Properties held for sale		**2,240.9**	1,730.6
Financial assets at fair value through profit or loss		**14.2**	14.5
Trade and other receivables	*12*	**229.8**	285.5
Restricted cash		**765.0**	1,064.0
Cash and cash equivalents		**1,102.8**	1,364.3
Total current assets		**5,913.5**	4,465.5
Total assets		**22,523.5**	22,121.8

	Note	31 December 2014 HK$ Million	31 December 2013 HK$ Million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**116.0**	112.4
Reserves		**12,587.4**	12,924.3
Equity attributable to equity holders of the Company		**12,703.4**	13,036.7
Non-controlling interests		**2,392.8**	2,312.4
Total equity		**15,096.2**	15,349.1
LIABILITIES			
Non-current liabilities			
Borrowings		**2,968.4**	3,098.4
Other non-current payables		**13.7**	13.7
Deferred income tax liabilities		**1,198.3**	1,124.4
Total non-current liabilities		**4,180.4**	4,236.5
Current liabilities			
Trade and other payables	*13*	**1,854.0**	1,953.2
Borrowings		**1,211.0**	418.5
Current income tax liabilities		**181.9**	164.5
Total current liabilities		**3,246.9**	2,536.2
Total liabilities		**7,427.3**	6,772.7
Total equity and liabilities		**22,523.5**	22,121.8
Net current assets		**2,666.6**	1,929.3
Total assets less current liabilities		**19,276.6**	19,585.6

NOTES

1 GENERAL INFORMATION

HKC (Holdings) Limited (the "Company" or "HKC") is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company and its subsidiaries (collectively the "Group") are principally engaged in the business of property development and investment, alternative energy investment and operation and infrastructure. The investments of the Group are mainly located in the Mainland China.

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The ultimate holding company is Claudio Holdings Limited, a company incorporated in the British Virgin Islands since 29 January 2015.

These consolidated financial statements are presented in million of Hong Kong dollars (HK$ Million), unless otherwise stated. These consolidated financial statements were approved for issue by the Board of Directors on 30 March 2015.

2 BASIS OF PREPARATION

The consolidated financial statements of HKC (Holdings) Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instrument) at fair value through profit or loss, which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor companies ordinance (Cap. 32) for this financial year and the comparative period.

3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) Amended standards and interpretation adopted by the Group

HKAS 32 (Amendment)	Financial instruments: presentation – offsetting financial assets and financial liabilities
HKAS 36 (Amendment)	Impairment of assets – recoverable amount disclosures
HK(IFRIC) – Int 21	Levies

The adoption of these amendments to standards and interpretation have no significant effects on the Group's financial information.

(b) Amended standards mandatory for the first time for the financial year beginning on 1 January 2014 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

HKAS 39 (Amendment)	Financial instruments: recognition and measurement – novation of derivatives
HKFRS 10, 12 and HKAS 27 (2011) (Amendment)	Consolidation for investment entities

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning on 1 January 2014 and have not been early adopted

The following standards and amendments to standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2015 or later periods, but the Group has not early adopted them:

		Effective for accounting periods beginning on or after
Annual improvements project	Annual improvements to HKFRSs 2010 – 2012 cycle	1 July 2014
Annual improvements project	Annual improvements to HKFRSs 2011 – 2013 cycle	1 July 2014
HKAS 19 (2011) (Amendment)	Defined benefit plans: employee contributions	1 July 2014
HKAS 1 (Amendment)	Disclosure initiative	1 January 2016
HKFRS 10, 12 and HKAS 28 (Amendment)	Investment entities: applying the consolidation exception	1 January 2016
HKFRS 11 (Amendment)	Accounting on acquisition of interests in joint operation	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendment)	Agriculture: bearer plants	1 January 2016
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
HKAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016
Annual Improvements project	Annual Improvements to HKFRSs 2012 – 2014 Cycle	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial instruments (hedge accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39)	1 January 2018

The Group has not early adopted the new standards and amendments to standards, which have been issued but are not effective for the financial year beginning 1 January 2014. The Group has commenced an assessment of the related impact but is not yet in a position to state whether any substantial changes to the Group's accounting policies and presentation of the financial information will be resulted.

(d) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

4 SEGMENT INFORMATION

Segment information disclosed in the annual results announcement has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group is organised into the following segments: Properties development (for sale or lease upon completion of construction work), Property investment and leasing, Infrastructure, Alternative energy and Other operations.

The Group's most senior executive management assesses the performance of the operating segments based on operating profit/(loss) after interest income and expenses, taxation and share of profits/(losses) of associated companies and joint ventures. Corporate expenses mainly include the employee expenses of the head office, interest income and expenses arising from the holding companies and other administrative expenses of the head office.

The Group's segment assets exclude financial assets at fair value through profit or loss, available-for-sale financial assets which are managed on a central basis. These are part of the reconciliation to total balance sheet assets. Corporate assets mainly include the cash at bank, property, plant and equipment and other receivables held by the head office. The assets of each reportable segment comprise the inter-segment receivables.

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to management is measured in a manner consistent with that in the consolidated income statement. Total segment revenue also represents the Group's turnover.

The segment information for the reportable segments for the years ended 31 December 2014 and 2013 is as follows:

	Properties development									
	Shanghai and Zhejiang	Shenyang	Tianjin	Jiangmen	Shenzhen	Property investment and leasing	Infrastructure	Alternative energy	Other operations	Total reportable segments
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*
Year ended 31 December 2014										
Revenue from external customers	13.4	–	319.0	256.3	4.7	123.3	67.2	97.3	–	881.2
Inter-segment revenue	–	–	–	–	–	1.5	–	–	15.4	16.9
Total revenue	13.4	–	319.0	256.3	4.7	124.8	67.2	97.3	15.4	898.1
Operating profit/(loss)	422.9	(41.1)	(207.4)	24.6	1.9	32.9	32.7	7.9	3.1	277.5
Finance income	6.2	2.1	6.5	1.3	–	1.2	0.3	5.3	2.8	25.7
Finance costs	–	–	(28.2)	(0.1)	–	(8.4)	(74.6)	(37.1)	(1.1)	(149.5)
Share of profits less losses of associated companies	–	–	–	–	–	4.1	–	61.3	–	65.4
Share of profits less losses of joint ventures	(10.9)	–	–	–	–	–	–	–	–	(10.9)
Profit/(loss) before income tax	418.2	(39.0)	(229.1)	25.8	1.9	29.8	(41.6)	37.4	4.8	208.2
Income tax expense	(109.2)	–	(6.6)	(8.2)	(2.2)	(6.4)	–	(8.5)	(24.5)	(165.6)
Profit/(loss) for the year	309.0	(39.0)	(235.7)	17.6	(0.3)	23.4	(41.6)	28.9	(19.7)	42.6
Depreciation	(1.0)	(6.3)	(0.2)	(0.3)	–	(0.2)	(0.3)	(57.1)	(0.7)	(66.1)
Amortisation	(0.4)	–	(21.2)	–	–	(0.7)	(15.9)	(0.5)	(0.1)	(38.8)
Fair value adjustments on investment properties	430.6	–	–	–	–	(79.1)	–	–	–	351.5
Provision for impairment losses	–	(17.0)	(206.4)	–	–	–	–	–	–	(223.4)

	Properties development									
	Shanghai and Zhejiang *HK$ Million*	Shenyang *HK$ Million*	Tianjin *HK$ Million*	Jiangmen *HK$ Million*	Shenzhen *HK$ Million*	Property investment and leasing *HK$ Million*	Infrastructure *HK$ Million*	Alternative energy *HK$ Million*	Other operations *HK$ Million*	Total reportable segments *HK$ Million*
Year ended 31 December 2013										
Revenue from external customers	117.9	–	758.2	267.7	–	103.9	49.2	113.7	30.4	1,441.0
Inter-segment revenue	–	–	–	–	–	0.3	–	–	15.8	16.1
Total revenue	117.9	–	758.2	267.7	–	104.2	49.2	113.7	46.2	1,457.1
Operating profit/(loss)	25.3	(29.8)	39.4	49.7	–	93.8	24.1	34.0	(47.4)	189.1
Finance income	10.2	1.2	7.1	1.3	–	2.9	0.8	2.4	1.1	27.0
Finance costs	(4.0)	(0.1)	(0.1)	(0.1)	–	(7.9)	(77.6)	(42.0)	(3.1)	(134.9)
Share of profits less losses of associated companies	–	–	–	–	–	22.0	–	78.5	–	100.5
Share of profits less losses of joint ventures	75.9	–	–	–	–	–	–	–	–	75.9
Profit/(loss) before income tax	107.4	(28.7)	46.4	50.9	–	110.8	(52.7)	72.9	(49.4)	257.6
Income tax expense	(11.7)	–	(41.7)	(5.8)	–	(4.8)	–	(8.4)	(12.6)	(85.0)
Profit/(loss) for the year	95.7	(28.7)	4.7	45.1	–	106.0	(52.7)	64.5	(62.0)	172.6
Depreciation	(1.0)	(6.3)	(8.5)	(2.1)	–	(0.4)	(0.3)	(58.4)	(6.6)	(83.6)
Amortisation	(0.4)	–	(21.3)	–	–	(0.5)	(11.5)	(0.5)	(0.1)	(34.3)
Fair value adjustments on investment properties	17.0	–	–	–	–	(15.3)	–	–	–	1.7
Provision for impairment losses	–	–	(16.1)	–	–	–	–	–	–	(16.1)

	Properties development									
	Shanghai and Zhejiang *HK$ Million*	Shenyang *HK$ Million*	Tianjin *HK$ Million*	Jiangmen *HK$ Million*	Shenzhen *HK$ Million*	Property investment and leasing *HK$ Million*	Infrastructure *HK$ Million*	Alternative energy *HK$ Million*	Other operations *HK$ Million*	Total reportable segments *HK$ Million*
As at 31 December 2014										
Total assets	**8,495.6**	**2,272.4**	**3,580.1**	**655.8**	**204.1**	**4,646.9**	**1,194.1**	**2,354.5**	**8.5**	**23,412.0**
Total assets include:										
Interests in associated companies	**–**	**–**	**–**	**–**	**–**	**473.7**	**–**	**749.6**	**–**	**1,223.3**
Interests in joint ventures	**2,225.0**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,225.0**
Total liabilities	**2,009.4**	**1,578.2**	**2,631.1**	**372.8**	**–**	**662.5**	**1,697.7**	**791.6**	**49.9**	**9,793.2**
As at 31 December 2013										
Total assets	7,401.9	2,071.0	4,228.5	607.1	211.5	4,845.2	1,250.2	2,425.2	9.7	23,050.3
Total assets include:										
Interests in associated companies	–	–	–	–	–	501.2	–	824.4	–	1,325.6
Interests in joint ventures	2,218.8	–	–	–	–	–	–	–	–	2,218.8
Total liabilities	1,162.2	1,290.8	2,973.4	330.0	–	801.1	1,721.8	778.5	58.3	9,116.1

A reconciliation of profit for the year of reportable segments to profit for the year of the Group is provided as follows:

	2014 *HK$ Million*	2013 *HK$ Million*
Profit for the year of reportable segments	**42.6**	172.6
Unallocated amounts:		
Corporate expenses, net	**(50.2)**	(106.8)
Gain on disposal of an associated company, net of tax	**33.8**	–
Gain on completion on liquidation of subsidiaries – net	**16.7**	2.8
Intra group elimination	**6.4**	8.9
Profit for the year of the Group	**49.3**	77.5

Reportable segments' assets are reconciled to total assets as follows:

	2014	2013
	HK$ Million	*HK$ Million*
Total segment assets	**23,412.0**	23,050.3
Head office assets	**863.3**	746.9
Intra group elimination	**(1,792.8)**	(1,716.0)
Available-for-sale financial assets	**26.8**	26.1
Financial assets at fair value through profit or loss	**14.2**	14.5
Total assets per consolidated balance sheet	**22,523.5**	22,121.8

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2014	2013
	HK$ Million	*HK$ Million*
Total segment liabilities	**9,793.2**	9,116.1
Head office liabilities	**758.1**	316.2
Intra group elimination	**(3,124.0)**	(2,659.6)
Total liabilities per consolidated balance sheet	**7,427.3**	6,772.7

Non-current assets other than available-for-sale financial assets are mainly located in the Mainland China.

Analysis of revenue by category:

	2014	2013
	HK$ Million	*HK$ Million*
Sales proceeds from properties held for sale	**593.3**	1,143.8
Rental income from investment properties	**123.3**	103.9
Alternative energy	**97.4**	113.7
Infrastructure	**67.2**	49.2
Others	**–**	30.4
	881.2	1,441.0

Revenue from external customers in the Mainland China for the year ended 31 December 2014 are HK$881.2 million (2013: HK$1,438.4 million) and there is no revenue from external customers in other areas for the year ended 31 December 2014 (2013: HK$2.6 million).

For the year ended 31 December 2014 and 2013, there is no revenue derived from a single external customer exceeding 10% of total revenue.

5 OTHER INCOME

	2014	2013
	HK$ Million	*HK$ Million*
Property management fee income	**22.5**	23.2
Income generated from properties held for sale	**12.8**	12.3
Gain on disposal of property, plant and equipment – net	**0.4**	–
Gain on disposal of an associated company	**36.9**	–
Gain on completion on liquidation of subsidiaries – net	**16.7**	2.8
Write back of costs provision	**–**	1.6
Net exchange gain	**2.7**	–
Profit on completed construction contract	**25.6**	–
Others	**2.7**	11.8
	120.3	51.7

6 PROVISION FOR IMPAIRMENT LOSSES ON ASSETS

	2014	2013
	HK$ Million	*HK$ Million*
Provision for impairment losses on		
– properties under development *(Note)*	**(206.5)**	(16.1)
– properties held for sale	**(16.9)**	–
	(223.4)	(16.1)

Note: Certain of the properties under development were classified as properties held for sale as at 31 December 2014.

7 OPERATING PROFIT

Operating profit is arrived at after (charging)/crediting the following items:

	2014	2013
	HK$ Million	*HK$ Million*
Employee benefit expenses	**(113.2)**	(127.1)
Employee share option benefits, net	**(1.2)**	(1.8)
Amortisation		
– prepaid land lease payments	**(23.1)**	(23.1)
– intangible assets	**(16.0)**	(11.6)
Depreciation of property, plant and equipment	**(68.8)**	(86.6)
Cost of inventories	**(2.4)**	(11.3)
Cost of properties sold	**(464.4)**	(894.5)
Direct operating expenses arising from investment properties that generate rental income	**(3.7)**	(4.0)
Auditor's remuneration – audit services	**(5.0)**	(5.9)
Operating lease payments	**(8.4)**	(13.5)
Net exchange gain/(loss)	**2.7**	(17.6)
Fair value loss on financial assets and financial liabilities at fair value through profit or loss – net	**(18.8)**	(16.3)
Gain/(loss) on disposal of property, plant and equipment – net	**0.4**	(1.2)

8 FINANCE INCOME AND COSTS

	2014 *HK$ Million*	2013 *HK$ Million*
Interest expenses:		
Bank loans wholly repayable within 5 years	**(136.3)**	(86.4)
Bank loans not wholly repayable within 5 years	**(94.6)**	(113.3)
Other loans wholly repayable within 5 years	**(0.9)**	(0.9)
Other loans not wholly repayable within 5 years	**(8.4)**	(7.9)
	(240.2)	(208.5)
Less: capitalised in properties under development and construction in progress	**88.6**	73.0
Finance costs	**(151.6)**	(135.5)
Finance income	**48.8**	36.7
Net finance costs	**(102.8)**	(98.8)

9 INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group has no assessable profit for the years ended 31 December 2014 and 2013. Mainland China income tax includes corporate income tax which has been provided on the estimated assessable profits of subsidiaries operating in the Mainland China at 25% (2013: 25%), and which withholding tax has been provided at 10% (2013: rates ranging from 5% to 10%) on income sourced from the Mainland China by the Group's non-tax resident enterprises, including profit on direct or indirect equity transfer transactions, interest and dividend income received and receivable.

Mainland China land appreciation tax is provided at progressive rates ranging from 30% to 40% (2013: rates ranging from 30% to 40%) on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures (including costs of land use rights and property development expenditures).

	2014 *HK$ Million*	2013 *HK$ Million*
Current income tax		
Mainland China income tax	**(50.7)**	(61.5)
Mainland China land appreciation tax	**(24.5)**	(60.5)
	(75.2)	(122.0)
Deferred income tax		
(Charged)/credited to the income statement	**(93.5)**	37.0
	(168.7)	(85.0)

10 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2014	2013
(Loss)/profit attributable to equity holders of the Company (HK$ Million)	**(87.2)**	72.8
Weighted average number of ordinary shares in issue (Million)	**11,308.5**	11,241.9
Basic (loss)/earnings per share (HK cents per share)	**(0.8)**	0.6

(b) Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares including the share options. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the year) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2014	2013
(Loss)/profit attributable to equity holders of the Company (HK$ Million)	**(87.2)**	72.8
Effect of assumed conversion of convertible preference shares and convertible notes issued by subsidiaries (HK$ Million)	**(16.0)**	(1.7)
	(103.2)	71.1
Weighted average number of ordinary shares for calculation of diluted (loss)/earnings per share (Million)	**11,308.5**	11,241.9
Diluted (loss)/earnings per share (HK cents per share)	**(0.9)**	0.6

Diluted loss per share for the year ended 31 December 2014 did not assume the exercise of the share options and bonus warrants of the Company and the share options, convertible notes and subscription rights for convertible preference shares of subsidiaries outstanding during the year since the exercise would have an anti-dilutive effect.

Diluted earnings per share for the year ended 31 December 2013 did not assume the exercise of the share options of the Company and the share options, convertible notes and subscription rights for convertible preference shares of subsidiaries outstanding during the year since the exercise would have an anti-dilutive effect.

11 DIVIDENDS

The Board of Directors do not recommend the payment of final dividend for the years ended 31 December 2013 and 2014.

12 PREPAYMENTS, TRADE AND OTHER RECEIVABLES

	2014	2013
	HK$ Million	*HK$ Million*
Non-current		
Prepayments and other receivables	**258.2**	466.4
Current		
Trade receivables	**94.7**	86.4
Less: provision for impairment of receivables	**(8.3)**	(10.9)
Trade receivables – net	**86.4**	75.5
Bills receivable	**2.1**	2.0
Retention receivables	**0.7**	15.7
Prepaid taxes	**20.1**	12.0
Prepayments, other receivables and deposits, net of provisions	**120.5**	180.3
	229.8	285.5
	488.0	751.9

The ageing analysis of trade receivables by the Group's revenue recognition policy at year end, net of provision for impairment, was as follows:

	Group	
	2014	2013
	HK$ Million	*HK$ Million*
0 to less than 2 months	**39.5**	27.0
2 to less than 6 months	**12.5**	8.7
6 to less than 12 months	**0.6**	2.3
12 months and more	**33.8**	37.5
	86.4	75.5

The ageing analysis of trade receivables by invoice due date at year end, net of provision for impairment, was as follows:

	Group	
	2014	2013
	HK$ Million	*HK$ Million*
0 to less than 2 months	**69.3**	54.9
2 to less than 6 months	**0.8**	–
6 to less than 12 months	**0.6**	1.6
12 months and more	**15.7**	19.0
	86.4	75.5

For alternative energy business, the Group allows a credit period of 30 days to its trade customers. The electricity tariff receivables due from the government have to go through an approval procedure before issuing invoices, which the related receivables of which invoices were not issued as at 31 December 2014 of HK$59.0 million (2013: HK$36.1 million) are classified as 0 to less than 2 months in the ageing analysis. Trade receivables that are less than 30 days past due are not considered impaired. As at 31 December 2014, trade receivables of HK$13.8 million (2013: HK$16.3 million) on alternative energy business were past due but not impaired. These relate to the government subsidies on the electricity tariff which have not been allocated and distributed. Based on past experience and industry practice, these tariff premiums are generally paid in 6 to 12 months from the date of the sales recognition. The amount included HK$13.8 million (2013: HK$14.8 million) trade receivables on alternative energy business being past due over 12 months. No impairment has been provided for these receivables as the balances are not in dispute and there is no indication that the amount will not be collectible.

Other than alternative energy business, various group companies have different credit policies depending on the requirements of their markets and the businesses which they operate. Trade receivables that are less than 12 months past due are not considered impaired. As at 31 December 2014, trade receivables of HK$1.9 million (2013:HK$4.2 million) on other business were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

13 TRADE AND OTHER PAYABLES

	2014	2013
	HK$ Million	*HK$ Million*
Trade payables	**69.0**	135.5
Retention payables	**177.0**	193.3
Properties sale deposits received	**461.6**	530.8
Other payables and accruals	**1,146.4**	1,093.6
	1,854.0	1,953.2

The ageing analysis of trade payables at year end was as follows:

	2014	2013
	HK$ Million	*HK$ Million*
0 to less than 2 months	**37.9**	123.6
2 to less than 6 months	**0.2**	1.9
6 to less than 12 months	**0.1**	0.2
12 months and more	**30.8**	9.8
	69.0	135.5

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year ended 31 December 2014, turnover amounted to HK$881.2 million, a decrease of 38.8% over turnover of HK$1,441.0 million for the same period in 2013, while gross profit for the year of HK$318.0 million also represented a decrease of 25.4% over gross profit of HK$426.2 million in the same period last year. The Group recorded a net loss attributable to the equity holders of HK$87.2 million for the year under review. The net gain attributable to the equity holders in the same period in 2013 was HK$72.8 million. Basic loss per share for the year amounted to HK0.8 cents per share, while basic earnings per share for the same period in 2013 was HK0.6 cents per share.

The second half of 2014 showed some improvement compared to the first half as the Group recorded increased revenues and profits from the sale of Phase 2 units in Jiangmen, and did not incur any additional impairment losses. However, the impairment loss incurred in the first half of 2014 had an adverse impact on the overall result of the Group for the full financial year of 2014. During the first half, poor homebuyer sentiment resulted in a sharp decline in sales in Tianjin and Shenyang, particularly for larger luxury units. Accordingly, given the poor environment, the Group recorded for the year large impairment losses in the first half of HK$206.4 million and HK$17.0 million in the Tianjin and Shenyang projects, respectively, to reflect the market situation.

Liquidity and Financial Resources

As at 31 December 2014, the Group's total borrowings amounted to HK$4,179.4 million, representing a rise of 18.8% when compared with the equivalent figure of HK$3,516.9 million as at 31 December 2013. Total borrowings as at 31 December 2014 included Hong Kong Dollar borrowings of HK$323.7 million (31 December 2013: HK$180.9 million) and Renminbi borrowings equivalent to HK$3,855.7 million (31 December 2013: HK$3,336.0 million).

The maturity dates for most of the Group's outstanding borrowings are spread over the next five years, with HK$1,211.0 million repayable within one year or on demand, HK$1,943.7 million repayable within two to five years, and HK$1,024.7 million repayable after five years.

Most of the Group's outstanding borrowings take the form of interest-bearing loans, with floating interest rates. The recent cut in interest rates should benefit the Group.

As at 31 December 2014, the Group had restricted cash of HK$765.0 million (31 December 2013: HK$1,064.0 million), mainly related to the sales and pre-sales deposit received from the contracted sales and the drawdown of bank loans ready for designated purposes. Unrestricted cash and cash equivalents (includes short-term bank deposits) amounted to HK$1,102.8 million (31 December 2013: HK$1,364.3 million).

The Group did not use financial instruments for financial hedging purposes during the year under review.

The Group will continue its efforts to create an optimum financial structure that best reflects the long-term interests of its shareholders, and will actively consider a variety of alternative sources of funding to finance its future investments.

Details of Charges in Group Assets

During the year under review, the Group and certain of its subsidiaries had charged certain assets worth HK$11,519.2 million (31 December 2013: HK$9,624.8 million) as security for bank and other loans.

Gearing Ratio

The Group's gearing ratio, defined as total borrowings divided by total equity, as at 31 December 2014 was 27.7%, compared with 22.9% as at 31 December 2013. The Group's net debt ratio as at year end 2014 was 15.3%, compared with 7.1% as at 31 December 2013. This ratio represents total borrowings minus cash and divided by total equity.

Contingent Liabilities

The Group's investment property located in Shenzhen, the PRC is subject to housing facility fund pursuant to <深圳經濟特區住宅區物業管理條例> adopted on 1 November 1994. Contingent liabilities of RMB75.8 million (equivalent to approximately HK$94.8 million) (31 December 2013: RMB75.8 million (equivalent to approximately HK$96.9 million)) arising in this respect have been assessed by management with reference to the legal opinion previously obtained.

As at 31 December 2014 and 31 December 2013, the Group arranged bank financing for certain property buyers and provided guarantees of HK$307.6 million (31 December 2013: HK$170.2 million) in relation to the repayment obligations for those buyers. The Group had not suffered from any loss resulting from the above guarantees in the past, which was mainly because the guarantees concerned were only a transitional arrangement for property buyers prior to the completion of mortgage registration and were pledged against property rights, in addition to the fact that they will be released once the mortgage registration is completed. Considering the above factors, the Board is of the view that the possibility of default by buyers is minimal, thus the financial guarantees measured at fair value is immaterial.

Business Model

The Group is a Hong Kong based property developer focusing on investing and developing property projects in Mainland China, and aims to develop high quality products to create sustainable value for its shareholders.

The Group has a diversified property portfolio model with investments in both residential projects for sale; and commercial projects mainly for rental income. The residential projects currently under development are located in Tianjin, Jiangmen and Shenyang. The Group's commercial projects, which are primarily involved in office buildings and retail malls, are located in prime business areas in Shanghai, Shenzhen, Beijing and Guangzhou.

Over the long term, the Group seeks to maintain a balance between residential development for sale and commercial investment properties for lease in order to create a sustainable model with growth potential. Residential properties for sale generate higher margins over the short term, and fast turnover, which should enhance return on equity. Investment properties for lease, on the other hand, create steady recurring income and cash flow as well as long term capital appreciation. In order to further diversify its assets and improve shareholder returns, the Group may consider looking for investment opportunities outside of mainland China.

The Group adopts a very prudent financial policy, and given the volatility of the property industry, HKC aims to maintain a conservative net debt/equity ratio.

The Group has also made an investment in the alternative energy sector, and believes shareholders may benefit from China's need to develop non-polluting sources of energy.

Business Risks

As a China property developer, the Group is subject to Chinese government property policies, development, marketing, and other execution risks.

Environmental Policies

The Group aspires to be a leading sustainable Group, and has therefore invested in the renewable energy sector, and uses sustainable technologies in some of its property developments, such as solar panels and heat pump technology where feasible.

Business Review

Investment Properties

The Group's existing property investment portfolio, consisting largely of premium commercial and retail developments in Shenzhen, Beijing and Guangzhou, continued to generate a steady stream of rental revenue for the Group during the year under review, with leasing revenues rising 18.7% year on year to HK$123.3 million.

Tianjin

Tianjin Eka Garden is on a prime location in the Nankai District of Tianjin. The project consists of townhouses and high rise apartments totaling gross floor area ("GFA") of approximately 150,000 square meters. Construction for all three phases has been completed. However, for 2014, sales were disappointing as Tianjin has been hit hard by the poor market sentiment, with housing inventory increasing to 40 months in 2014. The Group pre-sold 7,314 square meters of GFA in 2014, resulting in contracted sales of RMB154.4 million, a sharp drop compared to the RMB544.0 million in 2013.

For the land bank at Tuanbo Lake in Tianjin, the Group is still waiting for the government to release the master plan for the area. The Group anticipates it will be released in 2015.

Jiangmen

Jiangmen Eka Garden is a residential project consisting of GFA of approximately 189,000 square meters of low rise townhouses and high rise apartments. The project is located on an excellent site along a river bank, within walking distance to the Jiangmen/Hong Kong ferry terminal and an international school. The site is also close to the Guangzhu Intercity Railway's Waihai Station connecting Jiangmen to Guangzhou and Zhuhai.

Construction of phase 1 was completed in the fourth quarter of 2013, and except for the three show flats, all high rise units have been sold. Phase 2 construction was completed in the second half of 2014, and presold units were handed over to purchasers. Construction work has commenced on phase 3, with piling work completed in November 2014. All three blocks of townhouses have been topped out. The high rises are now under construction and currently have reached the fourth to fourteenth floors. Construction is expected to be completed by the third quarter of 2016.

Sales of Phase 2 units have been reasonable given the poor market environment. In 2014, the Group pre-sold 17,857 square meters of townhouses and apartment units, recording contracted sales of RMB130.4 million, a decrease of 8.6% compared to RMB142.7 million in 2013.

Shenyang

Shenyang Eka Garden, located in one of Shenyang's prime residential areas, is adjacent to Shenyang's Nanhu Park in the center of city. The project, subdivided into sites A, B, and C, consists of GFA of approximately 266,000 square meters of townhouses, high rise apartments, and a small commercial center. For site B (GFA: approximately 133,500 square meters), all towers topped out in 2013. Construction of all four high rise towers of site B is scheduled to be completed in the first quarter of 2015. Handover of units is expected in the second quarter of 2015.

Site C (GFA: approximately 57,500 square meters) is divided into two portions. One portion consists of two high rise blocks (mainly for housing resettled residents) and a small commercial area. Another portion will be developed into townhouses. Construction of the resettlement flats is near completion. Preparation for development of site A, with GFA of approximately 75,000 square meters, is underway. The Group continues to work with the local government to complete the relocation of the residents on site A.

Shenyang contracted sales have been disappointing as the city has been hit hard by the poor market sentiment. For 2014, the Group pre-sold 2,671 square meters of GFA, resulting in contracted sales of RMB35.4 million, compared to RMB161.3 million in 2013. Sales have been slow for larger luxury units given the government's emphasis on preventing buyers from owning multiple units – a group that is generally wealthier and can afford to purchase luxury units.

Shanghai

The Shanghai commercial market has remained stable. The vacancy rate decreased to 6.1%, the lowest rate since the financial crisis in 2008. Rents increased about 4.4% in 2014. Although multinationals have been cautious, leasing demand has been supported by domestic companies, particularly financial institutions. Shanghai is also expected to benefit from the development of the Shanghai Free Trade Zone and a new Disneyland which is expected to be completed by 2016.

The Group has two commercial projects. Both are in the Hongkou District of Shanghai, an area that is benefitting from the improvement in infrastructure, including the completion of the International Cruise Terminal, an underground road connecting to the Bund and a new tunnel linking Hongkou and Pudong. In addition, the Hongkou District is seeking to attract hedge funds by establishing a hedge fund park.

The Sichuan North Road Lot 108 development project in which the Group has a 60% interest, has a GFA of approximately 161,000 square meters (a GFA of approximately 248,000 square meters including basement) office and retail complex. In late July, agreement was reached with the Hongkou District Government on the resettlement costs for the Piaoying Hotel, which is located on the south-east corner of the site, removing a major obstacle to the project's development. With regards to construction, work on the superstructure has begun. The West Tower has now reached the 18th floor, while the East Tower has reached the 12th floor. The construction of the podium has also commenced. The entire development project is scheduled to be completed by the end of 2016. The Group is now developing a plan for pre-leasing.

The North Bund project, in which the Group has a 25% interest, has a GFA of approximately 259,000 square meters (GFA of approximately 427,000 sq.m. including basement) of office, hotel, and retail space. The hotel tower has topped out. The curtain wall has been substantially completed, and the fitting out is in progress. The hotel is expected to be completed by the end of 2016 with opening scheduled for the second half of 2017, and will be run by the Starwood Group under the W brand. The sixty six floor office tower topped out at the end of September 2014, and work on the curtain wall began in September 2014. The podium is now under construction. The entire project is expected to be completed by the end of 2016.

Nanxun

The project is a complex of three-story buildings fully completed as a trading center for wooden floor, furniture and other building materials. The GFA of Nanxun International Building Materials City is approximately 180,000 square meters, in which approximately 83,000 square meters are offered for sales and the remaining GFA of approximately 97,000 square meters are for lease.

The market opened for business in July 2013. Over 90% of the GFA has been sold or leased out.

Beijing

The Group operates a 17,100 square meters retail complex at Legation Quarters, the former site of the United States diplomatic compound in Beijing, which is situated along the southeast corner of Tiananmen Square. The Group has converted the compound into a high end retail shop and restaurant complex. Operating results for the project were down slightly for 2014 as a couple of units were vacated. The Group is now negotiating to extend the master lease which is due to expire by 2021.

Alternative Energy

All of the Group's alternative energy projects are under its subsidiary, China Renewable Energy Investment Limited ("CRE"). Wind resources for 2014 were disappointing. National average wind utilization in 2014 was 1,905 hours, a decline of 6% compared to 2013. As a result, revenues declined 14.4% in 2014. The government continues to support the sector in order to reduce pollution, and has accelerated the construction of ultra-high voltage transmission lines. Three 500 KV substations were completed in Zhangbei, and could help reduce curtailment in the Group's windfarms in that area.

During the year, CRE completed construction of its phase two 49.5 MW Siziwangqi windfarm in Inner Mongolia, which will increase the Group's net wind generating capacity by 17% for 2015. In order to focus on the development of windfarms, the Group has sold its 40% stake in the Linyi waste to energy plant, recording a HK$36.9 million profit before tax.

Please refer to CRE's annual report for more details.

Infrastructure

The Group's Build-Operate-Transfer ("BOT") toll road project in Guilin, which links up with China's Western Expressway, continues to make progress. For 2014, traffic revenue increased 36.5% to RMB55.3 million as vehicle traffic increased.

Prospects

Prospects for 2015 remain uncertain as homebuyer demand remains fragile, despite the fact that the government is loosening credit. For 2015, the Group will continue focusing on sales of its residential properties in Jiangmen, Tianjin, and Shenyang. Given the market environment, the Group intends to accelerate its market promotional activities. In Jiangmen, the Group will focus on sales of phase 2 and phase 3 high rises in the year. In Tianjin and Shenyang, the Group will continue selling its high rise apartments.

At the same time, the Group intends to maintain its construction progress for Shanghai North Bund and Sichuan North Road Lot 108, with the goal of completion by the end of 2016. Both projects have now commenced plans for pre-leasing activities. We expect strong domestic demand in the long term, but new supply could put pressure on office and retail rents.

The Group will continue exploring to sell its non-core properties and projects which no longer match with the growth direction of the Group. Management believes these sales will unlock the value of the Group's assets and strengthen the balance sheet so that the Group will be focused on its core business of property development.

Alternative Energy

The regulatory environment for windpower is expected to remain favourable given the government's desire to reduce pollution. The State Grid has officially approved the construction of twelve high and ultra-high transmission lines. The Group anticipates that the completion of high speed transmission lines should begin to benefit CRE by reducing curtailment in 2015 and especially by 2017.

The completion of the phase two 49.5 MW Siziwangqi windfarm will contribute to revenues in 2015. CRE is also making progress on acquiring rights to develop new wind assets. The Group is now performing feasibility studies and if the studies are positive, will seek to obtain the necessary approvals to begin construction of a 100 MW windfarm in Hebei province. The Group is also actively negotiating to obtain the rights to develop a windfarm in Henan province, an area whose curtailment rate is relatively low.

Please refer to CRE's annual report for more information.

Employees

As of 31 December 2014, the Group employed approximately 436 employees across its operations in Hong Kong and the Mainland China. All employees are remunerated according to the nature of their jobs, their individual performances, the Group's overall performance and prevailing market conditions.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

CORPORATE GOVERNANCE

The Company has complied with the code provisions (the "Code Provisions") and certain recommended best practices set out in the Corporate Governance Code (the "CG Code"), contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31 December 2014, except for the following:

Code Provision A.2.7

The Chairman did not hold any formal meeting with independent non-executive directors and other non-executive director without the executive directors present in 2014 (as provided for in the Code Provision A.2.7) due to the tight schedule of the Chairman and non-executive directors. The Board continues to maintain a culture of openness and constructive relations between executive and non-executive Directors (including independent non-executive directors). In the absence of the Chairman, the Chief Executive Officer is in the position to facilitate the effective contribution of non-executive directors, and ensure their views are communicated and heard by the Board.

Code Provision A.4.1

Under the Code Provision A.4.1, non-executive directors should be appointed for specific term and subject to re-election. Currently, the non-executive directors (including independent non-executive directors) of the Company were appointed with no specific term, but they are subject to the rotation requirements in the Company's bye-laws, accomplishing the same purpose as being appointed for a specific term.

Code Provision A.6.7

All independent non-executive directors and non-executive directors of the Company were encouraged to attend the general meetings to inter-face with shareholders of the Company ("Shareholders") but the non-executive directors were not in a position to attend the annual general meeting of the Company held on 30 May 2014 (as provided for in the Code Provision A.6.7) due to overseas commitment and pre-arranged business engagements.

Code Provision E.1.2

The Chief Executive Officer attended the annual general meeting in the absence of the Chairman of the Board. Other members of the Board and the chairmen of the relevant Board Committees are available to attend the annual general meeting to inter-face with, and answer questions from the Shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries, the Company has obtained confirmation from all Directors that they have complied with the required standards set out in the Model Code during the year ended 31 December 2014.

The Company has also adopted a code for dealing in the Company's securities by relevant employees, who are likely to be in possession of unpublished inside information in relation to the securities of the Group, on no less exacting terms than the Model Code.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference which have been updated from time to time to align with the Code Provisions set out in the CG Code. The Audit Committee comprises three members namely Mr. CHUNG Cho Yee, Mico, Mr. CHENG Yuk Wo and Mr. Albert Thomas DA ROSA, Junior. The Audit Committee, chaired by an independent non-executive director, is composed of all independent non-executive directors.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2014.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.hkcholdings.com) and the Stock Exchange (www.hkexnews.hk). The 2014 annual report containing all the information required by the Listing Rules will be published on the above websites and dispatched to the Shareholders in due course.

By Order of the Board
HKC (HOLDINGS) LIMITED
OEI Kang, Eric
Executive Director and Chief Executive Officer

Hong Kong, 30 March 2015

As at the date of this announcement, the Board comprises nine directors, of which Mr. OEI Kang, Eric, Mr. CHAN Kwok Fong, Joseph, Mr. LEE Shiu Yee, Daniel and Mr. WONG Jake Leong, Sammy are executive directors; Mr. OEI Tjie Goan and Ms. YEN Teresa are non-executive directors; and Mr. CHUNG Cho Yee, Mico, Mr. CHENG Yuk Wo and Mr. Albert Thomas DA ROSA, Junior are independent non-executive directors.