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HKC (HOLDINGS) LIMITED

香港建設(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 190)

(website: www.hkcholdings.com)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "Board") of HKC (Holdings) Limited (the "Company" or "HKC") announces the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2019 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Note	2019 HK$ Million	2018 HK$ Million
Revenue	3	**1,036.9**	1,270.0
Cost of sales		**(354.5)**	(629.2)
Gross profit		**682.4**	640.8
Other income – net	4	**120.7**	135.2
Fair value adjustments on investment properties		**91.9**	696.5
Selling and distribution costs		**(36.4)**	(36.6)
Administrative expenses		**(148.2)**	(155.0)
Other and general expenses		**(66.7)**	(43.3)
Operating profit	5	**643.7**	1,237.6
Finance income	6	**57.2**	41.8
Finance costs	6	**(177.6)**	(33.4)
Finance (costs)/income – net	6	**(120.4)**	8.4

* *For identification purpose only*

	Note	**2019** *HK$ Million*	2018 *HK$ Million*
Share of profits less losses of associates		**83.0**	89.4
Share of loss of a joint venture		**(152.5)**	(65.9)
Profit before income tax		**453.8**	1,269.5
Income tax expense	*7*	**(76.3)**	(312.3)
Profit for the year		**377.5**	957.2
Profit attributable to:			
Equity holders of the Company		**278.7**	734.1
Non-controlling interests		**98.8**	223.1
		377.5	957.2
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share)	*8*		
Basic		**52.8**	138.8
Diluted		**52.0**	138.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 *HK$ Million*	2018 *HK$ Million*
Profit for the year	**377.5**	957.2
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss		
Translation of financial statements of foreign operations		
– Currency translation differences of the Company and its subsidiaries	**(268.4)**	(693.3)
– Currency translation differences of associates and a joint venture	**(53.0)**	(134.8)
Release of exchange differences upon liquidation of subsidiaries	**(49.9)**	–
Item that will not be reclassified subsequently to profit or loss		
Fair value loss on financial assets at fair value through other comprehensive income	**(2.2)**	–
Other comprehensive loss for the year, net of tax	**(373.5)**	(828.1)
Total comprehensive income for the year	**4.0**	129.1
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	**(35.9)**	54.5
Non-controlling interests	**39.9**	74.6
	4.0	129.1

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Note	**2019** ***HK$ Million***	2018 *HK$ Million*
ASSETS			
Non-current assets			
Investment properties		**11,980.4**	12,344.9
Prepaid land lease payments		**–**	1,472.1
Right-of-use assets		**1,455.0**	–
Property, plant and equipment			
– Other property, plant and equipment		**1,105.3**	909.7
– Construction in progress		**222.7**	321.0
Intangible assets		**1.0**	1.4
Properties under development		**549.1**	555.6
Interests in associates		**1,202.8**	1,210.3
Interest in a joint venture		**1,443.9**	1,626.7
Financial assets at fair value through other comprehensive income		**18.1**	21.4
Financial assets at fair value through profit or loss		**300.8**	–
Prepayments and other receivables	*10*	**59.1**	84.3
Total non-current assets		**18,338.2**	18,547.4
Current assets			
Inventories		**6.6**	6.7
Properties under development		**126.5**	–
Properties held for sale		**593.5**	919.9
Trade and other receivables	*10*	**474.7**	369.4
Restricted cash		**200.1**	478.9
Short-term bank deposits		**–**	712.3
Cash and cash equivalents		**2,293.5**	1,889.6
Total current assets		**3,694.9**	4,376.8
Total assets		**22,033.1**	22,924.2

	Note	**2019** HK$ Million	2018 HK$ Million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**128.9**	132.2
Reserves		**12,822.3**	13,070.0
Equity attributable to equity holders of the Company		**12,951.2**	13,202.2
Non-controlling interests		**2,783.2**	2,752.2
Total equity		**15,734.4**	15,954.4
LIABILITIES			
Non-current liabilities			
Borrowings		**2,559.6**	2,768.3
Lease liabilities		**8.0**	–
Deferred income tax liabilities		**1,829.2**	1,882.4
Total non-current liabilities		**4,396.8**	4,650.7
Current liabilities			
Trade and other payables	*11*	**1,100.6**	1,474.3
Borrowings		**408.3**	477.0
Lease liabilities		**22.7**	–
Amount due to a shareholder		**197.7**	197.5
Current income tax liabilities		**172.6**	170.3
Total current liabilities		**1,901.9**	2,319.1
Total liabilities		**6,298.7**	6,969.8
Total equity and liabilities		**22,033.1**	22,924.2

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 and renewable energy investment and operation. 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 "Stock Exchange"). The ultimate holding company is Claudio Holdings Limited, a company incorporated in the British Virgin Islands.

These consolidated financial statements are presented in millions of Hong Kong dollars ("HK$ Million"), unless otherwise stated. These consolidated financial statements were approved for issue by the board of directors of the Company (the "Board") on 31 March 2020.

2 BASIS OF PREPARATION

The consolidated financial statements of HKC have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss, which are carried at fair value.

(a) New standards, amendments to standards and interpretations adopted by the Group

Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle
HK (IFRIC) – Interpretation 23	Uncertainty over Income Tax Treatments

Except for HKFRS 16, the adoption of these amendments to standards and interpretation does not have any significant impact on the Group.

The impact of the adoption of HKFRS 16 is disclosed below.

HKFRS 16 Leases – Impact of adoption

HKFRS 16 replaces HKAS 17 and the related interpretations, HK(IFRIC) 4, HK(SIC) 15 and HK(SIC) 27, which establishes new accounting requirements on leases. HKFRS 16 leads to the recognition of lease transactions in lessee's financial statements, focuses on whether an arrangement contains a lease or a service agreement and introduces a substantial change to the accounting for lessees. A right-of-use asset which represents the right to use the leased asset for the lease term and a lease liability which represents the obligation to pay rentals are recognised for all leases. The accounting for lessors will not significantly change.

Until 31 December 2018, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

The Group has adopted HKFRS 16 from 1 January 2019. The Group has used the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. The reclassifications arising from the new leasing rules are therefore recognised in the opening balance on 1 January 2019.

The Group's leases consist of rentals of land and office premises, in which their existing contracts satisfy the definition of a lease under HKFRS 16. For leases previously classified as operating leases, the Group has elected to measure the right-of-use assets at the amounts equal to the lease liabilities adjusted by any prepaid or accrued lease payments. Accordingly, no adjustments were recognised to the opening balance of retained profits as at 1 January 2019, the date of initial adoption.

The Group applied the following practical expedients on transition to HKFRS 16 for those leases which were previously classified as operating leases under HKAS 17.

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics

- Applied the recognition exemption for leases for which the lease term ends within 12 months of the date of initial adoption

- Applied by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component

- Excluded the initial direct costs from the measurement of the right-of-use assets

Upon the adoption of HKFRS 16, leases are recognised as a right-of-use asset including land use rights which are presented within property, plant and equipment as "leasehold land and buildings" in the consolidated balance sheet. For lease previously classified as finance lease under HKAS 17, the Group transferred the carrying amounts (immediately before transition) of the underlying obligations previously grouped for financial statements presentation purposes under borrowings, to lease liabilities at 1 January 2019.

The table below explains the difference between operating lease commitments disclosed at 31 December 2018 by applying HKAS 17 and lease liabilities recognised at 1 January 2019 by applying HKFRS 16:

	HK$ Million
Operating lease commitments at 31 December 2018	0.3
Less:	
Exemption for leases for which the lease term ends within 12 months of the date of initial adoption	(0.3)
	—
Finance lease liabilities at 31 December 2018	51.3
Total lease liabilities at 1 January 2019	51.3
Of which are:	
Current lease liabilities	20.7
Non-current lease liabilities	30.6
	51.3

The table below summarises the impact on the adoption of HKFRS 16:

	At 1 January 2019 *HK$ Million*
Decrease in prepaid land lease payments	(1,472.1)
Increase in right-of-use assets	1,472.1
Decrease in borrowings	(51.3)
Increase in lease liabilities	51.3

(b) New standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2019 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 2020 or later periods, but the Group has not early adopted them:

		Effective for accounting periods beginning on or after
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

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 on 1 January 2019. The Group has already commenced an assessment on the impact of these new standards and amendments to standards, and expected that the adoption of new standards and amendments to standards will not have a material impact on the Group's consolidated financial information in the current or future reporting periods.

3 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, Renewable energy and Other operations.

The Group's most senior executive management assesses the performance of the operating segments based on operating profit after interest income and expenses, taxation and share of profits/(losses) of associates and a joint venture. 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 other comprehensive income and financial assets at fair value through profit or loss 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 from external customers also represents the Group's revenue.

The segment information for the reportable segments for the years ended 31 December 2019 and 2018 is as follows:

	Properties development					
	Shenyang	**Tianjin**	**Jiangmen**	**Property investment and leasing**	**Renewable energy**	**Total reportable segments**
	HK$ Million	***HK$ Million***	***HK$ Million***	***HK$ Million***	***HK$ Million***	***HK$ Million***
Year ended 31 December 2019						
Revenue from external customers	**187.2**	**249.8**	**60.7**	**358.0**	**181.2**	**1,036.9**
Inter-segment revenue	**–**	**–**	**–**	**0.2**	**–**	**0.2**
Total revenue	**187.2**	**249.8**	**60.7**	**358.2**	**181.2**	**1,037.1**
Operating profit	**64.5**	**87.7**	**64.3**	**359.9**	**46.8**	**623.2**
Finance income	**4.3**	**2.7**	**1.4**	**5.3**	**2.6**	**16.3**
Finance costs	**–**	**–**	**–**	**(148.5)**	**(27.7)**	**(176.2)**
Share of profits less losses of associates	**–**	**–**	**–**	**20.5**	**62.5**	**83.0**
Share of loss of a joint venture	**–**	**–**	**–**	**(152.5)**	**–**	**(152.5)**
Profit before income tax	**68.8**	**90.4**	**65.7**	**84.7**	**84.2**	**393.8**
Income tax expense	**(2.3)**	**(17.0)**	**(26.0)**	**(4.6)**	**(9.9)**	**(59.8)**
Profit for the year	**66.5**	**73.4**	**39.7**	**80.1**	**74.3**	**334.0**
Depreciation of property, plant and equipment	**–**	**(0.1)**	**–**	**(1.2)**	**(82.4)**	**(83.7)**
Depreciation of right-of-use assets	**–**	**(19.2)**	**–**	**(2.0)**	**(0.8)**	**(22.0)**
Fair value adjustments on investment properties	**–**	**–**	**–**	**91.9**	**–**	**91.9**

	Properties development							
	Shanghai and Zhejiang	Shenyang	Tianjin	Jiangmen	Property investment and leasing	Renewable energy	Other operations	Total reportable segments
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*
Year ended 31 December 2018								
Revenue from external customers	3.4	348.0	344.0	87.1	338.0	149.5	–	1,270.0
Inter-segment revenue	–	–	–	–	0.4	–	4.3	4.7
Total revenue	3.4	348.0	344.0	87.1	338.4	149.5	4.3	1,274.7
Operating profit	398.9	104.4	111.0	21.1	534.4	33.9	–	1,203.7
Finance income	0.1	3.1	3.5	0.9	6.8	3.2	–	17.6
Finance costs	–	–	–	–	(4.0)	(28.8)	–	(32.8)
Share of profits less losses of associates	–	–	–	–	6.1	83.3	–	89.4
Share of loss of a joint venture	3.5	–	–	–	(69.4)	–	–	(65.9)
Profit before income tax	402.5	107.5	114.5	22.0	473.9	91.6	–	1,212.0
Income tax expense	(107.2)	(25.4)	(33.6)	(10.2)	(108.3)	(11.1)	–	(295.8)
Profit for the year	295.3	82.1	80.9	11.8	365.6	80.5	–	916.2
Depreciation	–	–	(0.1)	–	(1.3)	(71.0)	–	(72.4)
Amortisation	–	–	(20.0)	–	(2.4)	(1.0)	–	(23.4)
Fair value adjustments on investment properties	402.4	–	–	–	294.1	–	–	696.5

	Properties development							
	Shanghai and Zhejiang *HK$ Million*	Shenyang *HK$ Million*	Tianjin *HK$ Million*	Jiangmen *HK$ Million*	Property investment and leasing *HK$ Million*	Renewable energy *HK$ Million*	Other operations *HK$ Million*	Total reportable segments *HK$ Million*
As at 31 December 2019								
Total assets	**283.4**	**1,101.5**	**2,232.7**	**300.2**	**15,700.8**	**2,681.1**	**2.5**	**22,302.2**
Total assets include:								
Interests in associates	–	–	–	–	**482.9**	**719.9**	–	**1,202.8**
Interest in a joint venture	–	–	–	–	**1,443.9**	–	–	**1,443.9**
Total liabilities	**186.4**	**426.9**	**1,326.0**	**85.7**	**5,202.7**	**1,048.7**	–	**8,276.4**
As at 31 December 2018								
Total assets	279.9	1,097.1	2,307.6	390.3	16,389.7	2,389.5	0.4	22,854.5
Total assets include:								
Interests in associates	–	–	–	–	470.1	740.2	–	1,210.3
Interest in a joint venture	–	–	–	–	1,626.7	–	–	1,626.7
Total liabilities	188.5	444.8	1,396.1	149.8	5,681.0	779.9	–	8,640.1

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

	2019 *HK$ Million*	2018 *HK$ Million*
Profit for the year of reportable segments	**334.0**	916.2
Unallocated amounts:		
Corporate (expenses)/income – net	**(1.7)**	15.1
Gain on liquidation of subsidiaries – net	**48.8**	–
Fair value loss on financial assets at fair value through profit or loss – net	**(3.6)**	–
Compensation income claimed and received from an insurance company for a project completed in prior year	**–**	25.9
Profit for the year of the Group	**377.5**	957.2

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

	2019	2018
	HK$ Million	*HK$ Million*
Total segment assets	**22,302.2**	22,854.5
Head office assets	**1,253.8**	1,759.1
Intra group elimination	**(1,841.8)**	(1,710.8)
Financial assets at fair value through other comprehensive income	**18.1**	21.4
Financial assets at fair value through profit or loss	**300.8**	–
Total assets per consolidated balance sheet	**22,033.1**	22,924.2

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

	2019	2018
	HK$ Million	*HK$ Million*
Total segment liabilities	**8,276.4**	8,640.1
Head office liabilities	**44.8**	207.7
Intra group elimination	**(2,022.5)**	(1,878.0)
Total liabilities per consolidated balance sheet	**6,298.7**	6,969.8

Non-current assets other than financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss are mainly located in the Mainland China.

Analysis of revenue by category:

	2019	2018
	HK$ Million	*HK$ Million*
Sales proceeds from properties held for sale	**497.7**	782.5
Rental income from investment properties	**358.0**	338.0
Renewable energy	**181.2**	149.5
	1,036.9	1,270.0

For the years ended 31 December 2019 and 2018, revenue from external customers is substantially attributable to the China market and there is no revenue derived from a single external customer exceeding 10% of total revenue.

4 OTHER INCOME – NET

	2019	2018
	HK$ Million	*HK$ Million*
Property management fee income	**20.1**	22.5
Rental income generated from properties held for sale	**–**	0.6
(Loss)/gain on disposal of property, plant and equipment – net	**(3.3)**	0.3
Fair value loss on financial assets at fair value through profit or loss – net	**(3.6)**	–
Exchange gain – net	**22.0**	53.1
Gain on liquidation of subsidiaries – net	**48.8**	–
Compensation income claimed and received from an insurance company for a project completed in prior year	**–**	25.9
Others	**36.7**	32.8
	120.7	135.2

5 OPERATING PROFIT

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

	2019	2018
	HK$ Million	*HK$ Million*
Employee benefit expenses	**(98.9)**	(104.8)
Amortisation of prepaid land lease payments	**–**	(23.1)
Depreciation of right-of-use assets	**(22.0)**	–
Depreciation of property, plant and equipment	**(85.9)**	(74.7)
Cost of properties sold during the year	**(298.9)**	(479.2)
Reversal of construction cost accruals for properties sold in previous years	**97.4**	–
Direct operating expenses arising from investment properties that generate rental income	**(43.4)**	(53.8)
Write-off of trade and other receivables	**(11.9)**	(10.2)
Provision for impairment of trade receivables	**(21.2)**	(4.9)
Auditor's remuneration		
– Audit services	**(4.8)**	(4.8)
– Non-audit services	**(1.3)**	(1.5)
Rental expense relating to short-term leases	**(0.8)**	–
Exchange gain – net	**22.0**	53.1
Write-back of provision for legal claim	**11.4**	–
Operating lease payments	**–**	(1.1)

6 FINANCE (COSTS)/INCOME – NET

	2019	2018
	HK$ Million	*HK$ Million*
Finance costs:		
Interest expenses on bank borrowings	**(167.9)**	(158.8)
Interest expenses on amount due to a shareholder	**(10.4)**	(9.9)
Interest expenses on lease liabilities	**(2.7)**	(4.0)
Interest expenses on other loans	**(9.1)**	(9.5)
	(190.1)	(182.2)
Less: amounts capitalised	**12.5**	148.8
	(177.6)	(33.4)
Finance income:		
Interest income on bank deposits	**57.2**	41.8
Finance (costs)/income – net	**(120.4)**	8.4

The capitalisation rate used to determine the amount of finance costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during the year, in this case 4.82% (2018: 4.84%).

7 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 2019 and 2018. 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% (2018: 25%). Withholding tax was provided for dividend distributed and undistributed profits of certain subsidiaries and associates in the Mainland China at a rate of 5% or 10% (2018: 5% or 10%).

Mainland China land appreciation tax is provided at progressive rates ranging from 30% to 40% (2018: 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).

	2019	2018
	HK$ Million	*HK$ Million*
Current income tax		
Mainland China income tax	**(61.9)**	(83.7)
Mainland China land appreciation tax	**(29.1)**	(37.6)
	(91.0)	(121.3)
Deferred income tax		
Credited/(charged) to the income statement	**14.7**	(191.0)
	(76.3)	(312.3)

8 EARNINGS PER SHARE

(a) Basic

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

	2019	2018
Profit attributable to equity holders of the Company (HK$ Million)	**278.7**	734.1
Weighted average number of ordinary shares in issue (Million)	**527.4**	528.8
Basic earnings per share (HK cents per share)	**52.8**	138.8

(b) Diluted

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

	2019	2018
Profit attributable to equity holders of the Company (HK$ Million)	**278.7**	734.1
Effect of assumed conversion of convertible notes issued by a subsidiary (HK$ Million)	**(4.3)**	(2.5)
Effect of assumed conversion of warrants issued by a subsidiary (HK$ Million)	**–**	(0.4)
Profit used to determine diluted earnings per shares (HK$ Million)	**274.4**	731.2
Weighted average number of ordinary shares for calculation of diluted earnings per share (Million)	**527.4**	528.8
Diluted earnings per share (HK cents per share)	**52.0**	138.3

9 DIVIDENDS

	2019	2018
	HK$ Million	*HK$ Million*
Interim dividend paid, of HK13 cents (2018: HK13 cents) per ordinary share	**68.7**	68.7
Final dividend proposed, of HK13 cents (2018: HK13 cents) per ordinary share	**66.5**	68.7

On 31 March 2020, a final dividend of HK13 cents per ordinary share payable in cash in respect of the year ended 31 December 2019 is proposed by the Board and the amounts are not accounted for until they are approved by the shareholders at the forthcoming annual general meeting of the Company. As the proposed final dividend is declared after the balance sheet date, such dividend is not recognised as liability as at 31 December 2019.

On 22 August 2019, the Board has declared an interim dividend of HK13 cents per ordinary share payable in cash, amounting to a total of HK$68.7 million was paid in September 2019.

For the year ended 31 December 2018, a final dividend of HK13 cents per ordinary share payable in cash, amounting to a total of HK$68.7 million was paid in June 2019.

10 PREPAYMENTS, TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$ Million	*HK$ Million*
Non-current		
Prepayments and other receivables	**59.1**	84.3
Current		
Trade receivables	**160.4**	75.8
Less: provision for impairment	**(31.9)**	(11.3)
Trade receivables – net	**128.5**	64.5
Bills receivable	**4.2**	4.0
Prepaid taxes	**14.8**	19.0
Prepayments, other receivables and deposits	**327.2**	281.9
	474.7	369.4
	533.8	453.7

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

	2019	2018
	HK$ Million	*HK$ Million*
Less than 2 months	**45.5**	34.2
2 to less than 6 months	**23.4**	15.0
6 to less than 12 months	**49.6**	12.3
12 months and more	**10.0**	3.0
	128.5	64.5

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

	2019	2018
	HK$ Million	*HK$ Million*
Less than 2 months	**104.5**	33.7
2 to less than 6 months	**1.9**	15.0
6 to less than 12 months	**10.5**	11.1
12 months and more	**11.6**	4.7
	128.5	64.5

For renewable energy business, the Group allows a credit period of 30 days to its trade customers. Receivables from sales of electricity were usually settled on a monthly basis by the state-owned grid companies. Included in trade receivables were tariff subsidy receivables of HK$107.5 million (2018: HK$48.2 million), representing the government subsidies on renewable energy projects to be received from the state-owned grid companies in accordance with the prevailing government policies. Based on the credit history of the customers, it is expected that the amounts will be received eventually and there is no recent history of default. The Group does not hold any collateral in relation to these receivables.

Other than renewable energy business, group companies each has its own credit policies depending on the requirements of their markets and the businesses which they operate.

11 TRADE AND OTHER PAYABLES

	2019	2018
	HK$ Million	*HK$ Million*
Trade payables	**16.1**	18.4
Retention payables	**46.4**	93.3
Properties sale deposits received	**122.2**	79.7
Other payables and accruals	**915.9**	1,282.9
	1,100.6	1,474.3

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

	2019	2018
	HK$ Million	*HK$ Million*
Less than 2 months	**6.2**	7.1
2 to less than 6 months	**0.1**	–
6 to less than 12 months	**0.2**	0.7
12 months and more	**9.6**	10.6
	16.1	18.4

12 EVENT AFTER THE REPORTING PERIOD

After the outbreak of Coronavirus Disease 2019 ("COVID-19") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, given the dynamic nature of these circumstances, the related impact on the Group's financial position and operating results could not be reasonably estimated at this stage. In order to reflect the commitment of the executive directors of the Company and reduce expenses given the current challenging business environment stemming from the COVID-19 pandemic, the board of directors announced on 19 March 2020 that all existing executive directors of the Company have taken the initiative to implement a temporary 10% voluntary reduction of their remuneration for the period from 1 March 2020 to 31 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the year ended 31 December 2019, turnover amounted to HK$1,036.9 million, a decrease of 18% over turnover of HK$1,270.0 million for the same period in 2018. Gross profit for the period increased 6% to HK$682.4 million compared to HK$640.8 million in 2018. Residential sales declined 36% to HK$497.7 million given a much smaller inventory of residential units available for sale and a tepid market environment.

Gross profit margins increased to 66% from 50% due to an increase in the Group's higher margin leasing revenues and also to the reversal of construction cost accruals for residential properties sold in previous years. The reversal, amounting to HK$97.4 million, resulted after the Group negotiated the final construction costs with the main contractors of the completed residential projects. During the year, leasing revenues increased 6% to HK$358.0 million as leasing revenues increased from its newly opened Landmark Center in Shanghai. The Group expects leasing will increasingly become a greater percentage of the turnover mix as the Group seeks a balanced approach between residential sales and commercial and office properties.

In 2018, the Group recorded a one-time revaluation gain of HK$696.5 million, primarily from the completion of its Landmark Center. This gain was not repeated in 2019. Following the completion of Landmark Center, management has been negotiating the final contract sum with the contractors, resulting in a reversal of construction accruals of HK$215.9 million or 2% to the respective investment property value during the year. The respective reversal has been reflected as part of the valuation movement in the current year. As a result, combined with lower residential sales and higher finance costs given interest is no longer being capitalised with the completion of its Shanghai commercial buildings, the Group's net profit declined 61% to HK$377.5 million. Basic earnings per share for the period amounted to HK52.8 cents, while basic earnings per share for the same period in 2018 was HK138.8 cents. Book value per share was HK$25.1.

Liquidity and Financial Resources

As at 31 December 2019, the Group's total borrowings and amount due to a shareholder amounted to HK$3,165.6 million, representing a decrease of 8% when compared with the equivalent figure of HK$3,442.8 million as at 31 December 2018. Total borrowings and amount due to a shareholder as at 31 December 2019 included Hong Kong Dollar borrowings of HK$300.7 million (31 December 2018: HK$385.5 million) and Renminbi borrowings that are equivalent to HK$2,864.9 million (31 December 2018: HK$3,057.3 million).

For the maturity dates of the Group's outstanding borrowings and amount due to a shareholder, HK$606.0 million are repayable within one year or on demand, HK$2,032.1 million repayable within two to five years, and HK$527.5 million repayable after five years.

Most of the Group's outstanding borrowings take the form of interest-bearing loans, with floating interest rates.

As at 31 December 2019, the Group had restricted cash of HK$200.1 million (31 December 2018: HK$478.9 million). Unrestricted cash and cash equivalents (includes short-term bank deposits) amounted to HK$2,293.5 million (31 December 2018: HK$2,601.9 million).

The Group did not use any financial instruments for financial hedging purposes during the period 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

As at 31 December 2019, the Group and certain of its subsidiaries had charged certain assets worth HK$10,980.3 million (31 December 2018: HK$11,047.6 million) as security for bank borrowings.

Gearing Ratio

The Group's gearing ratio, defined as total borrowings plus amount due to a shareholder divided by total equity as at 31 December 2019 was 20%, compared with 22% as at 31 December 2018. The Group's net debt to equity ratio for the same period was 4%, compared with 2% as at 31 December 2018. This ratio represents total borrowings plus amount due to a shareholder minus cash and divided by total equity.

Business Model

The Group is a Hong Kong based property developer focusing on investing and developing property projects in the 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 are located in Tianjin, Jiangmen and Shenyang. The Group's commercial projects, which are primarily office buildings and retail malls, are located in prime business areas in Shanghai, Shenzhen, Beijing and Guangzhou. The Group also has a commercial property in Nanxun, Zhejiang province.

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 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, and are relatively immune from the periodic restrictions on residential properties.

The Group adopts a very prudent financial policy, and given the volatility of the property industry, HKC aims to maintain a conservative net debt to equity ratio. While most of the Group's projects are in the People's Republic of China (the "PRC"), the Group may consider diversifying by investing in other countries.

The Group has also made an investment in the renewable 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.

Currency Risk

Most of the Group's assets are in Renminbi. The Group conducts a majority of its business operations in the PRC. The major portion of revenue, expenses and debts are denominated in Renminbi. Fluctuation in the exchange rates of Renminbi would have limited impact on the Group's operations. However, depreciation of the Renminbi may have an adverse impact on the Group's book value.

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.

Business Review

Recognised sales from residential properties in Tianjin, Shenyang, and Jiangmen declined 36% in 2019 due to poor sentiment, particularly during the first half of the year given a slowing economy, turmoil from the U.S.-China trade war, and government efforts to control property speculation. Sales also declined because of reduced inventory of property available for sale. However, market sentiment improved somewhat in the second half of the year given the phase one agreement to resolve U.S.-China trade war. As a result, contracted sales increased 21% during the second half of 2019 compared to the second half of 2018 and 79% compared to the first half of the year. Meanwhile, revenues from property leasing are increasing as the Group leases out its newly constructed commercial properties in Shanghai.

Investment Properties

Shanghai

Leasing revenues are expected to increase over the next couple of years as the occupancy rates of the Group's two commercial buildings in North Bund increase. Moreover, the area is set to gain from an increasing tendency of price sensitive tenants to move from the central business district ("CBD") to nearby fringe districts such as the North Bund. Eventually, the North Bund, particularly given its proximity and improving infrastructure, is expected to gradually merge with the CBD.

However, leasing out of the buildings has been lower than expected given the U.S.-China trade war dampened demand and given the current oversupply of office buildings in Shanghai. In 2020, the Grade A office inventory in Shanghai increased by 5% to 13.3 million square meters. The citywide vacancy rate is currently at 19.3% compared to 16.2% during the previous year. As a result, rents in Shanghai have declined by 0.9% during 2019.

Landmark Center

The Group has a 60% interest in Landmark Center, which is a commercial complex consisting of two Grade A office towers and a retail shopping mall, with the total volume of gross floor area ("GFA") of approximately 246,000 square meters. The project is located at the junction of North Sichuan and Tiantong Road, just a few minutes walk from the metro station (Tian Tong Road connects metro line 10 and line 12), and is also near the CBD and the historical Bund, and offers panoramic views of the Huangpu River, the Bund, and Lujiazui. The surrounding blocks are becoming an increasingly fashionable area with the recent openings of MGM's Bellagio Hotel, located across the street, and the Bvlgari Hotel. The Peninsula Hotel is also nearby.

Landmark Center was completed in 2018 and is beginning to generate significant leasing revenues. Leasing revenues rose 19% during the year to HK$196.8 million. Despite continued oversupply of office space in the Shanghai market, Landmark Center is benefitting from strong demand from well-known domestic corporations and also multinational corporations seeking to increase their market share in the local market. Relaxation of restrictions on some industries previously dominated by state owned companies such as the insurance industry, has resulted in increased demand from companies such as Metlife and AIA, who have both committed to leasing out additional space at Landmark Center. However, leasing uptake has been adversely impacted by surrounding construction. As this construction is completed, we anticipate that the area will become more attractive and leasing will improve. The Group's attributable value in Landmark Center is valued at HK$4,012.1 million or HK$7.8 per share.

Sinar Mas Plaza

Sinar Mas Plaza, in which the Group has a 25% interest, has a GFA of approximately 257,000 square meters (GFA of approximately 410,000 square meters including basement) of office, hotel, and retail spaces. Construction was completed in 2018. The office tower offers highly panoramic views of the Shanghai skyline. The hotel commenced operation in 2017 and is run by Marriott International, Inc. under the W brand. While Sinar Mas Plaza is still loss making given interest costs are no longer capitalised and the buildings are not yet fully occupied, the Group anticipates that it will become profitable as occupancy rates increase. The Group's attributable value in Sinar Mas Plaza is valued at HK$1,443.9 million or HK$2.8 per share.

Shenzhen, Guangzhou, Beijing, and Nanxun

The Group's property investment portfolio also includes premium commercial and retail developments in Shenzhen, Guangzhou, Beijing, and Nanxun. In Shenzhen, the Group operates Shun Hing Square and South Ocean Center. In Guangzhou, the Group owns CITIC Plaza. In Beijing, the Group operates a retail complex at Legation Quarters, the former site of the United States diplomatic compound in Beijing. The Group also owns a trading center for furniture and building materials in Nanxun, Zhejiang Province. The Group is in the process of expanding the complex. The 26,900 square meter (including basement) expansion was completed in the fourth quarter of 2019 and leasing is underway.

Residential Developments

Tianjin

Tianjin Eka Garden is on a prime location in the Nankai District of Tianjin. The project consists of villas and high-rise apartments with total GFA of approximately 150,000 square meters. Construction for all three phases has been completed.

Tianjin's contracted sales improved significantly in the second half of the year, rising to RMB234.1 million compared to RMB79.2 million in the first half of the year. For the full year, contracted sales increased 48% year on year to RMB313.3 million. The primary reason is that the Group increased sales of its service apartments.

The Group has completed master planning for its Tuanbo Lake in Tianjin. The land area can support the development of approximately 836,000 square meters of what the Group believes will be a world class residential community and will provide the Group a substantial development pipeline. The plan is to develop the site over five phases. The preliminary master plan prepared by the renowned design firm Chapman Taylor has been completed. The Jinghai District Government has commented favorably on the plan. However, formal approval for this plan cannot be completed until the Tianjin City master plan has been approved. This approval has been delayed as the central government is requiring all regions to upgrade their existing land and town/rural planning to land resources and spatial planning (國土空間規劃).

Jiangmen

Jiangmen Eka Garden is a residential project with GFA of approximately 189,000 square meters of villas and high-rise apartments. The project is located on an excellent site along a riverbank, within a few minutes walk to the Jiangmen/Hong Kong ferry terminal, an international school, and a marina club. The site is also close to the Guangzhu Intercity Railway's Waihai Station connecting Jiangmen to Guangzhou and Zhuhai. Jiangmen is part of the Greater Bay Area which is benefitting from improved infrastructure.

Sales were lower primarily because most of the Group's inventory has already been sold and now consists mainly of villas. The Group recorded contracted sales of RMB71.6 million, a 4% decline compared to RMB74.3 million during the same period in 2018 as remaining units are mostly higher priced villas. During the period, the Group sold more higher margin villas compared to 2018. As a result, gross margins on recognised sales increased to 47% compared to 31% in 2018.

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, comprises GFA of approximately 266,000 square meters of villas, high-rise apartments, and a few commercial shops. For site B (GFA: approximately 133,500 square meters), construction of all four high-rise towers and villas have been completed. Site C (GFA: approximately 57,500 square meters) is divided into two portions. One completed portion consists of two high-rise blocks (mainly for housing resettled residents) with ground floor shops and a small communal block.

A second portion, with a GFA of approximately 6,400 square meters (GFA of approximately 9,590 square meters including basement) is now being developed into low-rise apartments. Construction of the superstructure began in April 2019. Construction is now substantially completed. Meanwhile, the Group has essentially completed the resettlement for site A, which will enable the construction of additional residential properties with a GFA of approximately 75,000 square meters. Given demand for commercial retail space has declined, the Group is seeking approval to reduce the commercial ratio from its current 30%. The project is expected to be completed by the end of 2024.

The market environment for Shenyang was subdued during the period as a weak economy and purchase restrictions adversely impacted demand. Upgrade demand for the Group's larger units were impacted by government restrictions on providing mortgages for second units. Buyers currently prefer cheaper, smaller units and most of these have already been sold, leaving the larger apartments and villas still available for sale. For the period, the Group recorded contracted sales of RMB142.1 million, a decrease of 41% compared to RMB239.2 million in the same period in 2018.

Renewable Energy

All of the Group's renewable energy projects are under its subsidiary, China Renewable Energy Investment Limited ("CRE"). During the year, wind resources were less than last year. However, lower overall curtailment and new contributions from the Group's Henan Songxian 74 Mega-Watt ("MW") wind project ("Songxian Phase I Wind Farm") led to a 21% increase in revenue to HK$181.2 million as compared to last year's HK$149.5 million. With continued effort in controlling operational costs, the gross profit for the period increased 32% to HK$68.6 million (2018: HK$51.9 million). However, overall poor wind conditions in China in 2019 led to a decrease in net profit contribution from our associates to the Group. The net profit from the associates was HK$48.9 million as compared to last year's HK$69.0 million. As a result, CRE's net profit after tax attributable to the equity holders of CRE declined 8% to HK$57.4 million for the year ended 31 December 2019 as compared to HK$62.3 million for the same period in 2018. Please refer to CRE's results announcement for more details.

Prospects

Property

The COVID-19 epidemic will adversely impact the economy and the property sector in the first half of 2020. Because of the crisis, all property sales offices were shut down after Chinese New Year. However, given the crisis, the government is seeking to stabilize the economy, and recently announced a 50 basis point cut to the Reserve Requirement Rate. In addition, the China Banking and Insurance Regulatory Commission issued a circular requiring banks to extend credit support to enterprises and individuals affected by the epidemic. Assuming the epidemic can be contained, these and other to be announced policies should help stabilize the economy and drive a recovery in the economy and property sector in the second half of 2020. As a result, the Group expects some property developers will be squeezed for liquidity. Over the last couple of years, the Group has been reluctant to purchase land bank at what it perceives to be at inflated values. Property markets are inherently cyclical, and the Group looks for opportunities that will increase shareholder value rather than just building a large land bank. As a result, the Group does not face the financial pressures that other property developers face given the current severe credit tightening environment.

Therefore, the Group views the current environment as an opportunity rather than a crisis. The Group has a very strong balance sheet, and unlike many property developers that have a large net debt to equity ratio, the Group's net debt to equity ratio was only 4% as at 31 December 2019. In 2020, the Group hopes to leverage its strong balance sheet to take advantage of any opportunities that might arise given many companies that are seeking to deleverage. The Group also intends to diversify and may look at opportunities outside of China. Although unsuccessful, the Group has recently participated in two private and one government land tendering in Hong Kong.

For the first half of 2020, the Group expects the Shanghai leasing market to remain difficult given the COVID-19 epidemic. Assuming the epidemic can be contained, the Group expects leasing revenues at its Landmark Center and Sinar Mas Plaza to improve by the second half of 2020 as the government stimulates the economy. These two properties will provide the Group with steady cash flow over the long term and are relatively immune from residential focused credit tightening by the government. Leasing revenues should also improve at Shun Hing Square in Shenzhen as the Group completed renovation and the commercial complex is expected to attract more quality tenants.

The Group believes that the sales outlook for residential properties in the first half of 2020 will also remain subdued given the epidemic, the weak Chinese economy and the restrictions to control speculation in the property markets. With regard to existing residential properties, the Group will continue focusing on sales of its residential properties in Tianjin, Shenyang and Jiangmen.

For future residential development, the Group is focusing on its Tuanbo Lake land bank. The site can support the development of approximately 836,000 square meters of residential development and will be developed over five phases. However, the Group needs to wait until the official completion of the Tianjin City master plan before obtaining the necessary development permits. In Shenyang, construction of additional low-rise apartments has been substantially completed. The Group has essentially completed resettlement at its site A and is in position to begin development of this next 75,000 square meters phase project.

In Nanxun, the Group is progressing on developing the expansion of its Nanxun furniture trading center. This extension area will be synergistic with the existing building materials and furniture trading center that is adjacent to the land. The 26,900 square meters (including basement) complex was completed in the fourth quarter of 2019. Leasing is now underway.

Renewable Energy

Curtailment is expected to continue declining in 2020 as new transmission lines are completed and given the government has implemented a new quota system in which each region is now required to purchase a minimum amount of renewable energy. The Group expects to complete the rest of its Songxian windfarm project in Henan Province in 2020. Upon completion, CRE's net wind power generation capacity will have increased by 9.8%. In addition, the Group has received approval from the Luoyang Development and Reform Commission to construct an additional 40 MW of wind power at Songxian. The Group is now waiting to obtain the grid interconnection approval. CRE is optimistic over this project given the curtailment rate in this region is relatively low and wind tariff rate is relatively high. Please refer to CRE's results announcement for more information.

Employees

As of 31 December 2019, the Group employed approximately 230 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.

RECORD DATE FOR 2020 AGM

The record date for determining the entitlement of shareholders of the Company ("Shareholders") to attend and vote at the forthcoming annual general meeting of the Company which will be held on Tuesday, 26 May 2020 ("2020 AGM") is Tuesday, 19 May 2020 after close of business. In order to be eligible to attend and vote at the 2020 AGM, Shareholders must lodge all transfer documents accompanied by the relevant share certificates for registration with the Company's branch share registrar and transfer agent in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong ("Computershare"), no later than 4:30 p.m. on Tuesday, 19 May 2020.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK13 cents (2018: HK13 cents) per ordinary share for the year ended 31 December 2019 to Shareholders whose names appear on the register of members of the Company on Tuesday, 9 June 2020. Subject to the approval of Shareholders at the 2020 AGM, the final dividend will be paid on Tuesday, 23 June 2020.

CLOSURE OF REGISTER OF MEMBERS

The record date for the proposed final dividend is Tuesday, 9 June 2020. The Company's register of members will be closed from Monday, 8 June 2020 to Tuesday, 9 June 2020 (both days inclusive) in order to determine entitlements to the proposed final dividend. During such period, no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Computershare for registration no later than 4:30 p.m. on Friday, 5 June 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2019, the Company repurchased a total of 13,210,000 ordinary shares of the Company ("Shares") at an aggregate consideration of HK$77,523,720.00 (excluding expenses) on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as follows:

Month of Shares repurchase	Total number of Shares repurchased	Price paid per Share		Aggregate consideration paid (excluding expenses)
		Highest	Lowest	
		HK$	*HK$*	*HK$*
September 2019	4,825,000	5.550	4.830	26,167,960.00
October 2019	4,732,000	6.350	5.480	27,511,730.00
November 2019	1,578,000	6.570	5.970	9,714,030.00
December 2019	2,075,000	7.150	6.390	14,130,000.00
TOTAL	13,210,000			77,523,720.00

The repurchased shares were cancelled during the year under review and the issued share capital of the Company was reduced by the nominal value thereof. The repurchases were made with a view to enhance the net asset value and/or earnings per Share.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

As at 31 December 2019, there was a total of 515,624,246 Shares (31 December 2018: 528,834,246 Shares) in issue.

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 during the year ended 31 December 2019, except for the following:

Code Provision A.2.1

Under the Code Provision A.2.1 of the CG Code of the CG Code, the roles of chairman and chief executive officer ("CEO") should be separate and performed by different individuals. Mr. OEI Tjie Goan had resigned as the chairman of the Company (the "Chairman") and Mr. OEI Kang, Eric, the CEO of the Company, had been appointed as the Chairman with effect from 3 December 2019. Under the current organization structure of the

Company, the functions of CEO are performed by the Chairman, Mr. OEI Kang, Eric, with support from the other executive directors of the Company ("Director(s)"). The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company, and has been effective in discharging its responsibilities satisfactorily and facilitating the Company's operation and business development. The Board will review the structure from time to time to ensure it continues to meet the principle and will consider segregation of the roles of chairman and CEO if and when appropriate.

Code Provision A.2.7

The Chairman did not hold any formal meeting with the Independent Non-executive Directors without the presence of other Directors in 2019 (as provided for in the Code Provision A.2.7 of the CG Code) due to the tight schedule of the Chairman and the Independent Non-executive Directors. The Board continues to maintain a culture of openness and constructive relations between Executive and Independent Non-executive Directors. In the absence of the Chairman, the CEO is in the position to facilitate the effective contribution of Independence 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 of the CG Code, Non-executive Directors should be appointed for specific term and subject to re-election. Currently, all Independent Non-executive Directors 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 Director were encouraged to attend the general meetings to inter-face with Shareholders but a Non-executive Director was not in a position to attend the annual general meeting of the Company held on 20 May 2019 (as provided for in Code Provision A.6.7 of the CG Code) due to overseas commitment and pre-arranged business engagements.

Code Provision E.1.2

The CEO 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 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 to 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 2019.

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. CHENG Yuk Wo, Mr. Albert Thomas DA ROSA, Junior and Mr. VOON Hian-fook, David. 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 2019.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2019 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 2019 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
Chairman and Chief Executive Officer

Hong Kong, 31 March 2020

As at the date of this announcement, the Board comprises seven Directors, of which Mr. OEI Kang, Eric, Mr. LEE Shiu Yee, Daniel, Mr. WONG Jake Leong, Sammy and Mr. LEUNG Wing Sum, Samuel are Executive Directors; and Mr. CHENG Yuk Wo, Mr. Albert Thomas DA ROSA, Junior and Mr. VOON Hian-fook, David are Independent Non-executive Directors.