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C C Land Holdings Limited

中渝置地控股有限公司

(Incorporated in Bermuda with limited liability)

Website: www.ccland.com.hk

(Stock Code: 1224)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board of directors (the “Board”) of C C Land Holdings Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2023 together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2023 HK\$'000	2022 HK\$'000
REVENUE			
Interest income	4	-	2,060
Revenue from other sources	4	472,980	496,308
Total revenue		472,980	498,368
Cost of services provided		(32,814)	(24,044)
Gross profit		440,166	474,324
Other income and gains, net	4	75,108	99,683
Administrative expenses		(345,348)	(342,996)
Impairment losses on financial assets, net		(66,205)	(979,775)
Other expenses		(2,138,999)	(1,636,027)
Finance costs	5	(640,772)	(429,663)
Share of profits and losses of:			
Joint ventures		813,335	949,813
Associates		(53,452)	(41,088)
LOSS BEFORE TAX	6	(1,916,167)	(1,905,729)
Income tax expense	7	(21,073)	(34,612)
LOSS FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		(1,937,240)	(1,940,341)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted		HK(49.90) cents	HK(49.98) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2023	2022
	HK\$'000	HK\$'000
LOSS FOR THE YEAR	<u>(1,937,240)</u>	<u>(1,940,341)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Cash flow hedge:		
Effective portion of changes in fair value of hedging instruments arising during the year	(74,308)	113,387
Exchange differences on translation of foreign operations	725,072	(1,641,787)
Share of other comprehensive income/(loss) of joint ventures	13,458	(16,651)
Share of other comprehensive income/(loss) of associates	<u>(8,937)</u>	<u>14,140</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>655,285</u>	<u>(1,530,911)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>655,285</u>	<u>(1,530,911)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	<u><u>(1,281,955)</u></u>	<u><u>(3,471,252)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2023 HK\$'000	2022 HK\$'000
NON-CURRENT ASSETS			
Property and equipment		121,075	170,521
Investment properties		10,963,627	12,149,321
Golf club membership		10,540	10,540
Investments in joint ventures		8,166,713	8,601,789
Investments in associates		2,037,138	1,746,271
Prepayments, deposits and other receivables		4,625	4,559
Derivative financial instruments		64,274	131,452
Total non-current assets		<u>21,367,992</u>	<u>22,814,453</u>
CURRENT ASSETS			
Trade receivables	10	10,735	9,120
Prepayments, deposits and other receivables		184,336	260,852
Financial assets at fair value through profit or loss		1,063,367	1,199,420
Prepaid income tax		2,285	3,417
Pledged deposits		75,737	23,507
Restricted bank balances		70,748	140,857
Cash and cash equivalents		2,586,638	1,745,403
Total current assets		<u>3,993,846</u>	<u>3,382,576</u>
CURRENT LIABILITIES			
Other payables and accruals		418,257	466,694
Interest-bearing bank and other borrowings		2,128,428	188,017
Tax payable		29,210	90,497
Total current liabilities		<u>2,575,895</u>	<u>745,208</u>
NET CURRENT ASSETS		<u>1,417,951</u>	<u>2,637,368</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>22,785,943</u>	<u>25,451,821</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		6,907,288	8,218,875
Notes payable		2,317,415	2,313,014
Other payables		16,171	28,408
Derivative financial instruments		13,147	-
Total non-current liabilities		<u>9,254,021</u>	<u>10,560,297</u>
Net assets		<u>13,531,922</u>	<u>14,891,524</u>
EQUITY			
Issued capital	11	388,233	388,233
Reserves		13,143,689	14,503,291
Total equity		<u>13,531,922</u>	<u>14,891,524</u>

Notes:

1. BASIS OF PREPARATION

The Company is incorporated in Bermuda as an exempted company with limited liability and whose shares are publicly traded on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The principal activities of the Group are described in note 3 below.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, investment properties and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any material impact on the financial position or performance of the Group.
- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has two reportable operating segments as follows:

- | | | |
|---|---|---|
| Property development and investment segment | – | Development and investment of properties |
| Treasury investment segment | – | Investments in securities and notes receivable, and provision of financial services |

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that finance costs as well as head office and corporate expenses are excluded from such measurement.

Information regarding the reportable segments is presented below.

Reportable segment information

Year ended 31 December 2023

	Property development and investment HK\$'000	Treasury investment HK\$'000	Total HK\$'000
Segment revenue (note 4)			
Revenue from external customers	471,138	1,842	472,980
Segment results	(1,014,580)	(182,642)	(1,197,222)
Corporate and unallocated expenses			(78,173)
Finance costs			(640,772)
Loss before tax			(1,916,167)
Other segment information:			
Share of profits/(losses) of:			
Joint ventures	813,335	-	813,335
Associates	(53,452)	-	(53,452)
Capital expenditure in respect of items of property and equipment	(265)	-	(265)
Depreciation	(49,836)	-	(49,836)
Fair value losses on derivative financial instruments, net – transactions not qualifying as hedges	(4,778)	-	(4,778)
Fair value losses on investment properties	(1,998,151)	-	(1,998,151)
Fair value losses on financial assets at fair value through profit or loss, net	-	(136,053)	(136,053)
Impairment losses on financial assets, net	(66,205)	-	(66,205)
Investments in joint ventures	8,166,713	-	8,166,713
Investments in associates	2,037,138	-	2,037,138

Year ended 31 December 2022

	Property development and investment HK\$'000	Treasury investment HK\$'000	Total HK\$'000
Segment revenue (note 4)			
Revenue from external customers	494,601	3,767	498,368
Segment results	(1,194,935)	(205,924)	(1,400,859)
Corporate and unallocated expenses			(75,207)
Finance costs			(429,663)
Loss before tax			(1,905,729)
Other segment information:			
Share of profits/(losses) of:			
Joint ventures	949,813	-	949,813
Associates	(41,088)	-	(41,088)
Capital expenditure in respect of items of property and equipment	(4,396)	-	(4,396)
Depreciation	(54,480)	-	(54,480)
Fair value gains on derivative financial instruments, net – transactions not qualifying as hedges	34,666	-	34,666
Fair value losses on investment properties	(1,443,335)	-	(1,443,335)
Fair value losses on financial assets at fair value through profit or loss, net	-	(140,486)	(140,486)
Reversal of impairment losses/(impairment losses) on financial assets, net	(980,827)	1,052	(979,775)
Investments in joint ventures	8,601,789	-	8,601,789
Investments in associates	1,746,271	-	1,746,271

Geographical information

(a) Revenue from external customers		
	2023	2022
	HK\$'000	HK\$'000
United Kingdom	471,138	494,601
Hong Kong	1,842	3,767
	472,980	498,368

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2023 HK\$'000	2022 HK\$'000
United Kingdom	17,466,284	18,923,937
Chinese Mainland	339	622
Hong Kong	3,832,470	3,524,717
Australia	-	229,166
	<u>21,299,093</u>	<u>22,678,442</u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments.

Information about major customers

Revenue of HK\$93,927,000, HK\$72,776,000, HK\$49,458,000 and HK\$48,221,000 (2022: HK\$95,367,000 and HK\$76,885,000) was derived from four (2022: two) tenants which accounted for 10% or more of the Group's revenue and was derived from the property development and investment segment.

4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of the Group's revenue, other income and gains, net, is as follows:

	2023 HK\$'000	2022 HK\$'000
<u>Revenue</u>		
<i>Interest income</i>		
Interest income from loans receivable	-	2,060
<i>Revenue from other sources</i>		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	6,698	7,919
Other lease payments, including fixed payments	464,440	486,682
	<u>471,138</u>	<u>494,601</u>
Dividend income from listed equity investments	1,842	1,707
	<u>472,980</u>	<u>496,308</u>
	<u>472,980</u>	<u>498,368</u>

	2023 HK\$'000	2022 HK\$'000
<u>Other income and gains, net</u>		
Bank interest income	59,538	12,113
Interest income from amounts due from associates	-	27,805
Fair value gains on derivative financial instruments, net – transactions not qualifying as hedges	-	34,666
Exchanges gains, net	15,501	-
Gain on disposal of an associate	-	23,549
Gain on disposal of a joint venture	-	16
Gain on disposal of items of property and equipment	-	178
Others	69	1,356
	<u>75,108</u>	<u>99,683</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 HK\$'000	2022 HK\$'000
Interest on bank and other borrowings	514,642	303,536
Interest on notes payable	125,114	125,156
Interest on lease liabilities	1,016	971
	<u>640,772</u>	<u>429,663</u>

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2023 HK\$'000	2022 HK\$'000
Depreciation of owned assets	35,783	39,433
Depreciation of right-of-use assets	14,053	15,047
	<u>49,836</u>	<u>54,480</u>
Lease payments not included in the measurement of lease liabilities	4,169	3,379
Auditor's remuneration	6,100	6,100
Employee benefit expense (including directors' remuneration):		
Wages and salaries	194,304	200,350
Pension scheme contributions	6,979	6,995
	<u>201,283</u>	<u>207,345</u>
Fair value losses on investment properties	1,998,151*	1,443,335*
Fair value losses on financial assets at fair value through profit or loss, net	136,053*	140,486*
Losses on disposal of financial assets at fair value through profit or loss, net	-	3,592*
Fair value losses/(gains) on derivative financial instruments, net – transactions not qualifying as hedges	4,778*	(34,666)

	2023	2022
	HK\$'000	HK\$'000
Loss on disposal of property and equipment	17*	-
Foreign exchange differences, net	(15,501)	48,614*
Impairment losses/(reversal of impairment losses) on financial assets, net:		
Loans and interest receivables	-	(1,052)
Prepayments, deposits and other receivables	66,205	980,827
	66,205	979,775
Gross rental income	(471,138)	(494,601)
Direct operating expenses arising from rental-earning investment properties	32,814	24,044
Net rental income	(438,324)	(470,557)

* These expenses are included in "Other expenses" in the consolidated statement of profit or loss.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%). Corporation tax in the United Kingdom ("UK") has been provided at an effective rate of 23.5% (2022: 19%) according to the requirements set forth in the relevant UK tax laws and regulations.

Tax on profits assessable in Chinese Mainland has been calculated at the applicable PRC corporate income tax rate of 25% (2022: 25%) during the year, except for one subsidiary of the Group, which is operating in Tibet and is entitled to a preferential income tax rate of 15% (2022: 15%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2023	2022
	HK\$'000	HK\$'000
Current charge for the year		
UK	51,206	41,509
Chinese Mainland	-	9,991
Overprovision in prior years	(30,133)	(24,702)
Deferred tax	-	7,814
Total tax charge for the year	21,073	34,612

8. DIVIDENDS

	2023	2022
	HK\$'000	HK\$'000
Proposed final:		
- Nil (2022: HK\$0.02 per ordinary share)	-	77,647

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023.

No interim dividend was declared in respect of the years ended 31 December 2023 and 2022.

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share is based on the loss for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share presented for the years ended 31 December 2023 and 2022 as the Group had no potentially dilutive ordinary shares in issue during the years.

The calculation of basic and diluted loss per share is based on:

	2023 HK\$'000	2022 HK\$'000
<u>Loss</u>		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	<u>(1,937,240)</u>	<u>(1,940,341)</u>
	Number of shares	
	2023	2022
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	<u>3,882,334,668</u>	<u>3,882,334,668</u>

10. TRADE RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables	<u>10,735</u>	<u>9,120</u>

The trade receivables primarily include rental receivables which are normally billed in advance and due on the first day of the billing period. Certain tenants are required to pay security deposits which are held by the property manager on trust for both the Group and the Group's tenants. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

An ageing analysis of the trade receivables at the end of the reporting period, based on the invoice date, is as follows:

	2023 HK\$'000	2022 HK\$'000
1 to 3 months	8,040	8,462
3 to 6 months	2,695	658
	<u>10,735</u>	<u>9,120</u>

The Group's tenants normally settle their bills in a timely manner and the Group's trade receivables as at the end of the reporting period are less than six months past due. As such, the Group's exposure to credit risk is insignificant and the directors of the Company were of the opinion that the expected credit losses of these rental receivables are minimal.

11. SHARE CAPITAL

	2023 HK\$'000	2022 HK\$'000
Authorised: 20,000,000,000 ordinary shares of HK\$0.10 each	<u>2,000,000</u>	<u>2,000,000</u>
Issued and fully paid: 3,882,334,668 ordinary shares of HK\$0.10 each	<u>388,233</u>	<u>388,233</u>

RESULTS

The Group achieved a consolidated revenue of HK\$473.0 million, representing a decrease of approximately 5.1% compared to HK\$498.4 million in 2022. The Group's net loss for the year was HK\$1,937.2 million (2022: HK\$1,940.3 million). The loss was primarily due to the fair value losses of approximately HK\$2.0 billion on the Group's investment properties in the UK, and higher finance costs, both resulting from the interest rate hikes during the year. Otherwise, excluding this non-cash and unrealized item, the Group would record a profit of HK\$61.0 million for the year. The loss attributable to shareholders for the year was HK\$1,937.2 million (2022: HK\$1,940.3 million). The basic loss per share for the year was HK49.90 cents (2022: HK49.98 cents).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: HK\$0.02 per ordinary share).

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting ("AGM") will be held on Monday, 20 May 2024. A notice of the AGM will be published and dispatched to the shareholders in due course.

The Register of Members of the Company will be closed from Tuesday, 14 May 2024 to Monday, 20 May 2024, both days inclusive, for determining the eligibility of shareholders for attending and voting at the AGM. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m., Monday, 13 May 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group continues its property investment and development business in major cosmopolitan cities, covering London, the UK, Hong Kong and some key cities in Chinese mainland. The Group believes these cities with their sound infrastructures will see continual economic growth, and investments can generate good returns on a long-term basis.

Revenue and Operating Profit

Performance for the year was impacted by the unstable and uncertain economic environment arising from the global interest rates hikes despite the long-awaited reopening of the border with Chinese mainland in 2023 after the Covid pandemic. The economic rebound in Hong Kong and Chinese mainland is still weak. The road ahead could still be very bumpy given the geopolitical tension. Interest rates will still be at a high level for a period of time although their peak levels appear to have been reached. The recovery of the Chinese mainland property market is still weak despite various central supportive measures.

The rental income from the investment property portfolio decreased by 4.8% compared to the corresponding period last year, amounting to HK\$471.1 million, mainly due to the expiry of certain leases in One Kingdom Street.

Total revenue amounted to HK\$473.0 million (2022: HK\$498.4 million) which represents a decrease of 5.1% compared with that of last year.

The geopolitical tension and global interest rate hikes had led to liquidity issues in various world financial markets, resulting in a general decline in equity prices. This has an adverse impact on the Group's treasury investment business. The treasury investment segment, comprising of listed equity securities and unlisted investment funds, recorded fair value losses of HK\$136.1 million (2022: HK\$140.5 million) during the year.

After years of investment, the Group's share of the results from the operation of joint venture investments (including investments in joint ventures and associates) recorded a profit of HK\$759.9 million for the year, which represents a decrease of HK\$148.8 million compared to last year. The decrease is primarily due to the absence of the one-off gain of HK\$435.7 million on bargain purchase relating to the acquisition of a 42% effective interest in the No. 15 Shouson project in the previous year, and offset by the increased profit contribution of HK\$308.5 million principally from the Thames City project, The Whiteley project and the No. 15 Shouson project.

The value of the Group's investment properties in the UK continued to be adversely impacted by the interest rate hikes which resulted in fair value losses of HK\$2.0 billion. As this expense is non-cash in nature, and the Group is holding these investment properties for long term rental purposes, the Group does not expect its overall financial position to be affected substantially.

As at 31 December 2023, the Group's investment properties in the UK were revalued by Knight Frank Petty Limited ("KF") at GBP1.1 billion, representing a decrease of 14.9% compared to that of the previous year end. Same as in 2022, KF adopted the income capitalization approach with the following key values of inputs:

Values of input	31 December 2023	31 December 2022	Relationship to fair value
Estimated rental values (per square foot per annum)	GBP60 to GBP112.5	GBP60 to GBP110	The higher the rental values the higher the fair value
Equivalent yields	5.03% to 5.89%	3.99% to 4.91%	The higher the yields the lower the fair value

The income capitalization approach took into consideration the rental values of the tenancies and the investment yields which are the critical factors in determining its values and is widely considered to be the most adopted and appropriate methodology for valuing properties held for long term rental purpose. The decrease in fair value as at 31 December 2023 was mainly driven by the upward adjustment of the investment yields to 5.03% to 5.89% which is reasonable and in line with the Group's expectation in view of the interest rate hikes during the year.

The loss attributable to shareholders was HK\$1,937.2 million (2022: HK\$1,940.3 million). The basic loss per share for year was HK49.90 cents (2022: HK49.98 cents).

Investment Properties

As at 31 December 2023, the Group owns two Grade A commercial properties in Central London, the UK.

London

The two commercial buildings, namely The Leadenhall Building and One Kingdom Street, with an approximate total leasable area of 875,000 square feet ("sqf"), are located in the prime financial and insurance districts in the Central London, UK. These two buildings represent the Group's core rental business and continue to contribute a secure and stable revenue income stream.

During the year, the Group generated a rental income of HK\$471.1 million (2022: HK\$494.6 million) from its investment properties in the UK. The Group's rent collection has been unperturbed with 98% of rent collected in the year (2022: 99%).

The Group believes the long-term prospects for London remain positive given the latter's status as a major global city, with a commercial property market that draws lasting interest from both occupiers and investors.

The Leadenhall Building

The Leadenhall Building, a skyscraper having a height of 225 metres (738 feet) tall, is one of the iconic buildings in the Central London district. The building's distinctive wedge-shaped architectural design has created several specific spaces to cater for the different needs of the tenants' businesses. The combination of modern offices and food experiences in the neighborhood enables tenants' businesses to attract and retain talented people working there. The property consists of 46 floors which are used mainly for office purposes and will be held by the Group as investment property for long-term capital growth. It comprises approximately 610,000 sqf of office and retail space and is almost fully let with a weighted average unexpired lease term of approximately 8.6 years with 7.2 years on a term-certain basis. The building's tenant base includes several renowned international insurance companies alongside other financial institutions, technology, and professional service businesses. The current annual contract rent of The Leadenhall Building is in the region of GBP40.6 million (2022: GBP41.6 million). As at 31 December 2023, 98% of the office space was leased. The rental yield is approximately 3.5% (2022: 3.6%) per annum.

One Kingdom Street

The property is well connected to public transportation with nearby underground metro stations, providing easy access to Oxford Street or Heathrow Airport. One Kingdom Street is situated in Paddington Central, an area comprised of dining, office and residential blocks, hotel, retail and entertainment amenities. The building was recently refurbished with luxury-feel office spaces, together with its featured elegant, glazed exteriors and a superbly functional entrance hall. Above the hall, 265,000 sqf of superior office space is spread over nine floors. There is a huge amount of natural light in every office to create a productive and enjoyable working environment.

One Kingdom Street offers approximately 265,000 sqf of Grade A office accommodation and some parking spaces, with a current annual contract rent of approximately GBP12.4 million (2022: GBP15.4 million), equivalent to an annual yield of 4.3% (2022: 5.3%). The building is 71% leased to reputable major tenants and the refurbishment of the vacant spaces are under way in order to speed up the leasing activities. As at the date of this announcement, lease terms of two vacant floors with approximately 54,500 sqf have been agreed. Apart from office accommodation, after completion of the metro Elizabeth Line's related construction works, Transport for London has returned to One Kingdom Street 15,360 sqf of vacant space underneath the office tower. The Group is currently exploring various leasing options for this vacant space which may entail creating an urban logistics hub in collaboration with adjacent landlords in Paddington Central.

The Group had successfully renewed the lease with one of its major tenants in One Kingdom Street for a total area of approximately 93,100 sqf with an approximately 26% uplift on the passing rent.

The Group manages the property leases proactively in order to maintain sustainable occupancy rates and high tenant retention, while reducing the tenant concentration risks. It also engages with the tenants regularly to strengthen the property's position as a choice office in Central London.

Joint Ventures

As at 31 December 2023, the Group has seven property projects operating through joint ventures, two projects with over 0.8 million sqf of attributable development space in Central London, three projects with approximately 0.5 million sqf in Hong Kong and two projects with approximately 6.8 million sqf in the Chinese mainland.

The Group's total investments in joint venture projects decreased slightly to HK\$10.2 billion as at 31 December 2023, up from HK\$10.3 billion as at 31 December 2022. The decrease was largely due to the accumulated profit shared by the joint ventures and the effect of foreign exchanges after offsetting the cash distribution from joint venture. There was no acquisition or disposal of joint ventures during the year under review.

The Group's development pipeline is a significant component of the value of its joint venture business, and the Group expects this pipeline to contribute significantly to earnings and provide attractive returns on its investments in the near to medium term. As at 31 December 2023, the Group held interests in centrally located development sites with a total attributable development potential of approximately 8.1 million sqf, primarily in the UK, Hong Kong and the Chinese mainland.

London

The Group's presence in London's development business through its ownership interests in Thames City and The Whiteley continues to drive value for its shareholders. As at 31 December 2023, an accumulated total of 463 residential units for over GBP853 million in value have been presold in Phase I of Thames City, and a total of 89 residential properties for an aggregate sales price of roughly GBP557 million have been presold for The Whiteley.

Thames City

Just along the south bank of the section of River Thames in Central London, the 10-acre former New Covent Garden Market site is now being redeveloped as Thames City, a mixed-use development featuring 12 residential and commercial buildings, ranging in height from 4 to 53 storeys, and a park which forms part of a vibrant regeneration district that will run from the Vauxhall Bridge to the Battersea Power Station. When fully completed, Thames City comprises 1,500 luxury residential units with a total saleable area of approximately 1.8 million sqf, including three primary towers which rise to 36-53 storeys above basement, providing exceptional panoramic views over the whole of London. Other facilities include a grand clubhouse with a 30-metre-long swimming pool, a state of the art gymnasium, movie theatre, karaoke lounge, landscaped gardens, restaurants, retail outlets and commercial spaces.

The last tower of Phase I was completed and delivery to the buyers started in August of the year. During the year, a total of 280,300 sqf was sold and recognized in the profit and loss account of the project company, contributing GBP495 million in sales revenue. Benefiting from the sensational sales performance, the construction loans were fully repaid in March last year, more than 17 months ahead of repayment schedule. Thames City's marketing continues in progress and has met with much success. As domestic and international travel restrictions are lifted, UK's reopening to international travellers and overseas buyers is making its presence felt.

The development of Phase II and III of Thames City with respective saleable areas of 526,000 sqf and 598,000 sqf is in the pipeline and the construction of Phase II is expected to commence in the second half of 2024.

The Group has 50% interests in the Thames City project.

The Whiteley

In 2019, the Group committed to invest GBP182 million in a joint venture to restore the legendary Whiteley Shopping Centre which forms an important part of the wider regeneration of Queensway now being transformed into a more pedestrian friendly zone for London. Located in Queensway, W2, the Whiteley redevelopment project is a mixed-use scheme which secured planning permission in 2016. When finished, the project with about 603,000 sqf will deliver 139 luxurious residential apartments, a 5-star spa hotel with 109 rooms operated by Six Senses, retail and restaurant spaces, offering an exceptional living and investment opportunity in prime Central London. The Whiteley will be restored to its legendary position at the heart of Bayswater after completion. The Group has fully paid its committed investment of GBP182 million for the development.

At The Whiteley, the construction is in progress with practical completion anticipated at the second half of 2024. The development will deliver approximately 326,000 sqf of residential area, and 277,000 sqf of retail, hotel, commercial and parking spaces. Pre-sales started in November 2021. As at 31 December 2023, it has presold 89 residential units for GBP557 million.

The Group has approximately 46% interests but 50% voting power in this project.

Hong Kong

Harbourside HQ

Located next to the Kai Tak Development District, Harbourside HQ is a 28-storey Grade A office with a total marketable gross floor area of approximately 795,000 sqf, including retail spaces on the ground and first floor, and 285 parking spaces. Overlooking Kai Tak and the Kwun Tong Promenade, the property is situated close to the Ngau Tau Kok MTR station, rendering it accessible and connected to different parts of Hong Kong. With its unique location and iconic 136.5 metres height, Harbourside HQ commands a panoramic harbour view stretching from the Lei Yue Mun Straits to the Victoria Harbour. The nearby retail and commercial structures offer amenities in shopping, dining, and entertainment. With the new anchor tenant, Hospital Authority, moving into the building in the second half of the year, the occupancy rate increased to 71% as at 31 December 2023. The cost of acquisition was HK\$7.5 billion in which the Group has a 25% interest.

No. 15 Shouson

No. 15 Shouson is located at No. 15 Shouson Hill Road West. It comprises a total of 15 luxury villas with a total gross floor area of approximately 88,000 sqf. All the villas have built-in lifts, gardens, usable rooftops and parking spaces. Among them, 13 villas have also private swimming pools. Two villas with total sales value of HK\$1.3 billion have been sold and another villa is under offer for HK\$498 million.

The Group has 42% interests in No. 15 Shouson with an investment of about HK\$1.2 billion.

Kowloon Bay International Trade & Exhibition Centre (“KITEC”)

The Group has an effective 15% interest in a joint venture development project related to KITEC with an attributable investment of about HK\$906 million. The property has a site area of about 240,000 sqf and a total gross floor area of about 1.8 million sqf which will be positioned for commercial and possibly partial residential development in 2024.

Chinese Mainland

Development Projects

Jiangsu Yancheng Project (江蘇鹽城項目)

The Group has a 29.4% interest in a joint venture of a development project in Jiangsu with a planned total investment of RMB496 million. The project has a site area of about 687,000 sqf. When fully developed, it comprises 1.56 million sqf of residential and commercial saleable area. The project is located at the intersection of Yanzhen Road (鹽枕路) and Houde Road (厚德路) in close proximity to the city government office building, the airport, and railway station. Construction work commenced in June 2021.

The project will be developed in two phases, comprising thirteen residential and commercial buildings. Phase I with approximately 712,000 sqf was completed in December of the year and delivery of the residential units to the buyers commenced in December 2023.

Guangdong Jiangmen Project (廣東江門市項目)

The Group has a 34% interest in a joint venture of a development project in Jiangmen city, Guangdong Province, with a total investment cost of RMB703 million. The project, with a site area of about 15.5 million sqf, is positioned for commercial and residential development, providing a total GFA of about 19.2 million sqf. The project is located on the west bank of the Guangdong-Hong Kong-Macau Greater Bay Area, at the core of the Taishan (台山) coastal resort area.

The project is still in its initial stage with completed site survey. Infrastructure works related to access roads and utility facilities are required for the residential site before the commencement of construction works.

Treasury Investment Business

The treasury investment segment recorded a loss of HK\$182.6 million (2022: HK\$190.4 million). The dividends and interests earned from investments and loans receivable amounted to HK\$1.8 million (2022: HK\$3.8 million). The fair value losses from its investment portfolio amounted to HK\$136.1 million (2022: HK\$140.5 million).

CORPORATE STRATEGY AND OUTLOOK

The economic rebound in Hong Kong and Chinese mainland appears to need more time to return to the pre-Covid pandemic level although the long-awaited reopening of the border with Chinese mainland after the pandemic finally took place in 2023. Although it is widely anticipated that the global interest rates have reached their peak levels, they may still stay at a high level for some time. The Group will continue to adopt a wait and see approach in tackling the adverse impact of such high interest rates. The Group will adopt a conservative attitude but keep a watchful eye on the market and cherry pick for acquisition high-quality assets and businesses which might appear.

Following the staged completion of the two joint-venture development projects in London, revenues will be continually booked as delivery takes place and provide attractive returns to the Group. Concurrently the two investment properties in Central London will continue to provide a steady and recurring rental income for the Group.

Looking forward, the Management anticipates volatility, uncertainty and a more challenging business environment. The Group will focus on ensuring the stability and durability of its existing property portfolio and maintain a healthy balance sheet.

FINANCIAL REVIEW

Treasury Investments

The Group regularly reviews and manages its capital structure to ensure that its financial position remains sound, so that it can continue to provide returns to shareholders while keeping financial leverage at a healthy level. The objectives of the Group's investment policy are to minimize risks while retaining liquidity, a healthy balance sheet, and to achieve a competitive rate of return.

The Group invested surplus cash in a diversified portfolio of listed equity securities and unlisted investment funds. As at 31 December 2023, the portfolio of investments comprised of listed equity securities and unlisted investment funds with an aggregate carrying value of HK\$1,063.4 million (2022: HK\$1,199.4 million) which is listed in the table below:

	31 December 2023 HK\$' million	31 December 2022 HK\$' million
Financial assets at fair value through profit or loss		
Listed equity securities	71.2	214.8
Unlisted investment funds	992.2	984.6
Total	1,063.4	1,199.4

In terms of performance, the Group recognized from its portfolio of investments during the year an unrealized fair value loss of HK\$136.1 million (2022: HK\$140.5 million) in the consolidated statement of profit or loss. No realized gain/loss on the portfolio of investments for the year was recorded (2022: realized loss of HK\$3.6 million), whereas the dividends and interest income from above investments was HK\$1.8 million (2022: HK\$1.7 million). In terms of future prospects of the Group's investments, the performance of the listed equity securities and unlisted investment funds held is to a large extent subject to the performances of the relevant financial markets which are liable to change rapidly and unpredictably.

The Group will continuously adopt a prudent investment strategy and assess the performance of its investment portfolio to make timely and appropriate adjustments to fine-tune its investments holding with a view to generating favorable returns for its shareholders.

Liquidity and Financial Resources

As at 31 December 2023, the Group had cash on hand of HK\$2.7 billion. About 11% of the Group's bank deposits and cash were denominated in HKD, 30% in USD, 58% in GBP and 1% in other currencies.

The Group has executed a conservative strategy of securing long-term financing on individual properties. As at 31 December 2023, the Group had two investment properties valued at approximately HK\$11.0 billion which are charged with mortgages totaling HK\$6.7 billion.

Where appropriate, the Group uses interest rate swaps to lock-in lending rates on certain mortgages and bank borrowings, which provide certainty to the rate of interest on borrowings involving transactions of a longer term nature.

The Group's net borrowings slightly decreased to HK\$8.6 billion at 31 December 2023, compared with HK\$8.8 billion at 31 December 2022. The Group's net gearing ratio, which is calculated as net borrowings as a percentage of the owners' equity, increased to 63.7% at 31 December 2023 from 59.2% at 31 December 2022. The Group's adjusted net gearing ratio was reduced to 55.8% (2022: 51.1%) if the portfolio of investments was taken into account.

As at 31 December 2023, total debt was HK\$11.4 billion (2022: HK\$10.7 billion) with the maturity profile spreading over a period of five years with HK\$2.1 billion repayable within one year and the remaining HK\$9.3 billion repayable after one year. The refinancing of HK\$1.0 billion loan repayable in 2024 has been completed as at the date of this announcement. About 64% of the Group's total debt was denominated in GBP, 20% in USD, 15% in HKD, and 1% in RMB. The debt to total assets ratio was 45% (2022: 41%) and is calculated as debt as a percentage to total assets. As at 31 December 2023, except for the notes payable of HK\$2.3 billion (2022: HK\$2.3 billion) and other loan of HK\$59.6 million (2022: HK\$0.1 billion) bearing interest at fixed rates, all bank borrowings bear interest at floating interest rates. The weighted average cost of debt was 5.8% (2022: 3.7%) per annum during the year.

The Group continues to maintain a high level of liquidity. Total assets as at 31 December 2023 were HK\$25.4 billion, of which approximately 16% was current in nature. Net current assets were HK\$1.4 billion.

As at 31 December 2023, the owners' equity was HK\$13.5 billion (2022: HK\$14.9 billion) and the net assets value per share was HK\$3.49 (2022: HK\$3.84).

Contingent Liabilities/Financial Guarantees

At 31 December 2023, the Group had the following contingent liabilities/financial guarantees:

1. Guarantees given to a bank in connection with facilities granted to a joint venture up to HK\$705 million (2022: HK\$2,525 million).
2. Guarantees given to banks and an independent third party in connection with facilities granted to associates up to HK\$1,538 million (2022: HK\$1,787 million).
3. Guarantees given to certain financial institutions in connection with the cost overrun guarantee in respect of the project development costs of a joint venture up to HK\$822 million (2022: cost overrun guarantee and sales milestones guarantee up to HK\$782 million).

Pledge of Assets

As at 31 December 2023, investment properties, bank deposits, and property and equipment in the respective amounts of HK\$11.0 billion, HK\$75.7 million and HK\$68.9 million have been pledged as security for banking facilities granted to the Group and a joint venture of the Group.

Exchange Risks and Hedging

The Group manages its treasury activities within established risk management objectives and policies. The main objectives are to manage exchange, interest rate and liquidity risks and to provide a degree of certainty in respect of costs.

The Group adopts strategic hedging policies to optimize risk-adjusted returns from operations, including the following initiatives:

1. Use of interest rate swaps to hedge the interest rate risk on borrowings.
2. Use of same currency borrowings as a natural hedge to match the currency of assets and cashflows.
3. Use of currency forward contracts to hedge currency risk as appropriate.

EMPLOYEES

As at 31 December 2023, the Group employed a total of 112 employees in Hong Kong, Chinese mainland and the UK for its principal business. Remuneration cost for the year (excluding directors' emoluments) amounted to approximately HK\$130 million.

The Group's policy on remuneration is to ensure that pay levels of its employees are competitive to the market and employees are rewarded according to their merits, qualifications, performance and competence. Other benefits offered to employees include contributions of mandatory provident fund, medical insurance, and training subsidies.

Employees are also eligible to be granted share options under the Company's share option scheme at the discretion of the Board. For the year ended 31 December 2023, no equity-settled share option expense was charged off to the consolidated statement of profit or loss.

CORPORATE GOVERNANCE PRACTICES

During the year, the Company has applied to its corporate governance structure and practices the principles of good corporate governance, and complied with the code provisions, under the Corporate Governance Code as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions by directors. Specific enquiries have been made on all directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the year.

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

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

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Company's independent auditors, Ernst & Young ("EY"), to the amounts set out in the draft consolidated financial statements of the Group for the year. The work performed by EY in this respect did not constitute an assurance engagement and consequently, no opinion or assurance conclusion has been expressed by EY on this announcement.

REVIEW OF ANNUAL RESULTS

The Audit Committee has discussed with the management and independent auditors the accounting policies and practices adopted by the Group, and has reviewed the Group's consolidated results for the year ended 31 December 2023.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website at www.ccland.com.hk and the HKEXnews website at www.hkexnews.hk. The Company's 2023 Annual Report will also be available on both websites in due course.

By order of the Board
Lam How Mun Peter
Deputy Chairman and Managing Director

Hong Kong, 25 March 2024

As at the date of this announcement, the Board comprises Mr. Cheung Chung Kiu, Dr. Lam How Mun Peter, Mr. Wong Chi Keung, and Mr. Leung Wai Fai as Executive Directors; and Mr. Lam Kin Fung Jeffrey, Mr. Leung Yu Ming Steven, and Mr. Luk Yu King James as Independent Non-executive Directors.