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 2020

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 2020 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Note	**2020** **HK$ Million**	2019 HK$ Million
Revenue	*3*	**1,184.0**	1,036.9
Cost of sales	*5*	**(521.8)**	(354.5)
Gross profit		**662.2**	682.4
Other income – net	*4*	**235.6**	120.7
Fair value adjustments on investment properties		**(98.4)**	91.9
Selling and distribution costs	*5*	**(29.1)**	(36.4)
Administrative expenses	*5*	**(147.4)**	(148.2)
Other and general expenses	*5*	**(153.3)**	(66.7)
Operating profit		**469.6**	643.7
Finance income	*6*	**26.8**	57.2
Finance costs	*6*	**(186.4)**	(177.6)
Finance costs – net	*6*	**(159.6)**	(120.4)

* *For identification purpose only*

	Note	**2020**	2019
		HK$ Million	*HK$ Million*
Share of results of associates		**71.5**	83.0
Share of results of a joint venture		**(68.5)**	(152.5)
Profit before income tax		**313.0**	453.8
Income tax expense	*7*	**(71.4)**	(76.3)
Profit for the year		**241.6**	377.5
Profit attributable to:			
Equity holders of the Company		**202.3**	278.7
Non-controlling interests		**39.3**	98.8
		241.6	377.5
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share)	*8*		
Basic		**39.5**	52.8
Diluted		**39.3**	52.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	HK$ Million	*HK$ Million*
Profit for the year	**241.6**	377.5
Other comprehensive income/(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	**737.1**	(268.4)
– Currency translation differences of associates and a joint venture	**169.7**	(53.0)
Release of exchange differences upon liquidation of subsidiaries	**(0.2)**	(49.9)
Items that will not be reclassified subsequently to profit or loss		
Gain on property revaluation	**0.6**	–
Fair value loss on financial assets at fair value through other comprehensive income	**(1.1)**	(2.2)
Other comprehensive income/(loss) for the year, net of tax	**906.1**	(373.5)
Total comprehensive income for the year	**1,147.7**	4.0
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**914.3**	(35.9)
Non-controlling interests	**233.4**	39.9
	1,147.7	4.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	**2020**	2019
		HK$ Million	*HK$ Million*
ASSETS			
Non-current assets			
Investment properties		**12,631.9**	11,980.4
Right-of-use assets		**1,524.2**	1,455.0
Property, plant and equipment			
– Other property, plant and equipment		**1,372.0**	1,105.3
– Construction in progress		**–**	222.7
Intangible assets		**0.9**	1.0
Properties under development		**451.8**	549.1
Interests in associates		**1,301.9**	1,202.8
Interest in a joint venture		**1,424.0**	1,443.9
Financial assets at fair value through other comprehensive income		**15.8**	18.1
Financial assets at fair value through profit or loss		**2,037.7**	300.8
Prepayments and other receivables	*10*	**51.2**	59.1
Deferred income tax assets		**15.5**	–
Total non-current assets		**20,826.9**	18,338.2
Current assets			
Inventories		**12.9**	6.6
Properties under development		**–**	126.5
Properties held for sale		**374.9**	593.5
Financial assets at fair value through profit or loss		**243.7**	–
Trade and other receivables	*10*	**645.7**	474.7
Restricted cash		**88.5**	200.1
Cash and cash equivalents		**1,078.7**	2,293.5
Total current assets		**2,444.4**	3,694.9
Total assets		**23,271.3**	22,033.1

	Note	**2020** **HK$ Million**	2019 HK$ Million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**127.8**	128.9
Reserves		**13,573.6**	12,822.3
Equity attributable to equity holders of the Company		**13,701.4**	12,951.2
Non-controlling interests		**3,007.7**	2,783.2
Total equity		**16,709.1**	15,734.4
LIABILITIES			
Non-current liabilities			
Borrowings		**2,335.1**	2,559.6
Lease liabilities		**–**	8.0
Deferred income tax liabilities		**1,916.2**	1,829.2
Total non-current liabilities		**4,251.3**	4,396.8
Current liabilities			
Trade and other payables	*11*	**1,023.3**	1,100.6
Borrowings		**967.1**	408.3
Lease liabilities		**0.2**	22.7
Amount due to a shareholder		**196.9**	197.7
Current income tax liabilities		**123.4**	172.6
Total current liabilities		**2,310.9**	1,901.9
Total liabilities		**6,562.2**	6,298.7
Total equity and liabilities		**23,271.3**	22,033.1

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 HM 11, 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 18 March 2021.

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) 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 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform

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

(b) New standards 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 standards 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
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
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 2020. The Group has already commenced an assessment on the impact of these new standards and amendments to standards, and expected that the adoption of these new standards and amendments to standards will not have any significant 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 and Renewable energy.

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. 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 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 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*
Year ended 31 December 2020						
Revenue from external customers	**258.6**	**230.0**	**155.9**	**333.4**	**206.1**	**1,184.0**
Inter-segment revenue	–	–	–	**0.2**	–	**0.2**
Total revenue	**258.6**	**230.0**	**155.9**	**333.6**	**206.1**	**1,184.2**
Operating profit	**81.3**	**82.7**	**55.2**	**46.5**	**84.2**	**349.9**
Finance income	**5.5**	**2.3**	**1.8**	**4.3**	**2.7**	**16.6**
Finance costs	–	–	–	**(130.8)**	**(40.3)**	**(171.1)**
Share of results of associates	–	–	–	**3.8**	**67.7**	**71.5**
Share of results of a joint venture	–	–	–	**(68.5)**	–	**(68.5)**
Profit/(loss) before income tax	**86.8**	**85.0**	**57.0**	**(144.7)**	**114.3**	**198.4**
Income tax (expense)/credit	**(1.2)**	**(27.1)**	**(23.9)**	**29.2**	**(12.0)**	**(35.0)**
Profit/(loss) for the year	**85.6**	**57.9**	**33.1**	**(115.5)**	**102.3**	**163.4**
Depreciation of property, plant and equipment	–	–	–	**(1.2)**	**(92.1)**	**(93.3)**
Depreciation of right-of-use assets	–	**(18.9)**	–	**(2.0)**	**(1.2)**	**(22.1)**
Fair value adjustments on investment properties	–	–	–	**(98.4)**	–	**(98.4)**

	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 results of associates	–	–	–	20.5	62.5	83.0
Share of results 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						
	Zhejiang	**Shenyang**	**Tianjin**	**Jiangmen**	**Property investment and leasing**	**Renewable energy**	**Total reportable segments**
	HK$ Million	***HK$ Million***	***HK$ Million***	***HK$ Million***	***HK$ Million***	***HK$ Million***	***HK$ Million***
As at 31 December 2020							
Total assets	**87.3**	**1,274.6**	**1,974.5**	**189.1**	**16,362.5**	**2,798.5**	**22,686.5**
Total assets include:							
Interests in associates	**–**	**–**	**–**	**–**	**514.6**	**787.3**	**1,301.9**
Interest in a joint venture	**–**	**–**	**–**	**–**	**1,424.0**	**–**	**1,424.0**
Total liabilities	**176.6**	**488.7**	**1,280.8**	**32.1**	**5,186.4**	**974.7**	**8,139.3**
As at 31 December 2019							
Total assets	283.4	1,101.5	2,232.7	300.2	15,703.3	2,681.1	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 year of reportable segments to profit for the year of the Group is provided as follows:

	2020	2019
	HK$ Million	*HK$ Million*
Profit for the year of reportable segments	**163.4**	334.0
Unallocated amounts:		
Corporate expenses – net	**(54.7)**	(4.0)
Gain on liquidation of subsidiaries – net	**0.4**	48.8
Fair value gain/(loss) on financial assets at fair value through profit or loss – net	**35.3**	(3.6)
Dividend income from financial assets at fair value through profit or loss	**97.2**	2.3
Profit for the year of the Group	**241.6**	377.5

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

	2020	2019
	HK$ Million	*HK$ Million*
Total segment assets	**22,686.5**	22,302.2
Head office assets	**315.7**	1,253.8
Intra group elimination	**(2,028.1)**	(1,841.8)
Financial assets at fair value through other comprehensive income	**15.8**	18.1
Financial assets at fair value through profit or loss	**2,281.4**	300.8
Total assets per consolidated statement of financial position	**23,271.3**	22,033.1

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

	2020	2019
	HK$ Million	*HK$ Million*
Total segment liabilities	**8,139.3**	8,276.4
Head office liabilities	**607.1**	44.8
Intra group elimination	**(2,184.2)**	(2,022.5)
Total liabilities per consolidated statement of financial position	**6,562.2**	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.

Analysis of revenue by category:

	2020	2019
	HK$ Million	*HK$ Million*
Sales proceeds from properties held for sale	**644.5**	497.7
Rental income from investment properties	**333.4**	358.0
Renewable energy	**206.1**	181.2
	1,184.0	1,036.9

For the years ended 31 December 2020 and 2019, 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 the Group's total revenue.

4 OTHER INCOME – NET

	2020	2019
	HK$ Million	*HK$ Million*
Property management fee income	**20.4**	20.1
Gain/(loss) on disposal of property, plant and equipment – net	**0.4**	(3.3)
Fair value gain/(loss) on financial assets at fair value through profit or loss – net	**35.3**	(3.6)
Dividend income from financial assets at fair value through profit or loss	**97.2**	2.3
Gain on liquidation of subsidiaries – net	**0.4**	48.8
Government subsidies	**3.5**	–
Exchange gain – net	**55.6**	22.0
Others	**22.8**	34.4
	235.6	120.7

5 EXPENSES BY NATURE

	2020	2019
	HK$ Million	*HK$ Million*
Agency commission for properties sold	**(20.2)**	(22.5)
Auditor's remuneration		
– Audit services	**(2.7)**	(4.8)
– Non-audit services	**(0.6)**	(1.3)
Cost of properties sold during the year	**(381.9)**	(298.9)
Depreciation of right-of-use assets	**(22.1)**	(22.0)
Depreciation of property, plant and equipment	**(95.3)**	(85.9)
Direct operating expenses arising from investment properties that generate rental income	**(35.0)**	(43.4)
Employee benefit expenses	**(95.5)**	(98.9)
Legal and professional fee	**(5.9)**	(7.4)
Management service fee	**(13.9)**	(2.6)
Property management fee	**(23.8)**	(24.6)
Provision for impairment of trade receivables	**(8.6)**	(21.2)
Provision for housing facility fund *(Note)*	**(84.8)**	–
Rental expense relating to short-term leases	**(0.4)**	(0.8)
Repair and maintenance	**(8.2)**	(5.8)
Reversal of construction cost accruals for properties sold in previous years	**23.2**	97.4
Write-back of provision for legal claim	**–**	11.4
Write-off of trade and other receivables	**(8.5)**	(11.9)
Other expenses	**(67.4)**	(62.6)
	(851.6)	(605.8)
Represented by:		
Cost of sales	**(521.8)**	(354.5)
Selling and distribution costs	**(29.1)**	(36.4)
Administrative expenses	**(147.4)**	(148.2)
Other and general expenses	**(153.3)**	(66.7)
	(851.6)	(605.8)

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$84.8 million has been made accordingly.

6 FINANCE COSTS – NET

	2020	2019
	HK$ Million	*HK$ Million*
Finance costs:		
Interest expenses on bank borrowings	**(172.9)**	(167.9)
Interest expenses on amount due to a shareholder	**(8.8)**	(10.4)
Interest expenses on lease liabilities	**(1.4)**	(2.7)
Interest expenses on other loans	**(9.0)**	(9.1)
	(192.1)	(190.1)
Less: amounts capitalised	**5.7**	12.5
	(186.4)	(177.6)
Finance income:		
Interest income on bank deposits	**26.8**	57.2
Finance costs – net	**(159.6)**	(120.4)

The capitalisation rate used to determine the amount of finance costs to be capitalised was the weighted average interest rate applicable to the Group's general borrowings during the year, in this case 4.82% (2019: 4.82%). Such finance costs were ceased to be capitalised after the construction in progress were transferred to property, plant and equipment upon completion in May 2020.

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 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).

	2020	2019
	HK$ Million	*HK$ Million*
Current income tax		
Mainland China income tax	**(76.9)**	(61.9)
Mainland China land appreciation tax	**(45.1)**	(29.1)
	(122.0)	(91.0)
Deferred income tax		
Credited to the income statement	**50.6**	14.7
	(71.4)	(76.3)

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.

	2020	2019
Profit attributable to equity holders of the Company (HK$ Million)	**202.3**	278.7
Weighted average number of ordinary shares in issue (Million)	**512.1**	527.4
Basic earnings per share (HK cents per share)	**39.5**	52.8

(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.

	2020	2019
Profit attributable to equity holders of the Company (HK$ Million)	**202.3**	278.7
Effect of assumed conversion of convertible notes issued by a subsidiary (HK$ Million)	**(0.8)**	(4.3)
Profit used to determine diluted earnings per share (HK$ Million)	**201.5**	274.4
Weighted average number of ordinary shares for calculation of diluted earnings per share (Million)	**512.1**	527.4
Diluted earnings per share (HK cents per share)	**39.3**	52.0

9 DIVIDENDS

	2020	2019
	HK$ Million	*HK$ Million*
Interim dividend paid, of HK13 cents (2019: HK13 cents) per ordinary share	**66.5**	68.7
Second interim dividend proposed, of HK13 cents (2019: Nil) per ordinary share	**66.4**	–
No final dividend proposed (2019: HK13 cents per ordinary share)	**–**	66.5

The Board does not recommend the payment of final dividend for the year ended 31 December 2020.

On 13 January 2021, the Board resolved to declare a second interim dividend of HK13 cents per ordinary share payable in cash for the year ended 31 December 2020. As the second interim dividend is declared after the end of the reporting period, such dividend is not recognised as liability as at 31 December 2020.

On 20 August 2020, the Board has declared an interim dividend of HK13 cents per ordinary share payable in cash, amounting to a total of HK$66.5 million was paid in September 2020.

For the year ended 31 December 2019, a final dividend of HK13 cents per ordinary share payable in cash, amounting to a total of HK$66.5 million was paid in June 2020.

10 PREPAYMENTS, TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$ Million	*HK$ Million*
Non-current		
Prepayments and other receivables	**51.2**	59.1
Current		
Trade receivables	**268.2**	160.4
Less: provision for impairment	**(43.2)**	(31.9)
Trade receivables – net	**225.0**	128.5
Bills receivable	**0.9**	4.2
Prepaid taxes	**–**	14.8
Prepayments, other receivables and deposits	**419.8**	327.2
	645.7	474.7
	696.9	533.8

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

	2020	2019
	HK$ Million	*HK$ Million*
Less than 2 months	**62.2**	45.5
2 to less than 6 months	**29.1**	23.4
6 to less than 12 months	**54.2**	49.6
12 months and more	**79.5**	10.0
	225.0	128.5

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

	2020	2019
	HK$ Million	*HK$ Million*
Less than 2 months	**215.0**	104.5
2 to less than 6 months	**1.2**	1.9
6 to less than 12 months	**1.2**	10.5
12 months and more	**7.6**	11.6
	225.0	128.5

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$194.6 million (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.

11 TRADE AND OTHER PAYABLES

	2020	2019
	HK$ Million	*HK$ Million*
Trade payables	**13.7**	16.1
Retention payables	**38.6**	46.4
Properties sale deposits received	**99.5**	122.2
Other payables and accruals	**871.5**	915.9
	1,023.3	1,100.6

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

	2020	2019
	HK$ Million	*HK$ Million*
Less than 2 months	**6.8**	6.2
2 to less than 6 months	**0.4**	0.1
6 to less than 12 months	**0.4**	0.2
12 months and more	**6.1**	9.6
	13.7	16.1

12 EVENT AFTER THE REPORTING PERIOD

Reference was made to the joint announcement made by the Company and Genesis Ventures Limited (a company ultimately beneficially owned as to 50% by Mr. OEI Kang, Eric and 50% by his wife, Mrs. OEI Valonia Lau) on 17 January 2021. On 12 January 2021, the Company received a privatisation proposal offered by Genesis Ventures Limited by way of a scheme of arrangement under section 99 of the Companies Act 1981 of Bermuda. The Company will apply to the Stock Exchange for withdrawal of listing of its shares on the Stock Exchange, subject to the scheme becoming effective, such withdrawal will take place following the effective date. The procedures are underway and expected to be completed in the first half of 2021 subject to the fulfilment of conditions attached to the scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the year ended 31 December 2020, turnover amounted to HK$1,184.0 million, an increase of 14% over turnover of HK$1,036.9 million for the same period in 2019. Gross profit for the period decreased 3% to HK$662.2 million compared to HK$682.4 million in 2019.

Property sales increased 29% to HK$644.5 million compared to HK$497.7 million in 2019. Realised sales were strong in Shenyang, with residential sales increasing 38% to HK$258.6 million. In Jiangmen, sales increased 157% to HK$155.9 million as the Group sold its remaining inventory of villas and a large number of car parks.

However, leasing revenues declined 7% to HK$333.4 million, compared to HK$358.0 million in 2019. Leasing revenues were negatively affected by the Coronavirus Disease 2019 ("**COVID-19**") as demand for offices and retail space dropped given reduced business activity, 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 lease rates and occupancy rates declined at the Group's commercial properties.

With less of the higher margin leasing revenues, gross profit margins dropped to 56% from 66% in 2019. The Group was also negatively impacted by a revaluation loss on its investment properties of HK$98.4 million. This is a reversal of the HK$91.9 million in gains recorded for 2019. As a result, net profit for 2020 declined 36% to HK$241.6 million. Basic earnings per share for the period amounted to HK39.5 cents, while basic earnings per share for the same period in 2019 was HK52.8 cents. Book value per share was HK$26.8.

Liquidity and Financial Resources

As at 31 December 2020, the Group's total borrowings and amount due to a shareholder amounted to HK$3,499.1 million, representing an increase of 11% 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 31 December 2020 included Hong Kong Dollar borrowings of HK$813.4 million (31 December 2019: HK$300.7 million) and Renminbi borrowings that are equivalent to HK$2,685.7 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$1,164.0 million are repayable within one year or on demand, HK$2,115.9 million repayable within two to five years, and HK$219.2 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 2020, the Group had restricted cash of HK$88.5 million (31 December 2019: HK$200.1 million). Unrestricted cash and cash equivalents (including short-term bank deposits) amounted to HK$1,078.7 million (31 December 2019: HK$2,293.5 million).

During the year, the Group has invested in the securities of other listed companies as part of its cash management activities, resulting in a significant drop of cash and cash equivalents. These listed securities investments are classified as financial assets at fair value through profit or loss with market value of HK$2,281.4 million as at 31 December 2020. Dividend income of HK$97.2 million was generated from and fair value gain of HK$35.3 million was recognised on these investments for the year.

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 2020, the Group had charged certain assets worth HK$12,168.9 million (31 December 2019: HK$10,980.3 million) as security for 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 2020 was 21%, compared with 20% as at 31 December 2019. The Group's net debt to equity ratio for the same period was 14%, 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 involved in 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. The biggest risk for property developers in 2021 has been the government's announced policy to reduce leverage. The Group does not face this issue as its leverage is among the lowest in the industry.

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. In 2020, Renminbi has appreciated and has helped boost the value of the Group's book value.

Investment Risk

As part of its cash management activities, the Group has invested in the securities of other listed companies. The value of these securities are subject to the fluctuations of the markets.

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 year was poor because of COVID-19 and Sino-U.S. tensions. Contracted sales were extremely sluggish 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. For the full year, GDP rose 2.3%. 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; delaying tax and land premium payments; and lowering the required size of land transfer fees. As a result, market conditions for residential properties started improving in the second quarter. For the second half of the year, contracted sales reached RMB320.2 million, an increase of 82% compared to the first half of the year, although still down 5% compared to the same period in 2019. Jiangmen has now completely sold out its entire inventory of villas and apartments.

However, there has not been much improvement in leasing revenues. 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 year declined 7% to HK$333.4 million.

Investment Properties

Shanghai

Shanghai leasing demand for 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 remain high at 16.8%. According to Savills, with landlords providing rental concessions, Grade A office effective rents fell 7.0% in 2020 to an average of RMB7.3 per square meter per day.

The North Bund area has similarly 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 2020 because of COVID-19. Some tenants, suffering from the poor economy, were late on 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. As GAC NIO and McDonalds have both recently signed leasing contracts and the local economy improves, the Group hopes that leasing uptake will improve in 2021. The Group's attributable value in Landmark Center is valued at HK$4,400.9 million or HK$8.6 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$1,424.0 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. The occupancy rate at newly renovated Shun Hing Square is around 60%, lower than expected because of the impact of COVID-19. 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 year, 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. The Group also owns a trading center for furniture and building materials in Nanxun, Zhejiang Province. The Group has recently expanded 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 second quarter of 2021.

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. Contracted sales have declined as much of the inventory has already been sold. During the year, the Group recorded contracted sales of RMB118.1 million compared to RMB313.3 million 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 year, the Group recorded contracted sales of RMB118.8 million, an increase of 66% compared to RMB71.6 million in 2019. The Group sold 33 villas compared to 21 villas in 2019. Most of the units in Jiangmen have now been completely sold. Only car parks and some commercial space are still available.

* *For identification purposes only*

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. The first completed portion consists of two high-rise blocks (mainly for housing resettled residents) with ground floor shops and a small communal block.

Construction of the second portion, with a GFA of approximately 6,400 square meters (GFA of approximately 9,590 square meters including basement) has been completed. Sales began in September, with very strong demand.

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 improved in 2020, the Group recorded contracted sales of RMB259.2 million, an increase of 82% compared to RMB142.1 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 year, CRE recorded HK$206.1 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 Group's Henan Songxian 74 Mega-Watt ("**MW**") wind project led to a 14% increase in revenue as compared to last year's HK$181.2 million. Gross profit for the year was HK$77.1 million (2019: HK$68.6 million).

For the wind farms of the associates, operational performance improved and net profit from the associates increased 11% to HK$54.3 million as compared to last year's HK$48.9 million.

The appreciation of Renminbi during 2020 resulted in a HK$17.6 million exchange gain. Combined with the improved operational performance, CRE's net profit after tax attributable to the equity holders of CRE for the year ended 31 December 2020 increased 50% to HK$86.2 million. Please refer to CRE's annual results announcement 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. The PRC government's plans to reduce risks in the property industry by limiting leverage will have an additional impact on the industry.

However, the economy is expected to continue improving in 2021, particularly given China has been able to control COVID-19 and the expectation that vaccine rollouts will immunize much of the population from the disease. As a result, we still expect moderate growth for residential sales. 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 some commercial space are still available.

In Shenyang, construction of additional low-rise apartments has been completed and sales have begun. Demand has been strong for the units. 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 land bank. The site can support the development of approximately 836,000 square meters of residential development.

COVID-19, the reduced demand for office and retail space, and the oversupply of commercial property in Shanghai will continue to put pressure on the Group's Landmark Center and Sinar Mas Plaza. However, as business activity recovers, we hope some improvement in leasing over the upcoming year.

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 DY Cinemas. In addition, the Group hopes 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 is 100% occupied as an educational company has taken a substantial amount of space.

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 second quarter of 2021.

While overall conditions remain weak, the Group has a strong financial position, with a net debt to equity ratio of only 14%. As a result, the Group is well positioned to ride out the turmoil. With its strong financial position, the Group is not affected by the "345 de-leveraging rules' that will force property developers to sell assets in order to reduce leverage. If opportunities arise because of these sales, the Group may be able to use its financial position to take advantage of these opportunities.

Renewable Energy

Looking forwards, with the election of Joe Biden as President of the United States and the country's re-entry into the Paris Agreement, the emphasis on renewable energy around the world will accelerate. The importance of reducing global warming is one of the few areas that China and the United States commonly agree on, so we expect China to continue in its efforts to increase the role of renewable energy in its economy and CRE should benefit.

For 2021, CRE will benefit from the full year operations of Songxian which was completed in May.

Curtailment is expected to continue declining in 2021 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. Please refer to CRE's annual results announcement for more information.

Employees

As of 31 December 2020, the Group employed approximately 220 employees across its operations in Hong Kong and the Mainland China. All employees are remunerated according to the nature of their jobs, their individual performances, the Group's overall performance and prevailing market conditions.

FINAL DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2020 (2019: HK13 cents per ordinary share).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2020, the Company repurchased a total of 4,550,000 ordinary shares of the Company ("**Shares**") at an aggregate consideration of HK$31,088,470 (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
July 2020	32,000	4.870	4.700	153,990
TOTAL	4,550,000			31,088,470

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 2020, there was a total of 511,074,246 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 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 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 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.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 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 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.

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 2020.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 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 2020 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, 18 March 2021

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.