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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (the "Board") of HKC (Holdings) Limited (the "Company" or "HKC") wishes to present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2020 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2020

		Unaudited	
		Six months ended 30 June	
		2020	2019
	Note	***HK$ Million***	*HK$ Million*
Revenue	*4*	**540.3**	461.5
Cost of sales		**(232.6)**	(181.1)
Gross profit		**307.7**	280.4
Other income – net	*5*	**31.6**	77.7
Fair value adjustments on investment properties		**19.6**	108.6
Selling and distribution costs		**(14.5)**	(13.3)
Administrative expenses		**(73.1)**	(85.7)
Other and general expenses		**(114.7)**	(39.1)
Operating profit	*6*	**156.6**	328.6

* *For identification purpose only*

		Unaudited	
		Six months ended 30 June	
		2020	2019
	Note	***HK$ Million***	*HK$ Million*
Finance income	*7*	**17.2**	30.1
Finance costs	*7*	**(86.8)**	(91.0)
Finance costs – net	*7*	**(69.6)**	(60.9)
Share of results of associates		**38.3**	46.3
Share of results of a joint venture		**(37.4)**	(98.9)
Profit before income tax		**87.9**	215.1
Income tax expense	*8*	**(22.7)**	(11.3)
Profit for the period		**65.2**	203.8
Profit attributable to:			
Equity holders of the Company		**25.8**	115.6
Non-controlling interests		**39.4**	88.2
		65.2	203.8
Earnings per share attributable to equity holders of the Company			
(expressed in HK cents per share)	*9*		
Basic		**5.0**	21.9
Diluted		**4.7**	21.5

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK$ Million	*HK$ Million*
Profit for the period	**65.2**	203.8
Other comprehensive (loss)/income		
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	**(227.1)**	(22.6)
– Currency translation differences of associates and a joint venture	**(43.8)**	(0.4)
Release of exchange differences upon liquidation of subsidiaries	**–**	(49.9)
Items that will not be reclassified subsequently to profit or loss		
Fair value gain on financial assets at fair value through other comprehensive income	**–**	2.0
Other comprehensive loss for the period, net of tax	**(270.9)**	(70.9)
Total comprehensive (loss)/income for the period	**(205.7)**	132.9
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	**(178.6)**	49.1
Non-controlling interests	**(27.1)**	83.8
	(205.7)	132.9

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

	Note	**Unaudited as at 30 June 2020** *HK$ Million*	Audited as at 31 December 2019 *HK$ Million*
ASSETS			
Non-current assets			
Investment properties		**11,559.9**	11,980.4
Right-of-use assets		**1,412.1**	1,455.0
Property, plant and equipment			
– Other property, plant and equipment		**1,294.1**	1,105.3
– Construction in progress		**0.4**	222.7
Intangible assets		**1.0**	1.0
Properties under development		**554.5**	549.1
Interests in associates		**1,171.8**	1,202.8
Interest in a joint venture		**1,339.2**	1,443.9
Financial assets at fair value through other comprehensive income		**17.9**	18.1
Financial assets at fair value through profit or loss		**1,530.9**	300.8
Prepayments and other receivables	*11*	**56.0**	59.1
Deferred income tax assets		**34.5**	–
Total non-current assets		**18,972.3**	18,338.2
Current assets			
Inventories		**7.6**	6.6
Properties under development		**–**	126.5
Properties held for sale		**576.6**	593.5
Trade and other receivables	*11*	**789.4**	474.7
Restricted cash		**104.3**	200.1
Cash and cash equivalents		**1,355.6**	2,293.5
Total current assets		**2,833.5**	3,694.9
Total assets		**21,805.8**	22,033.1

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

	Note	Unaudited as at 30 June 2020 HK$ Million	Audited as at 31 December 2019 HK$ Million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**127.8**	128.9
Reserves		**12,547.4**	12,822.3
Equity attributable to equity holders of the Company		**12,675.2**	12,951.2
Non-controlling interests		**2,751.7**	2,783.2
Total equity		**15,426.9**	15,734.4
LIABILITIES			
Non-current liabilities			
Borrowings		**2,587.3**	2,559.6
Lease liabilities		**–**	8.0
Deferred income tax liabilities		**1,803.4**	1,829.2
Total non-current liabilities		**4,390.7**	4,396.8
Current liabilities			
Trade and other payables	*12*	**1,059.5**	1,100.6
Borrowings		**558.3**	408.3
Lease liabilities		**8.1**	22.7
Amount due to a shareholder		**197.3**	197.7
Current income tax liabilities		**165.0**	172.6
Total current liabilities		**1,988.2**	1,901.9
Total liabilities		**6,378.9**	6,298.7
Total equity and liabilities		**21,805.8**	22,033.1

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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.

This unaudited condensed consolidated interim financial information is presented in millions of Hong Kong dollars ("HK$ Million"), unless otherwise stated. This unaudited condensed consolidated interim financial information was approved for issue by the Board on 20 August 2020.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019.

(a) Amendments to standards adopted by the Group

Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The adoption of these amendments to standards does not have any significant impact on the Group's consolidated financial information.

(b) New standard and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted

The following standard and amendments to standards have been published and are mandatory for the accounting periods beginning on or after 1 June 2020 or later periods, but the Group has not early adopted them:

		Effective for accounting periods beginning on or after
Amendment to HKFRS 16	Covid-19-Related Rent Concessions	1 June 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 standard and amendments to standards, which have been issued but are not effective for the financial year beginning on 1 January 2020. The Group has already commenced an assessment on the impact of these new standard and amendments to standards, and expected that the adoption of new standard and amendments to standards will not have any significant impact on the Group's consolidated financial information in the current or future reporting periods.

4. SEGMENT INFORMATION

Segment information disclosed in the interim 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 results 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. Head office 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 condensed consolidated income statement. Total segment revenue from external customers also represents the Group's revenue.

The segment information for the reportable segments for the periods ended 30 June 2020 and 2019 is as follows:

	Properties development					
	Shenyang *HK$ Million*	**Tianjin** *HK$ Million*	**Jiangmen** *HK$ Million*	**Property investment and leasing** *HK$ Million*	**Renewable energy** *HK$ Million*	**Total reportable segments** *HK$ Million*
Six months ended 30 June 2020						
Revenue from external customers	**42.5**	**145.5**	**94.3**	**161.2**	**96.8**	**540.3**
Inter-segment revenue	**–**	**–**	**–**	**0.1**	**–**	**0.1**
Total revenue	**42.5**	**145.5**	**94.3**	**161.3**	**96.8**	**540.4**
Operating profit	**14.2**	**42.7**	**39.5**	**39.9**	**27.4**	**163.7**
Finance income	**2.5**	**1.0**	**0.9**	**1.7**	**1.8**	**7.9**
Finance costs	**–**	**–**	**–**	**(64.7)**	**(18.0)**	**(82.7)**
Share of results of associates	**–**	**–**	**–**	**(1.9)**	**40.2**	**38.3**
Share of results of a joint venture	**–**	**–**	**–**	**(37.4)**	**–**	**(37.4)**
Profit/(loss) before income tax	**16.7**	**43.7**	**40.4**	**(62.4)**	**51.4**	**89.8**
Income tax credit/(expense)	**34.9**	**(20.7)**	**(11.7)**	**13.1**	**(7.3)**	**8.3**
Profit/(loss) for the period	**51.6**	**23.0**	**28.7**	**(49.3)**	**44.1**	**98.1**
Depreciation of property, plant and equipment	**–**	**–**	**–**	**(0.6)**	**(43.1)**	**(43.7)**
Depreciation of right-of-use assets	**–**	**(9.3)**	**–**	**(1.0)**	**(0.6)**	**(10.9)**
Fair value adjustments on investment properties	**–**	**–**	**–**	**19.6**	**–**	**19.6**

	Properties development					
	Shenyang *HK$ Million*	Tianjin *HK$ Million*	Jiangmen *HK$ Million*	Property investment and leasing *HK$ Million*	Renewable energy *HK$ Million*	Total reportable segments *HK$ Million*
Six months ended 30 June 2019						
Revenue from external customers	86.2	62.3	30.4	186.2	96.4	461.5
Inter-segment revenue	–	–	–	0.1	–	0.1
Total revenue	86.2	62.3	30.4	186.3	96.4	461.6
Operating profit	11.3	8.5	9.6	237.2	33.9	300.5
Finance income	2.0	1.1	0.6	2.8	1.4	7.9
Finance costs	–	–	–	(78.0)	(12.6)	(90.6)
Share of results of associates	–	–	–	12.0	34.3	46.3
Share of results of a joint venture	–	–	–	(98.9)	–	(98.9)
Profit before income tax	13.3	9.6	10.2	75.1	57.0	165.2
Income tax (expense)/credit	(3.2)	(5.1)	(4.6)	18.3	(5.9)	(0.5)
Profit for the period	10.1	4.5	5.6	93.4	51.1	164.7
Depreciation of property, plant and equipment	–	(0.1)	–	(0.6)	(41.5)	(42.2)
Depreciation of right-of-use assets	–	(9.8)	–	(1.2)	(0.3)	(11.3)
Fair value adjustments on investment properties	–	–	–	108.6	–	108.6

	Properties development							
	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*
As at 30 June 2020								
Total assets	**297.3**	**1,129.7**	**2,138.0**	**222.4**	**15,293.0**	**2,737.9**	**3.1**	**21,821.4**
Total assets include:								
Interests in associates	–	–	–	–	**473.7**	**698.1**	–	**1,171.8**
Interest in a joint venture	–	–	–	–	**1,339.2**	–	–	**1,339.2**
Total liabilities	**185.3**	**436.3**	**1,283.5**	**70.7**	**5,088.0**	**1,099.8**	–	**8,163.6**
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

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

	Six months ended 30 June	
	2020	2019
	HK$ Million	*HK$ Million*
Profit for the period of reportable segments	**98.1**	164.7
Unallocated amounts:		
Corporate expenses – net	**(29.6)**	(9.7)
Gain on liquidation of subsidiaries – net	–	48.8
Dividend income from financial assets at fair value through profit or loss	**22.9**	–
Fair value loss on financial assets at fair value through profit or loss – net	**(26.2)**	–
Profit for the period of the Group	**65.2**	203.8

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

	As at 30 June 2020 *HK$ Million*	As at 31 December 2019 *HK$ Million*
Total segment assets	**21,821.4**	22,302.2
Head office assets	**243.2**	1,253.8
Intra group elimination	**(1,807.6)**	(1,841.8)
Financial assets at fair value through other comprehensive income	**17.9**	18.1
Financial assets at fair value through profit or loss	**1,530.9**	300.8
Total assets per consolidated balance sheet	**21,805.8**	22,033.1

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

	As at 30 June 2020 *HK$ Million*	As at 31 December 2019 *HK$ Million*
Total segment liabilities	**8,163.6**	8,276.4
Head office liabilities	**259.4**	44.8
Intra group elimination	**(2,044.1)**	(2,022.5)
Total liabilities per consolidated balance sheet	**6,378.9**	6,298.7

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.

For the six months ended 30 June 2020 and 2019, the Group's revenue from external customers is substantially attributable to the China market. For the six months ended 30 June 2020, there is no revenue derived from a single external customer exceeding 10% of the Group's total revenue (six months ended 30 June 2019: there was revenue derived from one customer amounted to HK$51.5 million exceeding 10% of the Group's total revenue).

5. OTHER INCOME – NET

	Six months ended 30 June	
	2020	2019
	HK$ Million	*HK$ Million*
Property management fee income	**9.7**	11.3
Gain/(loss) on disposal of property, plant and equipment – net	**0.4**	(3.3)
Fair value loss on financial assets at fair value through profit or loss – net	**(26.2)**	–
Government subsidies	**2.3**	–
Dividend income from financial assets at fair value through profit or loss	**22.9**	–
Exchange gain – net	**13.7**	3.4
Gain on liquidation of subsidiaries – net	**–**	48.8
Others	**8.8**	17.5
	31.6	77.7

6. OPERATING PROFIT

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

	Six months ended 30 June	
	2020	2019
	HK$ Million	*HK$ Million*
Employee benefit expenses	**(45.7)**	(47.0)
Depreciation of right-of-use assets	**(10.9)**	(11.3)
Depreciation of property, plant and equipment	**(44.8)**	(43.3)
Cost of properties sold	**(157.4)**	(109.4)
Direct operating expenses arising from investment properties that generated rental income	**(15.7)**	(21.2)
Write-off of trade and other receivables	**(1.5)**	(1.2)
Provision for impairment of trade receivables	**(9.9)**	(7.7)
Auditor's remuneration – audit services	**(1.2)**	(2.2)
Rental expense relating to short-term leases	**(0.2)**	(0.5)
Provision for housing facility fund *(Note)*	**(83.6)**	–
Exchange gain – net	**13.7**	3.4

Note: As disclosed in 2019 annual report Note 37(a), a contingent liability of RMB75.8 million (equivalent to approximately HK$84.5 million) arising in 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 was assessed by management with reference to the legal opinion previously obtained. After taking into account of the fresh evidence on facts and circumstances emerged in April 2020, management considered the liability became highly probable and a provision of HK$83.6 million has been made accordingly.

7. FINANCE COSTS – NET

	Six months ended 30 June	
	2020	2019
	HK$ Million	*HK$ Million*
Finance costs:		
Interest expenses on bank borrowings	**(82.1)**	(85.2)
Interest expenses on amount due to a shareholder	**(5.0)**	(5.0)
Interest expenses on lease liabilities	**(0.8)**	(1.5)
Interest expenses on other loans	**(4.5)**	(6.1)
	(92.4)	(97.8)
Less: amounts capitalised	**5.6**	6.8
	(86.8)	(91.0)
Finance income:		
Interest income on bank deposits	**17.2**	30.1
Finance costs – net	**(69.6)**	(60.9)

8. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group has no assessable profit for the six months ended 30 June 2020 and 2019. 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% (2019: 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% (2019: 5% or 10%).

Mainland China land appreciation tax is provided at progressive rates ranging from 30% to 40% (2019: 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).

	Six months ended 30 June	
	2020	2019
	HK$ Million	*HK$ Million*
Current income tax		
Mainland China income tax	**(29.0)**	(39.7)
Mainland China land appreciation tax	**(21.5)**	(9.0)
	(50.5)	(48.7)
Deferred income tax		
Credited to the income statement	**27.8**	37.4
	(22.7)	(11.3)

9. 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 period.

	Six months ended 30 June	
	2020	2019
Profit attributable to equity holders of the Company *(HK$ Million)*	**25.8**	115.6
Weighted average number of ordinary shares in issue *(Million)*	**513.2**	528.8
Basic earnings per share *(HK cents per share)*	**5.0**	21.9

(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.

	Six months ended 30 June	
	2020	2019
Profit attributable to equity holders of the Company *(HK$ Million)*	**25.8**	115.6
Effect of assumed conversion of convertible notes issued by a subsidiary *(HK$ Million)*	**(1.8)**	(1.9)
Profit used to determine diluted earnings per share *(HK$ Million)*	**24.0**	113.7
Weighted average number of ordinary shares for calculation of diluted earnings per share *(Million)*	**513.2**	528.8
Diluted earnings per share *(HK cents per share)*	**4.7**	21.5

10. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	HK$ Million	*HK$ Million*
Interim dividend proposed, of HK13 cents (six months ended 30 June 2019: HK13 cents) per ordinary share	**66.4**	68.7

On 20 August 2020, the Board has declared an interim dividend of HK13 cents per ordinary share payable in cash for the six months ended 30 June 2020. As the proposed interim dividend is declared after the balance sheet date, such dividend is not recognised as liability as at 30 June 2020.

On 22 August 2019, the Board has declared an interim dividend of HK13 cents per ordinary share payable in cash for the six months ended 30 June 2019. As the proposed interim dividend is declared after the balance sheet date, such dividend is not recognised as liability as at 30 June 2019.

11. PREPAYMENTS, TRADE AND OTHER RECEIVABLES

	As at 30 June 2020	As at 31 December 2019
	HK$ Million	*HK$ Million*
Non-current		
Prepayments and other receivables	**56.0**	59.1
Current		
Trade receivables	**214.4**	160.4
Less: provision for impairment	**(41.2)**	(31.9)
Trade receivables – net	**173.2**	128.5
Bills receivable	**5.7**	4.2
Prepaid taxes	**7.9**	14.8
Prepayments, other receivables and deposits	**602.6**	327.2
	789.4	474.7
	845.4	533.8

The ageing analysis of trade receivables by the Group's revenue recognition policy at 30 June 2020 and 31 December 2019, net of provision for impairment, was as follows:

	As at 30 June 2020 *HK$ Million*	As at 31 December 2019 *HK$ Million*
Less than 2 months	**46.2**	45.5
2 to less than 6 months	**33.7**	23.4
6 to less than 12 months	**37.8**	49.6
12 months and more	**55.5**	10.0
	173.2	128.5

The ageing analysis of trade receivables by invoice date at 30 June 2020 and 31 December 2019, net of provision for impairment, was as follows:

	As at 30 June 2020 *HK$ Million*	As at 31 December 2019 *HK$ Million*
Less than 2 months	**148.8**	104.5
2 to less than 6 months	**2.8**	1.9
6 to less than 12 months	**0.4**	10.5
12 months and more	**21.2**	11.6
	173.2	128.5

For renewable energy business, the Group allows a credit period of 30 days to its trade customers. Receivables from sales of electricity are usually settled on a monthly basis by the state-owned grid companies. Included in trade receivables were tariff subsidy receivables of HK$149.6 million (31 December 2019: HK$107.5 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.

12. TRADE AND OTHER PAYABLES

	As at 30 June 2020 *HK$ Million*	As at 31 December 2019 *HK$ Million*
Trade payables	**10.2**	16.1
Retention payables	**38.5**	46.4
Properties sale deposits received	**71.2**	122.2
Other payables and accruals	**939.6**	915.9
	1,059.5	1,100.6

The ageing analysis of trade payables by invoice date at 30 June 2020 and 31 December 2019 was as follows:

	As at 30 June 2020 *HK$ Million*	As at 31 December 2019 *HK$ Million*
Less than 2 months	**3.8**	6.2
2 to less than 6 months	**–**	0.1
6 to less than 12 months	**0.8**	0.2
12 months and more	**5.6**	9.6
	10.2	16.1

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the six months ended 30 June 2020, turnover amounted to HK$540.3 million, an increase of 17% over turnover of HK$461.5 million for the same period in 2019. Gross profit for the period increased 10% to HK$307.7 million compared to HK$280.4 million in 2019. Gross profit margins were at 57%.

Residential sales increased 58% to HK$282.3 million compared to HK$178.9 million in 2019. Most of these realised sales were derived from strong contracted sales generated during the second half of 2019. Realised sales were particularly strong in Tianjin, with residential sales increasing 134% to HK$145.5 million, and in Jiangmen where sales increased 210% to HK$94.3 million.

However, leasing revenues declined 13% to HK$161.2 million, compared to HK$186.2 million in 2019. Leasing revenues were negatively affected by the Coronavirus Disease 2019 ("COVID-19") as demand for offices and retail space declined given reduced business activities, reduced foot traffic at malls, the government's encouragement for office workers to work at home, and oversupply. Sino-U.S. tensions also adversely impacted business activity. As a result, the Group granted rent concessions, and unit rents and occupancy rates declined at the Group's commercial properties.

During the 2020 interim period, management has been able to obtain the approval from the local government authority for a land premium rebate of HK$178.4 million for Shanghai Landmark Center. In addition, management has been able to obtain the agreement from the main contractor for a further reduction of final contract sum of Shanghai Landmark Center, resulting in a reversal of construction accruals of HK$50.7 million. The land premium rebate and reversal of construction accruals have been reflected as part of the valuation movement in the 2020 interim period.

Underlying pre-tax profits (defined as profit before income tax excluding fair value adjustments on investment properties and one-off non-operating items) in 2020 increased 157% to HK$186.7 million compared to HK$72.7 million in 2019. However, net profit for 2020 declined 68% to HK$65.2 million as COVID-19 and Sino-U.S. tensions resulted in a significantly smaller gain in the fair value of investment properties compared to the 2019 interim period. Basic earnings per share for the period amounted to HK5.0 cents, while basic earnings per share for the same period in 2019 was HK21.9 cents. Book value per share was HK$24.8.

Liquidity and Financial Resources

As at 30 June 2020, the Group's total borrowings and amount due to a shareholder amounted to HK$3,342.9 million, representing an increase of 6% when compared with the equivalent figure of HK$3,165.6 million as at 31 December 2019. Total borrowings and amount due to a shareholder as at 30 June 2020 included Hong Kong Dollar borrowings of HK$556.5 million (31 December 2019: HK$300.7 million) and Renminbi borrowings that are equivalent to HK$2,786.4 million (31 December 2019: HK$2,864.9 million).

For the maturity dates of the Group's outstanding borrowings and amount due to a shareholder, HK$755.6 million are repayable within one year or on demand, HK$2,090.0 million repayable within two to five years, and HK$497.3 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 30 June 2020, the Group had restricted cash of HK$104.3 million (31 December 2019: HK$200.1 million). Unrestricted cash and cash equivalents (includes short-term bank deposits) amounted to HK$1,355.6 million (31 December 2019: HK$2,293.5 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 30 June 2020, the Group had charged certain assets worth HK$10,673.8 million (31 December 2019: HK$10,980.3 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 30 June 2020 was 22%, compared with 20% as at 31 December 2019. The Group's net debt to equity ratio for the same period was 12%, compared with 4% as at 31 December 2019. 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

The overall market environment for the property sector during the interim period was poor because of COVID-19 and Sino-U.S. tensions. Reflecting strong contracted sales in the second half of 2019, the Group's realised revenues from residential sales increased during the interim period. However, contracted sales were poor during the first quarter of the year because of the impact of COVID-19, with sales offices closed and local governments encouraging people to remain at home. China GDP growth contracted by 6.8% during the first quarter. However, since then, as COVID-19 infections have been contained, GDP has returned to growth in the second quarter, rising 2.5%, but still well below its normal rate. The government allowed the reopening of property sales offices and provided support for the property markets. Among these measures: a 50 basis point cut to the Reserve Requirement Rate; a circular by the China Banking and Insurance Regulatory Commission requiring banks to extend credit support to enterprises and individuals affected by the epidemic and delaying tax and land premium payments. As a result, market conditions for residential properties improved in the second quarter. Jiangmen has now nearly sold out its entire inventory of villas and apartments.

Revenues from property leasing declined as the COVID-19 epidemic resulted in reduced demand for office and retail properties. Demand for office properties dropped given reduced business activity, the government's encouragement of office workers to work from home, and oversupply of office properties. In addition, the government's discouragement of people from leaving their homes and from group gatherings reduced foot traffic in retail malls. As a result, instead of an expected increase in leasing revenues as the Group has recently completed two major office buildings, leasing revenues during the 2020 interim period declined 13% to HK$161.2 million.

Investment Properties

Shanghai

Shanghai leasing demand for the first half of 2020 was disappointing because of the effects of COVID-19. Some companies sought to downsize operations while others, both local and multinational companies, delayed expansion or even closed their offices. Because of reduced demand for office space combined with the addition of new projects, citywide vacancy rates rose by 0.5 of a percentage point in the second quarter to 17.4%. According to Savills, with landlords providing rental concessions, Grade A office effective rents fell by 4.0% in the second quarter to an average of RMB7.5 per square meter per day, the worst quarterly performance since the Global Financial Crisis.

The North Bund area has also been adversely affected by poor market conditions. However, over time, the North Bund area is expected 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.

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. However, new lease take-up was disappointing in the first half of 2020 because of COVID-19. Some tenants, suffering from the poor economy, were late on rentals payments. As a result, reduced demand for office supply combined with continued oversupply of office space in the Shanghai market resulted in lower leasing revenues. The Group believes the worst is over as Shanghai is reopening; however, the market environment remains tepid. The Group hopes that leasing uptake will improve as construction is completed in the surrounding area, making the area more attractive. The Group's attributable value in Landmark Center is valued at HK$3,991.4 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. Sinar Mas Plaza is still loss-making given interest costs are no longer capitalised and the buildings are not yet fully occupied. However, the Group anticipates that occupancy rates will continue to rise. The Group's attributable value in Sinar Mas Plaza is valued at HK$1,339.2 million or HK$2.6 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. The occupancy rate at newly renovated Shun Hing Square continues to rise and is now at 60%. With new leasing contracts recently signed, this rate should increase in the second half of the year. South Ocean Center continues to perform well as its occupancy remains at 100%.

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. During the interim period, the Group signed an agreement with the Ministry of Foreign Affairs Diaoyutai State Guesthouse Administration* (外交部釣魚台賓館管理局), the landlord for Legation Quarters, that will extend the lease, which was set to end next year, for an additional 10 years until 30 April 2031. As a result, lease uptake has increased. 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. The complex is expected to open in the third quarter.

* *For identification purposes only*

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.

Although the Group experienced strong realised sales during the interim period, these sales were initially recorded in the second half of 2019. Contracted sales have declined because of the impact of COVID-19. During the interim period, the Group recorded contracted sales of RMB42.7 million, a decline of 46% compared to RMB79.2 million during the same period in 2019.

The Group continues to wait for the Tianjin government to give approval for the development of its Tuanbo Lake land bank in Tianjin. The land area can support the development of approximately 836,000 square meters of land.

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.

During the interim period, the Group recorded contracted sales of RMB54.6 million, an increase of 121% compared to RMB24.7 million during the same period in 2019. Sales increased as the Group increased sales of its higher margin villas. The group sold 18 villas compared to 8 villas during the corresponding period in 2019. Also, the sales environment has improved given the improved prospects for the Greater Bay Area. All of the residential units in Jiangmen have been either sold or received letters of intent for purchase. Only car parks and commercial shops are still available for sale.

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. The Group expects to begin sales in September.

Meanwhile, the Group has essentially completed the resettlement for site A, which will enable the construction of additional 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 in order to increase the residential portion. The project is expected to be completed by the end of 2024.

The market environment for Shenyang was subdued during the period because of COVID-19. For the period, the Group recorded contracted sales of RMB78.6 million, a decrease of 8% compared to RMB85.0 million in the same period in 2019.

Renewable Energy

All of the Group's renewable energy projects are under its subsidiary, China Renewable Energy Investment Limited ("CRE"). During the interim period, CRE recorded HK$96.8 million in turnover. Poor wind conditions in the Heilongjiang region affected the performance of CRE's Mudanjiang and Muling wind farms. However, new contributions from the full operation of the Henan Songxian 74 Mega-Watt ("MW") wind project led to a slight increase in revenue as compared to last year's HK$96.4 million. Gross profit for the period was HK$35.7 million (2019: HK$44.4 million).

For the wind farms of the associates, wind conditions returned to normal during the first half of 2020. As a result, operational performance improved and net profit from the associates increased 23% to HK$33.6 million as compared to last year's HK$27.4 million.

The depreciation of Renminbi during the first half of 2020 resulted in a HK$4.4 million exchange loss. As a result, CRE's net profit after tax attributable to the equity holders of CRE for the period ended 30 June 2020 declined 12% to HK$36.8 million. Please refer to CRE's interim report for more details.

Prospects

Property

The continuing impact of COVID-19 around the world, resulting in negative worldwide growth and recession, as well as trade tension with the United States, will continue to adversely impact the Chinese economy and the property markets. However, the property markets are expected to stabilize in the second half of the year as China itself has been able to control COVID-19 infection. As a result, demand for residential and commercial properties is expected to be better than the first half of the year. Demand has improved enough that some local governments have been fine tuning policies to prevent overheating in the residential markets.

The Group believes that the sales outlook for residential properties in the second half of 2020 will improve somewhat given increased demand for residential properties. The demand that was suppressed in the first half of the year should be partially released in the second half of the year as confidence returns. With regard to existing residential properties, the Group will continue focusing on sales of its residential properties in Tianjin and Shenyang. In Jiangmen, only car parks and commercial shops are still available for sale.

In Shenyang, construction of additional low-rise apartments has been substantially completed. The Group has just received the sales permit and expects to launch sales in September. The Group has essentially completed resettlement at its site A in Shenyang and is in position to begin development of this next 75,000 square meters phase project subject to negotiation with the government. However, the Group continues to wait for the necessary development permits for its Tuanbo Lake land bank. The site can support the development of approximately 836,000 square meters of residential development.

For the second half of 2020, the Group expects the Shanghai leasing market to remain tepid given weak demand for offices and oversupply. However, the Group believes the worst is over. In Shenzhen, there are signs of improvement at the Group's Shun Hing Square retail mall as new leasing contracts have been signed with Haidilao, the large hotpot chain, and with a movie theatre company. In addition, the Group expects improvement in occupancy rates at Legation Quarters given its lease with Diaoyutai has been extended for an additional 10 years. The Group's South Ocean Center continues to be 100% occupied.

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 and the trading center is expected to open in the third quarter.

While overall conditions remain weak, the Group has a strong balance sheet, with a net debt to equity ratio of only 12%. As a result, the Group is well positioned to ride out the turmoil. With its strong balance sheet, the Group will be able to invest in new opportunities as they arise.

Renewable Energy

CRE's revenues are expected to increase in the second half of the year given its newly completed Songxian wind farm in Henan Province started to generate revenue from the entire wind farm in May 2020. With the completion of this wind farm, CRE's net power generating capacity has now increased by 10%. In addition, CRE has received approval from the Luoyang Development and Reform Commission to construct an additional 40 MW of wind power at Songxian. CRE 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 the wind tariff rate is relatively high.

Curtailment is expected to continue declining in 2020 as new transmission lines are completed and given the government has released the renewable energy consumption targets in which each region is now required to purchase a minimum amount of renewable energy. Please refer to CRE's interim report for more information.

Employees

As of 30 June 2020, 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.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK13 cents (2019: HK13 cents) per ordinary share for the six months ended 30 June 2020 to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 4 September 2020. The interim dividend will be paid on Thursday, 17 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The record date for the interim dividend is Friday, 4 September 2020. The register of members of the Company will be closed on Friday, 4 September 2020, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer agent in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 3 September 2020.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive directors of the Company (the "Director(s)") with written terms of reference in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and reports to the Board. The Audit Committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2020, which has also been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2020, the Company repurchased a total of 4,518,000 ordinary shares of the Company ("Shares") at an aggregate consideration of HK$30,934,480 (excluding expenses) on 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$*	*HK$*
January 2020	3,941,000	7.560	6.410	27,753,890
April 2020	317,000	5.970	5.050	1,846,310
May 2020	41,000	5.970	5.170	230,870
June 2020	219,000	5.340	4.600	1,103,410
TOTAL	4,518,000			30,934,480

4,511,000 Shares out of the 4,518,000 repurchased Shares were cancelled during the period under review and the remaining 7,000 repurchased Shares were cancelled in July 2020. 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 period under review.

As at 30 June 2020, there was a total of 511,113,246 Shares (31 December 2019: 515,624,246 Shares) in issue.

CORPORATE GOVERNANCE

The Company has complied with the code provisions (the "Code Provisions") and certain recommended best practices as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2020, except for the following:

Code Provision A.2.1

According to the Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer ("CEO") should be separate and performed by different individuals. Under the current organisation structure of the Company, the functions of CEO are performed by the Chairman, Mr. OEI Kang, Eric, with support from other Executive Directors. 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.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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules 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 throughout the six months ended 30 June 2020.

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.

PUBLICATION OF INTERIM REPORT

The 2020 interim report will be published on the websites of the Company (www.hkcholdings.com) and the Stock Exchange (www.hkexnews.hk) and dispatched to the shareholders of the Company in due course.

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

Hong Kong, 20 August 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.