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A N N U A L
R E P O R T

CCT FORTIS
中建富通集團有限公司

Stock Code : 138

CCT FORTIS

contents

chairman's statement

On behalf of the Board, I report the annual results of the Group for the year ended 31 December 2023.

RESULTS

Though the overall global economy has been recovering slowly in the post-pandemic era, the impact of uncertainties such as geopolitical instability, interest rate hikes and stubborn inflation etc. still reverberate across the world and the pace of recovery varies across industries.

Amidst challenging operating environment, the Group recorded an net loss attributable to owners of the parent of HK$577 million, representing an increase of 24.1%, as compared to a net loss of HK$465 million in 2022. This was mainly attributable to net non-cash unrealised revaluation loss arising from change in fair value of our property portfolio and valuable collections held for investments, impairment loss of receivables, rising finance cost as a result of surge in interest rates and absence of one-off compensation income from litigation.

FINAL DIVIDEND

In light of the current adverse situation, the Group intends to conserve cash resources to combat the difficulties and challenges going forward. Therefore, the Board did not recommend the payment of a final dividend for 2023 (2022 final dividend: Nil). The Company did not pay any interim dividend for 2023 (2022 interim dividend: Nil).

BUSINESS REVIEW

In 2023, the Group was principally engaged in (i) property business; (ii) securities business; (iii) Blackbird Group's multi-faceted automotive business and investments in valuable collections; and (iv) cultural entertainment business.

PROPERTY BUSINESS

Hong Kong Property Business

In 2023, Hong Kong's property market continued to weaken amidst interest rate hikes and poor investment sentiment. It is anticipated that potential interest rate cuts in the later parts of 2024, together with the recent relaxation measures by the Hong Kong Government, are stimulus for the recovery of the property market hopefully.

SECURITIES BUSINESS

During the year ended 31 December 2023, to conserve cash and reduce risk, the Company did not trade in any listed shares or securities in the subdued stock market. Indeed, our securities business received steady interest income on promissory note receivable during such year.

BLACKBIRD GROUP

The Blackbird Group, under the leadership of its chairman and chief executive officer ("**CEO**"), Mr. TK Mak, is principally engaged in (i) the official importership and dealership of Ferrari in Hong Kong and Macau, including the repair and servicing business; (ii) the official importership and dealership of Maserati in Hong Kong and Macau, also including the repair and servicing business; (iii) classic car trading and investment business; and (iv) car logistics business. Despite the environment which continues to be challenging, the management is satisfied with the continuing development of the Blackbird Group's multi-faceted automotive operations.

Ferrari Business

2023 represents the sixth year of Blackbird Concessionaires' official Ferrari importership and dealership operations in Hong Kong and Macau. During the year under review, Ferrari's new model launch programme continued with the global unveiling of the new Roma Spider, the convertible version of the company's highly acclaimed V8 GT car ("**Roma Spider GT car**"). Blackbird Concessionaires conducted a launch in Hong Kong in October 2023 for customers and media and a number of orders were received immediately.

In September 2022, Ferrari revealed one of the most highly anticipated models in its 75 years history, the Purosangue. Meaning "Thoroughbred", the Purosangue is Ferrari's first four-door, four-seater utility vehicle. Blackbird Concessionaires received a large number of orders immediately after the global unveiling of the car and also held a launch event in Hong Kong in the spring of 2023 when further orders were generated accounting for all available production slots until late 2025. The first vehicles for customers are expected to arrive in early 2024. Alongside the celebration of 40-year of Ferrari's presence in the Hong Kong market and the introduction of the Roma Spider GT car, order book performance surged in the fourth quarter of 2023, signaling a return of appetite in the market for new Ferrari vehicles in line with global trends.

Deliveries of new cars continued. The new 296 hybrid sports car, in both GTB (coupe) and GTS (convertible) variants, is proving attractive to clients who appreciate the combination of strong performance combined with lower emissions, making up the bulk of the order book surge in the fourth quarter of 2023. Deliveries of the first GTS models for Hong Kong and Macau began in early 2023. Ferrari continues to be the clear leader in the luxury sports car sector, accounting for almost 60% of all luxury sports car deliveries for the calendar year of 2023.

The majority of Blackbird Concessionaires' allocation of the limited edition Ferrari 812 Competizione coupe were delivered within the first half of 2023. Deliveries of the first of the Aperta models (convertible) began in the second half of 2023. The first deliveries for Hong Kong customers of the limited series Ferrari Daytona SP3 also began in 2023. All of the 812 Competizione and Daytona SP3 models were allocated to clients by the Ferrari factory. Sales and delivery outlook remain strong, with ongoing support from Ferrari's headquarter in Maranello, Italy as one of their key markets in the region.

Our Ferrari after-sales centre in Kwai Chung, which occupies about 70,000 square feet, continues to perform very well. This facility is equipped with state-of-the-art hardware to provide a full range of services including, but not limited to, repairing and maintenance, painting, body shop, restoration, pre-delivery inspection service and car storage. As one of the top performing after-sales centres not only in the region but the world, the facility continues to be very well received and strongly supported by customers.

Maserati Business

In the first half of 2023, the Group's subsidiary company, Blackbird Tridente began the first deliveries of the highly anticipated Grecale SUV. This model is proving to be very popular with customers in Hong Kong given its attractive combination of styling, technology, efficient power trains including a hybrid, and competitive pricing. The Grecale's size and end usage have proven very suitable to Hong Kong, outperforming other regional APAC (Asia-Pacific) markets in deliveries of this model. Three models are available, with the arrival of the brand's Folgore series, its range of fully electric vehicles in 2024.

Valuable Collection Trading and Investment Business

In the year of 2023, the classic and investment car business continued to be affected by a slow global market. However, the management remains cautiously optimistic regarding the long-term improvement of the classic car trading environment. The Company will continue to monitor market trends to benefit from both sales and investment opportunities.

The Watch Manual division is very well established through its print publication and online platforms. It has collaborated with a number of key brands on editorial partnerships and consultancies, with several renewals. Its print publication has important visibility internationally, within the library of the Horological Society of New York, and is also on display at the Watches & Wonders Geneva fair, placements that will continue into the next year. In addition, it has gained a key placement at one of Hong Kong's most prestigious hotels, with the magazine being available to all of its important guests. Mr. TK Mak, the chairman and the CEO of the Blackbird Group, continues on the watch advisory board for the Phillips auction house, having curated a successful third auction of contemporary art, design and watches last spring.

Car Logistics Business

The Group's car logistics business performed well during the year of 2023 with a good operating margin. A new contract was signed with Ferrari in April 2022 as the Company became the dedicated roadside rescue and recovery service to Hong Kong Ferrari owners, as well as to Maserati owners. In addition, the Company's call centre is generating additional opportunities. Work also continued in support of local importers, distributors, dealers, roadside assistance and insurance companies, racing organisations and private owners.

CULTURAL ENTERTAINMENT BUSINESS

The easing of COVID-19 rules in early 2023 generate more momentum for the recovery of cultural entertainment industry. There were many concerts, shows and entertainment events performed in the first half of 2023. Accompanied by the successful capturing of opportunities from the rebound in the cultural entertainment industry, this business division's performance is expected to improve onwards. For further details, please refer to the sub-section headed "Disposal of Material Subsidiaries" in the section headed "Financial Review" in this report.

In the second half of 2023, to simplify the Group's existing organisational structure and streamline the business operations, this business division disposed its significant portion of investments in its stage audio and lighting and stage engineering operations. Upon completion, this business has ceased to be subsidiaries of the Group but remains as associate, of the Group.

OUTLOOK

The year of 2024 remains uncertain and challenging. Geopolitical instability, interest rate hikes and stubborn inflation etc. will continue to pose great challenges to the local and global economic recovery.

Despite the current challenging environment, Blackbird's Ferrari business, as a sole official Ferrari importer in Hong Kong and Macau, continues to perform well. In light of steady growth of Maserati business, we believe the Maserati business will contribute a stream of significant revenue to the Group and open up a new avenue for growth of income and profit. We are committed to continue to build up and grow the Blackbird Automotive Group to become one of the global leaders in the automotive sector in the near future.

In the existing adverse circumstances, we will conserve our cash and continue our on-going cost savings initiatives. We will retain our strength and lay the groundwork for the recovery to come. With our resilient and experienced management, we consider that we can withstand the impact caused by these unprecedented challenges. We will try to turn risks into opportunities and continue to pursue our core strategy of achieving long-term sustainable growth for the Company and enhancing long-term value to our shareholders.

APPRECIATION

On behalf of the Board, I wish to express our gratitude to the directors, the management and all our employees for their dedication, loyalty, and hard work to meet the challenges during the year. Furthermore, I am most grateful to our customers, shareholders, investors, bankers, landlords and suppliers for their continued encouragement and strong support to the Company throughout these unprecedented times.

Mak Shiu Tong, Clement
Chairman

Hong Kong, 11 April 2024

directors and senior management

EXECUTIVE DIRECTORS

Mr. MAK Shiu Tong, Clement, aged 70, is the controlling shareholder of the Company and has acted as the Chairman, the CEO and an executive Director since January 1994. Mr. Mak is a member of the Remuneration Committee and the chairman and a member of the Nomination Committee. He is also a director of certain subsidiaries of the Company. He is responsible for the corporate planning and strategic direction of the Group and takes a leading role in managing the businesses of the Group. He has over 47 years of experience in the manufacture and distribution of telecom, electronic and high intelligence products. Mr. Mak also has extensive experience in diversified businesses, including capital investment and operations, investment in telecommunication network, property development and investment business in Hong Kong and the Mainland, finance business and electric vehicle business. In his many years in the businesses, he has demonstrated a keen understanding in the diversified businesses in which the Group is engaged. Mr. Mak is also the chairman, the chief executive officer and an executive director of GBA Holdings Limited (stock code: 261), whose shares are listed on the Main Board of the Stock Exchange. Mr. Mak holds a Diploma in Electrical Engineering.

Ms. CHENG Yuk Ching, Flora, aged 70, has been an executive Director since February 1998. Ms. Cheng is also a director of certain subsidiaries of the Company. She assists the CEO in overseeing the day-to-day management of the principal businesses of the Group. Ms. Cheng has over 44 years of experience in the electronics industry and substantial experience in diversified businesses. She held senior positions in various well-known electronics companies before she joined the Company. Ms. Cheng was an executive director and the deputy chairman of GBA Holdings Limited (stock code: 261). Ms. Cheng holds a Diploma in Business Administration.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHEN Li, aged 59, has been an INED since February 2008. Mr. Chen is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. He held a number of senior positions in several reputable telecommunications companies and a conglomerate in China. Mr. Chen graduated from the faculty of physics in a university in China in 1985 with a profession in radio technology and has extensive experience in the Chinese telecommunications and management field.

Mr. CHOW Siu Ngor, aged 68, has been an INED since March 2013. Mr. Chow is the chairman and a member of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Mr. Chow had been appointed as an independent non-executive director of GBA Holdings Limited (stock code: 261), the shares of which are listed on the Main Board of the Stock Exchange, for the period from 14 August 2002 to 31 July 2022 and REXLot Holdings Limited* ("**REXLot**" delisted on 10 May 2021 with previous stock code: 00555) for the period from 14 October 2004 to 10 May 2021. Mr. Chow is a practising solicitor in Hong Kong. He is currently a Partner with Messrs. King & Wood Mallesons. Mr. Chow graduated from The Chinese University of Hong Kong in 1981 with an Honours Degree in Social Science. He then obtained an Honours Degree in Laws from the University of Birmingham in 1987. Mr. Chow was admitted as a solicitor of the Supreme Court of Hong Kong in 1990 and has been in private practice since then.

* According to the REXLot regulatory announcement dated 5 December 2022 ("**REXLot Regulatory Announcement**"), Mr. Chow had been publicly criticised by the Stock Exchange for relevant matters during the period when he served as an independent non-executive director of REXLot in relation to his breach of Rule 3.08 of the Listing Rules and his Declaration and Undertaking with regards to Directors given to the Stock Exchange in the form set out in previous Appendix 5B to the Listing Rules, for failing to comply with the Listing Rules to the best of his ability and to use his best endeavours to ensure that REXLot had adequate and effective internal controls and to procure REXLot's compliance with the Listing Rules. Among other things, Mr. Chow and the other relevant directors of REXLot had failed to adequately safeguard REXLot's investments and caused delay in publishing the outstanding results and reports of REXLot due to lack of proactivity and diligence on their part (the "**REXLot Criticism**"). Further information on the disciplinary action and the findings of the Stock Exchange were set out in the REXLot Regulatory Announcement. As a result, as a prerequisite to any future appointment of Mr. Chow as a director of any company listed or to be listed on the Stock Exchange, Mr. Chow was required to attend and complete 18 hours of training on regulatory and legal topics including Listing Rules compliance before the effective date of such future appointment (the "**Appointment Prerequisite**"). Furthermore, during Mr. Chow's tenure as a director of REXLot, the Court granted an order (the "**REXLot Winding Up Order**") for the winding up of REXLot on 20 August 2020 and liquidators were appointed on 27 August 2020. The REXLot Winding Up Order was made upon a winding up petition filed on 9 March 2020 (which was subsequently amended on 21 August 2020) (the "**REXLot Winding Up Petition**") on the ground that REXLot was insolvent and unable to pay its debts. To the best knowledge, information and belief of Mr. Chow, REXLot had lodged an appeal against the REXLot Winding Up Order on 18 September 2020 and no date had been fixed for the hearing of the appeal as at the date of the Company's announcement dated 16 March 2023. REXLot is not related to the Group and Mr. Chow confirmed that he is not a party to the winding up proceedings of REXLot, and is not aware of any actual or potential claim that has been or will be made against him as a result.

The Board (other than Mr. Chow) is of the view of that there is no evidence that the REXLot Criticism involved the relevant act of dishonesty, fraud or cast doubt on Mr. Chow's integrity which would affect Mr. Chow's suitability as a director of the Company. Mr. Chow has met the Appointment Prerequisite and is still suitable to serve as an independent non-executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. LAU Ho Kit, Ivan, aged 65, has been an INED since 8 June 2022. Mr. Lau is the chairman and a member of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Lau has extensive experience in accounting and financial management. He is also an independent non-executive director of Singamas Container Holdings Limited (stock code: 00716), the shares of which are listed on the Stock Exchange.

Mr. Lau had been appointed as an independent non-executive director of GBA Holdings Limited (stock code: 261) from 14 August 2002 to 9 June 2022, China United Venture Investment Limited (formerly known as "Glory Mark Hi-Tech (Holdings) Limited") (stock code: 08159) from 13 December 2001 to 1 March 2020 and Nimble Holdings Company Limited (formerly known as "The Grande Holdings Limited") (stock code: 00186) from 25 July 2016 to 22 December 2017. Mr. Lau is a practicing accountant in Hong Kong. Mr. Lau holds a Master's Degree in Professional Accounting and is a member of the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales.

SENIOR MANAGEMENT

Mr. MAK Chun Kiu, TK, aged 44, is the Chief Executive Officer of the Blackbird Group. After founding the multi-award winning publishing company in the late 1990's, he built the magazine "Milk" to become one of the best-selling and most influential weekly lifestyle titles in Hong Kong and the region, expanding his publishing business into the Mainland and Taiwan. With over 24 years of experience in the media and publishing as well as the luxury goods retailing industry as a chairman and chief executive officer, alongside other ventures in fashion, online retail, via his multimedia creative agency, leveraging his extensive experience and long history with various luxury sports car manufacturers in the world, TK founded the Blackbird Group. TK's responsibility is to oversee the overall management, strategic direction, planning and growth of the Blackbird Group. TK is the elder son of Mr. Mak.

financial review

OVERVIEW OF 2023 FINANCIAL RESULTS

HK$ million	2023	2022	% increase/ (decrease)
Revenue	**765**	812	(5.8%)
Gross Profit	**172**	103	67.0%
Loss for the year	**(575)**	(467)	23.1%
Attributable to:			
Owners of the parent	**(577)**	(465)	24.1%
Non-controlling interests	**2**	(2)	N/A
	(575)	(467)	23.1%
Basic and diluted loss per share attributable to ordinary equity holders of the parent	**(HK$0.43)**	(HK$0.53)	(18.9%)
Dividend per share	**Nil**	Nil	N/A

The Group's revenue for 2023 of HK$765 million was HK$47 million or 5.8% lower than 2022, which had resulted from a decline of classic car sales in a slow classic car market.

In 2023, the Company recorded a net loss attributable to owners of the parent of HK$577 million as compared with a net loss of HK$465 million in 2022. The current year's loss represented mainly (i) net non-cash unrealised revaluation losses in the total amount of HK$90 million arising from fair value change of the Group's property portfolio and valuable collections held for investments; (ii) non-cash impairment loss of receivables amounting to HK$266 million; (iii) incremental finance cost of $46 million derived from interest rate hikes; and (iv) absence of one-off compensation income from litigation (2022: one-off compensation income from litigation of HK$93 million).

Net profit/loss attributable to non-controlling interests represented share of net profit/loss by the minority shareholders of the stage audio, lighting and engineering operations.

ANALYSIS BY BUSINESS SEGMENT

	Revenue				
	2023		2022		% increase/
HK$ million	Amount	Relative %	Amount	Relative %	(decrease)
Property investment and holding	**8**	**1.0%**	11	1.4%	(27.3%)
Securities business	**–***	**–**	–	–	N/A
Ferrari business	**344**	**45.0%**	363	44.7%	(5.2%)
Maserati business	**126**	**16.5%**	49	6.0%	157.1%
Valuable collection and logistics business	**149**	**19.5%**	277	34.1%	(46.2%)
Cultural entertainment business	**72**	**9.4%**	62	7.6%	16.1%
Other operations	**66**	**8.6%**	50	6.2%	32.0%
Total	**765**	**100.0%**	812	100.0%	(5.8%)

* Less than HK$1 million

OPERATING (LOSS)/PROFIT

	Operating (loss)/profit		
HK$ million	**2023**	2022	% increase/ (decrease)
Property investment and holding	**(80)**	(119)	(32.8%)
Securities business	**(251)**	(265)	(5.3%)
Ferrari business	**12**	8	50.0%
Maserati business	**(9)**	(7)	28.6%
Valuable collection and logistics business	**(37)**	(34)	8.8%
Cultural entertainment business	**7**	(9)	N/A
Other operations	**(48)**	(31)	54.8%
Total	**(406)**	(457)	(11.2%)

Property investment and holding

In 2023, the property investment business generated rental income of HK$8 million, down HK$3 million or 27.3% from 2022 as a result of the impact led by the certain investment properties disposed in 2022. This segment recorded operating loss of HK$80 million as compared with operating loss of HK$119 million in the previous year. The operating loss in 2023 was primarily attributable to unrealised fair value losses of HK$88 million arising from fair value changes of our investment property portfolio as a result of decline of property market (2022: unrealised fair value losses of HK$126 million).

Securities business

In 2023, the securities business contributed interest income on promissory note receivable of HK$8 million. This segment recorded an operating loss of HK$251 million as compared with operating loss of HK$265 million in the previous year. The operating loss in 2023 and 2022 mainly represented non-cash credit losses against receivables in respect of the disposal of unlisted equity investment and listed equity investment.

Ferrari business

In 2023, the Ferrari business recorded revenue of HK$344 million, as compared with revenue of HK$363 million in the previous year. Meanwhile, the Ferrari service center in Kwai Chung continued to perform well. The Ferrari business's operating profit rose from HK$8 million in 2022 to HK$12 million in 2023. The enhancement of this segment's financial performance was primarily due to cost control.

Maserati business

It is encouraging to see strong and continuous growth in Maserati business as its revenue surged from HK$49 million in 2022 to HK$126 million in 2023, increased by 157.1%. In start-up and development stage, the Maserati business recorded an operating loss of HK$9 million as a result of higher operating, marketing and promotional costs. The Maserati business is on the right track to open up for the Group a new avenue of income and profit growth in the coming years.

Valuable collection and logistics business

Affected by a slow global market, revenue was reduced by 46.2%, down to HK$149 million and recorded an operating loss of HK$37 million as compared with operating loss of HK$34 million in the previous year. The increase of operating loss in 2023 was solely attributable to unrealised fair value losses of HK$2 million from fair value change on our diversified and valuable collection held for investment.

Cultural entertainment business

In the second half of 2023, this business division disposed its significant portion of investments in its stage audio and lighting and stage engineering operations. Upon completion, this business has ceased to be subsidiaries of the Group but remains as an associate of the Group. The financial results of this segment would be also equity accounted for as they are associates of the Group following the disposal.

Accompanied by successful capturing of the rebound opportunities in the cultural entertainment industry in post-pandemic era, this business segment recorded a total revenue of HK$72 million and achieve an operating profit of HK$7 million for the first half of 2023.

Other operations

Other operations comprises of the classic car services center, the multimedia business, artist management and other new ventures which are in the development and start-up stage. This segment's revenue increased by 32.0% to HK$66 million in 2023. This segment recorded an operating loss of HK$48 million as compared with an operating loss of HK$31 million in the previous year.

ANALYSIS BY GEOGRAPHICAL SEGMENT

	Revenue				
	2023		2022		% increase/
HK$ million	**Amount**	**Relative %**	Amount	Relative %	(decrease)
Hong Kong, Macau and Chinese Mainland	**659**	**86.1%**	619	76.2%	6.5%
Rest of the world	**106**	**13.9%**	193	23.8%	(45.1%)
Total	**765**	**100.0%**	812	100.0%	(5.8%)

Approximately 86.1% of our total revenue was generated in Hong Kong, Macau and the Chinese Mainland, of which most of our revenue was generated in Hong Kong. The revenue from our major market regions was HK$659 million, an increase of HK$40 million or 6.5% as compared with 2022. The revenue from rest of the world represented mainly sale of valuable collections to the overseas markets.

CAPITAL STRUCTURE AND GEARING RATIO

	2023		2022	
HK$ million	**Amount**	**Relative %**	Amount	Relative %
Bank borrowings	**1,235**	**52.6%**	1,325	45.6%
Other borrowings	**126**	**5.4%**	113	3.9%
Lease liabilities	**76**	**3.2%**	112	3.8%
Bonds/convertible bonds	**122**	**5.2%**	192	6.6%
Bank borrowings directly associated with the assets classified as held for sale	**58**	**2.5%**	–	–
Total borrowings	**1,617**	**68.9%**	1,742	59.9%
Equity attributable to owners of the parent	**731**	**31.1%**	1,166	40.1%
Total capital employed	**2,348**	**100.0%**	2,908	100.0%

Equity attributable to owners of the parent as at 31 December 2023 was HK$731 million, representing a decrease of HK$435 million compared with HK$1,166 million at the beginning of the year 2023. This change was primarily attributable to the net loss attributable to owners of the parent for 2023.

The Group's gearing ratio slightly increased from 59.9% as at 31 December 2022 to 68.9% as at 31 December 2023, driven mainly by the decrease in equity.

Total outstanding borrowings were HK$1,617 million as at 31 December 2023 (as at 31 December 2022: HK$1,742 million). Approximately 54.2% of these borrowings were of long-term nature, primarily representing mortgage loans on properties held by the Group.

As at 31 December 2023, the maturity profile of the bank and other borrowings and bonds/convertible bonds of the Group falling due within one year, in the second to the fifth year and beyond five years amounted to HK$741 million, HK$653 million and HK$223 million, respectively (2022: HK$405 million, HK$950 million and HK$387 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

LIQUIDITY AND FINANCIAL RESOURCES

HK$ million	**2023**	2022
Current assets	**1,173**	909
Current liabilities	**1,234**	807
Net current (liabilities)/assets	**(61)**	102

As opposed to net current assets of HK$102 million in the previous year, the Group's net current liabilities as at 31 December 2023 was HK$61 million. The change was the result of short-term convertible bond issuance and new short-term borrowing facilities entered into by the Group with banks and financial institution for application of funds for operating activities and working capital during the year under review.

The Group derives its working capital mainly from cash on hand, net cash generated from operating activities, and borrowings. In view of the net current liabilities position, the Board have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Board expects that the Group will rely on net cash from operating activities, additional borrowings and capital exercises (if required) and sale of non-core assets to meet demand of working capital and capital expenditure, if any.

Besides, there was a non-compliance of a debt covenant of HK$49 million bank borrowings related to the amount of net tangible assets value under certain facilities agreements entered into by the Group with one of its bankers, which has been made known to the banker by the Group before the year end date. As the balances had already been classified as repayable on demand as at 31 December 2023, the non-compliance did not have any significant impact on the financial statements of the Group. Subsequent to the end of the reporting period, the bank has waived the debt covenant until December 2024.

CAPITAL COMMITMENTS

As at 31 December 2023, capital commitment of the Group amounted to approximately HK$1 million (as at 31 December 2022: HK$5 million). The Group intends to finance the capital commitment by its internal resources.

TREASURY MANAGEMENT

The Group employs a conservative approach to cash management and risk control. To achieve better risk control and efficient fund management, the Group's treasury activities are centralised.

During the financial year 2023, the Group's receipts were mainly denominated in HK$ and US$. Payments were mainly made in HK$ and US$. Cash was generally placed in short-term deposits denominated in HK$. In 2023, the Group's borrowings were mainly denominated in HK$, and interest on the borrowings was principally determined on a floating rate basis.

The objective of the Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates. Our current exposure to foreign exchange risk is not significant. The Group has not used any financial instruments to hedge its interest rate risk, and will consider hedging significant interest rate risk should the need arise.

DISPOSAL OF MATERIAL SUBSIDIARIES

The Group disposed 71% of the issued share capital of a subsidiary in culture entertainment business during the year under review. Details of the disposal have been disclosed in the Company's announcement dated 20 July 2023. Save for the above-mentioned disposal, the Group did not acquire or dispose of any material subsidiaries and associates during the year ended 31 December 2023 under review.

SIGNIFICANT INVESTMENT

The Group did not hold any significant investment as at 31 December 2023.

PLEDGE OF ASSETS

As at 31 December 2023, certain of the Group's assets with a net book value of approximately HK$1,814 million (as at 31 December 2022: HK$1,917 million) and time deposits of HK$20 million (2022: HK$38 million) were pledged to secure the Group's bank and other borrowings.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had the following contingent liabilities:

During 2017 and in or about August 2018, various property purchasers initiated legal proceedings against a subsidiary of the Company (the "**Relevant Subsidiary**") concerning alleged misrepresentations on the part of the Relevant Subsidiary in relation to certain properties sold by the Relevant Subsidiary. In September 2018, the Court ordered that all individual legal proceedings against the Relevant Subsidiary were consolidated into one legal proceedings. Based on the existing legal documents and advice of the legal advisor of the Company, the Directors are of the opinion that there is a reasonably good chance of success in the defence by the Relevant Subsidiary. In the opinion of the Directors, no provision is considered necessary for the claims arising from the legal proceedings at the end of the reporting period.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group as at 31 December 2023 was 296 (2022: 325). The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitive remuneration package to employees. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance related bonuses. The Company has adopted the share options scheme as an incentive to eligible participants. Share options may also be granted to eligible employees and persons of the Group under share options scheme. As at 31 December 2023, there were no outstanding share options issued by the Company (as at 31 December 2022: Nil).

REMUNERATION OF SENIOR MANAGEMENT

After the disposal of 71% equity interest in our cultural business in July 2023, our senior management team now consists of one member. Given this circumstance, the requirement of stating remuneration by band under Code Provision E.1.5 in Part 2 of Appendix C1 is no longer suitable. Instead, we have provided specific remuneration details for the executive directors, chief executive officer, independent non-executive directors and five highest paid employees as set out in notes 8 and 9 to the consolidated financial statements for the year ended 31 December 2023, ensuring transparency and compliance with corporate governance guidelines.

CONVERTIBLE BONDS

On 20 January 2023, the Company issued the 2025 Convertible Bonds to Treasure Goal with the aggregate principal amount of HK$220,000,000 at the current conversion price of HK$0.16 per conversion share.

On 17 May 2023, Treasure Goal transferred a part of 2025 Convertible Bonds in the aggregate principal amount of HK$117,000,000 to each of Capital Winner, New Capital and Capital Force (the "**Transfer**"). The respective principal amounts transferred to Capital Winner, New Capital and Capital Force were HK$46,500,000, HK$45,000,000 and HK$25,500,000 which were determined in accordance with their shareholding proportion in the Company. Immediately after the Transfer conducted on 17 May 2023, the Company received conversion notices from each of Capital Winner, New Capital and Capital Force in respect of the exercise of the conversion rights attached to 2025 Convertible Bonds in the principal amounts of HK$46,500,000, HK$45,000,000 and HK$25,500,000, respectively, at the initial conversion price of HK$0.16 per conversion share (the "**Conversion**"). After completion of the Conversion and as at the date of 31 December 2023, the outstanding principal amount of 2025 Convertible Bonds was HK$103,000,000 which is held by Treasure Goal (at the current conversion price of HK$0.16 per conversion share). Further details of the 2025 Convertible Bonds are set out in note 31(b) to the financial statements of this annual report, announcements of the Company dated 16 November 2022, 11 January 2023, 20 January 2023, 17 May 2023 and 22 May 2023; and the circular of the Company dated 19 December 2022.

The following table sets out the shareholding structure of the Company: (i) as at 31 December 2023; and (ii) for illustrative purpose only, the structure immediately after the issue of the 643,750,000 Shares upon full conversion of all the outstanding 2025 Convertible Bonds with principal amount of HK$103 million at the current conversion price of HK$0.16 per conversion share, assuming that there is no other change to the share capital of the Company from 31 December 2023 to the date of allotment and issue of the conversion shares:

Shareholders	As at 31 December 2023 No. of Shares	%	Immediately after conversion of all the outstanding 2025 Convertible Bonds and issue of such conversion shares No. of Shares	%
Treasure Goal	**0**	**0.00**	643,750,000	28.63
Capital Force	**256,243,297**	**15.97**	256,243,297	11.40
New Capital	**452,607,615**	**28.21**	452,607,615	20.13
Capital Winner	**468,423,672**	**29.19**	468,423,672	20.84
Mr. Mak	**25,589,652**	**1.59**	25,589,652	1.14
Sub-total for Mr. Mak and his close associates	**1,202,864,731**	**74.96**	**1,846,614,731**	**82.14**
Public shareholders	**401,496,721**	**25.04**	**401,496,721**	**17.86**
Total	**1,604,361,452**	**100.00**	**2,248,111,452**	**100.00**

The outstanding 2025 Convertible Bonds had an anti-dilutive effect on the basic loss per share of the Group for the year ended 31 December 2023, the calculation of which is set out in note 12 to the financial statements of this annual report.

The conversion price of the 2025 Convertible Bonds of $0.16 per Share is lower than the current market price of the Shares, the bondholders may or may not convert certain amount of the 2025 Convertible Bonds into the Shares but the conversion is subject to the fulfillment of the public floating of 25% requirement under the Listing Rules. The maturity date of the 2025 Convertible Bonds is 31 December 2025, which is less than 2 years from the date of this annual report. The Company is considering various plans for settlement of the 2025 Convertible Bonds in order to minimise any negative impact on Group (if any).

sustainable operations and development

SUSTAINABILITY STRATEGY

We regard sustainability as a core strategy in maintaining and developing the Company for the long term and our efforts in fulfilling corporate social responsibility will contribute to the long-term value to the Company and the community in which we operate.

ENVIRONMENTAL PROTECTION AND PRODUCT SAFETY

Our environmental objective is to operate and develop our business in a manner that minimises the impacts to the environment and natural resources. We endeavor to improve our operation process and products in order to maximise efficiency and productivity and minimise wastages. Our policy is to ensure that our operations comply with relevant environmental laws, rules and regulations. We commit to provide high quality products and services and comply fully with the relevant international and local health, quality and safety standards.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS THAT HAVE A SIGNIFICANT IMPACT ON THE COMPANY

It is the Company's policy to comply with all the relevant laws and regulations in the places where we operate. The management always keep abreast of the latest development in the laws and regulations which are relevant and have a significant impact on the Group.

Save as information disclosed in the announcement of the Company dated 16 March 2023; announcements of the Company dated 28 March 2024, 8 April 2024 and 10 April 2024 in relation to delay to publish its annual results within 3 months after the end of financial year ended 31 December 2023; and disclosure stated in this Corporate Governance Report, there was no other significant non-compliance of any laws, regulations or rules that have a significant impact on the Group and its operations as at the date of this annual report.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Group has committed to produce and deliver premium products and services to customers to meet their satisfaction and expectation.

Regarding the Group's property business, we have established very good working relationship with the major property agents in Hong Kong, which facilitate sale, purchase and leasing of properties in the most efficient manner.

Although our classic car business was established in 2014, some of the key personnel have been working the automotive industry in Hong Kong for many years and possess significant and extensive experience of working with classic cars. Due to our extensive knowledge and expertise in this field, a professional service level and comprehensive relationships with customers and suppliers have been well-established.

Blackbird Concessionaires has been appointed as official dealer of Ferrari in Hong Kong and Macau since 2017. Since commencement of the Ferrari dealership, we have quickly established very good relationship with our customers and Ferrari is very happy with progress of our dealership business. On 10 March 2023, Blackbird Concessionaires was appointed as the official Ferrari importer for Hong Kong and Macau. This importership appointment reflects the recognisation of Blackbird Concessionaires' performance on Ferrari brand from Ferrari since the official dealership appointment in 2017 by Blackbird Concessionaires.

Blackbird Tridente was appointed as official importer and distributor for Maserati vehicles and the provider of after sales services in Hong Kong and Macau in the first half of 2021. Since commencement of the Maserati importership, we have quickly established very good relationship with our customers and Maserati is very happy with progress of our importership business.

RELATIONSHIP WITH EMPLOYEES

We treasure our employees which are one of the most valuable assets to the Group. We offer competitive remuneration package, provident fund, welfare and benefits and comply with all the relevant labour laws and regulations which apply to our operations. The key management personnel have worked with the Group for a long time.

We encourage staff training and development. Employees are encouraged to join external training in job-related courses, seminars and programmes.

Furthermore, training courses and seminars are organised for different grades of employees from time to time.

WORKPLACE QUALITY

The Group has placed significant resources in providing a safe, healthy, clean and comfortable workplace for our employees in Hong Kong. Amidst the COVID-19 pandemic, we have implemented various measures including work from home, flexible working hours and various precautionary measures in order to protect our workplace and our staff from the infection of the coronavirus.

CONTRIBUTION TO THE COMMUNITY

The Group has contributed its efforts and resources to support the community in which it operates for many years. In 2023, the Group has made charitable donations of approximately HK$50,000. Furthermore, the Group also encourages its employees to participate in various charitable activities and volunteering events in the local community in which it has operations.

The ESG Report for the year ended 31 December 2023 will be published on the Stock Exchange's website and the Company's website within 3 months after the financial year ended 31 December 2023 of the Company, the same publication date of annual report for the 31 December 2023 of the Company.

corporate information

COMPANY NAME
CCT Fortis Holdings Limited

BOARD AND COMMITTEES OF THE BOARD
Executive Directors
Mak Shiu Tong, Clement *(Chairman and CEO)*
Cheng Yuk Ching, Flora *(Deputy Chairman)*

Independent Non-Executive Directors
Chen Li
Chow Siu Ngor
Lau Ho Kit, Ivan

Audit Committee
Lau Ho Kit, Ivan *(chairman)*
Chen Li
Chow Siu Ngor

Remuneration Committee
Chow Siu Ngor *(chairman)*
Chen Li
Lau Ho Kit, Ivan
Mak Shiu Tong, Clement
Cheng Yuk Ching, Flora

Nomination Committee
Mak Shiu Tong, Clement *(chairman)*
Cheng Yuk Ching, Flora
Chen Li
Chow Siu Ngor
Lau Ho Kit, Ivan

COMPANY SECRETARY
Sze Suet Ling *ACG (CS, CGP), HKACG (CS, CGP)*

PRINCIPAL BANKERS
Nanyang Commercial Bank, Limited
Hang Seng Bank Limited
Bank of Communications (Hong Kong) Limited

AUDITORS
Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

FINANCIAL YEAR END
31 December

REGISTERED OFFICE
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Floor 26A, Fortis Tower
77–79 Gloucester Road
Hong Kong

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
Tricor Tengis Limited
17/F., Far East Finance Centre
16 Harcourt Road
Hong Kong

TELEPHONE NUMBER
+852 2102 8138

FAX NUMBER
+852 2102 8100

COMPANY WEBSITE
www.cct-fortis.com

STOCK CODE
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corporate governance report

CORPORATE GOVERNANCE PRACTICES

The Company has always recognised the importance of the Shareholders' transparency and accountability. It is the belief of the Board that the Shareholders can maximise their benefits from good corporate governance. The Company is committed to maintaining and ensuring high standards of corporate governance in the interests of the Shareholders.

In the opinion of the Directors, the Company has complied with all the Code Provisions under the CG Code throughout the financial year ended 31 December 2023, except for the deviations from the following Code Provisions of the CG Code for the relevant periods.

Code Provision C.2.1

Code Provision C.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

There is no separation of the roles of chairman and chief executive officer of the Company and hence the Company has not complied with the Code Provision C.2.1 during the financial year ended 31 December 2023.

Mr. Mak Shiu Tong, Clement currently assumes the roles of both the Chairman and the CEO. Mr. Mak is an executive of high caliber with a wide range of skills and diversified business expertise. He has substantial experience, strong leadership and a firmly established reputation in the diversified business that is essential to fulfilling the role of the Chairman. At the same time, Mr. Mak has appropriate management skills and business acumen that are the pre-requisites for assuming the role of the CEO in the day-to-day management of the Group. The Board composes of two executive Directors (including the Chairman) and three INEDs with a balance of skills and experience appropriate for the requirements of the Group. Furthermore, the roles of the managing director and general managers of the Company's major operating subsidiaries are performed by other individuals. The Board believes that there is no need to segregate the roles of the Chairman and the CEO as the balance of power and authority is already ensured by the current structure. Moreover, the Board believes that the combined roles of Mr. Mak enhance the communication between the Board and the management and ensure the effective execution of the Board's strategy by the management because of Mr. Mak's extensive business experience.

Code Provision B.2.2

Code Provision B.2.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the bye-laws of the Company, any Director appointed to fill a casual vacancy shall hold office only until the next following AGM and shall then be eligible for re-election. The Board considered that such a deviation was not material as casual vacancy of Directors seldom happens and duration between appointment to fill casual vacancy and the immediate following AGM is less than one year and is considered to be short.

Pursuant to previous bye-laws of the Company and during the period from 1 January 2023 to 30 June 2023, the Chairman and the managing Director (who is currently assumed by Mr. Mak) shall not be subject to retirement by rotation nor be taken into account in determining the number of Directors to retire in each AGM. The Board considered that the continuity of the Chairman and his leadership was essential for the stability of the key management of the Group. In order to improve corporate governance of the Company and align with Code Provision B.2.2, among others, the bye-laws of the Company were amended and approved by the Shareholders at the AGM held on 30 June 2023. The Company has been complied with Code Provision B.2.2 since 30 June 2023. Details of the amendment of the bye-laws of the Company may refer to the circular of the Company dated 27 April 2023.

CORPORATE GOVERNANCE PRACTICES *(continued)*

Rule 13.49 and Code Provision D.1.3.

Pursuant to Rule 13.49(1) of the Listing Rules, the Company was required to publish the annual results for the financial year ended 31 December 2023 (the "**2023 Annual Results Announcement**") on or before 31 March 2024.

As disclosed in the Company's announcements dated 26 March 2024, 28 March 2024, 10 April 2024 and 11 April 2024, amongst others, the Company required additional time to collect and collate the necessary supporting documents related to the cash flow forecast to enable the Company's auditors (the "**Auditors**") to complete relevant review and audit. Under Rule 13.50 of the Listing Rules, trading for the Company's shares was suspended from 9:00 a.m. on 2 April 2024.

The 2023 Annual Results Announcement was published on 11 April 2024. Following the publication of the 2023 Annual Results Announcement as agreed by the Auditors, trading of the Company's shares resumed at 9:00 a.m. on 12 April 2024. The Board acknowledges that the delay in publication of the 2023 Annual Results constituted non-compliance with Rule 13.49(1).

As disclosed in the 2023 Annual Results Announcement, the Auditors have issued a disclaimer of opinion in their independent auditor's report. To avoid a lengthy explanation, the details and necessary information of "Disclaimer of opinion" and "Basis for disclaimer of opinion" from the independent auditor's report prepared by Ernst & Young on the Group's consolidated financial statements for the year ended 31 December 2023 may refer to the section headed "Extract from Independent Auditor's Report prepared by the Auditors of the Company" in the Directors' Report and the 2023 Annual Results Announcement.

Management action plans to be implemented by the Company

In view of an issue of going concern that raised by the Auditors, the Directors have given careful consideration to the Group's future liquidity requirements, operating performance and available sources of financing in assessing the Group's ability to continue operating as a going concern. The following plans and measures are formulated to manage the working capital and improve the financial position of the Group: (a) the Group is actively discussing with potential buyers to dispose the long term assets; (b) the Group is able to renew and roll over the revolving, trading and working capital loans with more favourable financial covenants upon or before the maturity dates; (c) the Group is actively discussing with financial advisor for potential capital transactions; (d) the Group will continue to improve the sales and collection of outstanding sales proceeds; and (e) the Group will continue to take active measures to control its administrative costs and manage its capital expenditure. The Directors have reviewed the Group's cash flow forecast, covering a period of at least 12 months from the reporting date, prepared by the management. The Directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within 12 months from 31 December 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted its code of conduct regarding the securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code adopted by the Company throughout the financial year ended 31 December 2023.

THE BOARD

Responsibilities, accountabilities and contributions

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is responsible for promoting the development of the Company by directing and supervising its affairs. The Directors take decisions objectively in the interests of the Company.

The management of the Group was delegated the authority and responsibility by the Board for day-to-day management of the businesses of the Group, with division heads responsible for different aspects of the business. The Board meets at least four times each year and meets as and when required. Appropriate and sufficient information including notices were provided to the Board's members in a timely manner. During the financial year ended 31 December 2023, the Board held 8 meetings.

The Board members have also attended the Shareholders' general meeting to answer questions from the Shareholders. During the financial year ended 31 December 2023, the Company held two Shareholders' general meetings. The attendance of each of the Directors at the Board meetings ("**BMs**") (either in person or by phone) and at the Shareholders' general meetings ("**GMs**") held in 2023 is set out as follows:

	Number of meetings attended/ eligible to attend	
Name of the Directors	**BMs**	**GMs**
Executive Directors		
Mak Shiu Tong, Clement	8/8	2/2
Cheng Yuk Ching, Flora	8/8	2/2
Independent non-executive Directors		
Chen Li	8/8	2/2
Chow Siu Ngor	8/8	2/2
Lau Ho Kit, Ivan	8/8	2/2

The company secretary of the Company is responsible for taking minutes of the Board meetings and all Board's minutes are open for inspection by the Directors upon reasonable notice.

The Directors have access to relevant and timely information and, upon reasonable request, may seek independent professional advice in appropriate circumstances, at the Company's expenses. Appropriate insurance cover has been arranged in respect of the legal action against the Directors and the management of the Group. The Board considers that the Group has sufficient and appropriate liability insurance to cover the Directors and the management of the Group against any legal liability arising from their performance of duties.

The Composition of the Board

As at the date of this annual report, the Board was composed of two executive Directors, namely Mr. Mak Shiu Tong, Clement and Ms. Cheng Yuk Ching, Flora and three INEDs, namely Mr. Chen Li, Mr. Chow Siu Ngor and Mr. Lau Ho Kit, Ivan. The biographical details of all Directors are set out in the section headed "Directors and Senior Management" of this annual report.

During the period from 1 January 2023 and up to the date of this annual report, there was no change on the composition of the Board.

The Board's composition has maintained a balance and diversity of skills, expertise, experience and qualifications appropriate of the requirements, promotion and development of the businesses of the Group.

Directors give sufficient time and attention to the Group's affairs. The Company also requires the Directors to disclose to the Company annually and in a timely manner for any change regarding the number and the nature of offices held in public companies or organisations and other significant commitments with indications of the time involved.

THE BOARD *(continued)*

Responsibilities, accountabilities and contributions *(continued)*

The Composition of the Board (continued)

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of a sufficient number of the INEDs, at least an INED with appropriate professional qualifications or accounting or related financial management expertise and the number of INEDs representing at least one-third of the Board throughout the financial year ended 31 December 2023.

The Company has received annual confirmation of independence for the year ended 31 December 2023 from Mr. Chen Li, Mr. Chow Siu Ngor and Mr. Lau Ho Kit, Ivan in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all INEDs are independent within the definition of the Listing Rules. Directors for more than nine years and that they all meet the specific independence guideline as set out in Rule 3.13 of the Listing Rules.

None of the members of the Board has any financial, business, family or other material/relevant relationships with each other.

Directors' continuing professional development

A newly appointed Director, if any, will be provided with necessary induction and information to ensure he has a proper understanding of the Group's operations and businesses as well as his responsibilities under the Listing Rules and the other applicable regulatory requirements.

The Company provides Directors with updates and briefings on the latest developments and changes regarding the Listing Rules and other applicable regulatory requirements from time to time so as to ensure compliance and enhance their awareness of good corporate governance practices. Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are requested to provide the Company with a record of the training they received.

According to the records provided by the Directors, a summary of training received by the Directors for the year ended 31 December 2023 is as follows:

	Type of continuous professional development	
Name of the Directors	**Receiving updates and briefings from the Company/self-study**	**Attending seminar(s)/ conference and/or forums organised by external parties**
Mak Shiu Tong, Clement	✔	
Cheng Yuk Ching, Flora	✔	
Chen Li	✔	
Chow Siu Ngor	✔	✔
Lau Ho Kit, Ivan	✔	✔

The training participated by the Directors in 2023 is relevant to their duties and responsibilities as a director of the Company.

THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Mr. Mak Shiu Tong, Clement currently assumes the roles of both the Chairman and the CEO. The reasons for the deviation from the Code Provision C.2.1 under the CG Code are set out in the section headed "Corporate Governance Practices" above. Mr. Mak is responsible for the leadership of the Board, corporate planning and strategic direction of the Group and takes a leading role in managing the businesses of the Group.

TERMS OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

All the Directors are appointed for a specific term of not more than three years. All the Directors (including the Chairman and the INEDs) are subject to retirement by rotation and re-election at the AGM in accordance with the current bye-laws of the Company.

RE-ELECTION AND RETIREMENT OF THE DIRECTORS

The current bye-laws of the Company provide that (i) one-third (or the number nearest to one-third) of the Directors shall retire from office by rotation and be eligible for re-election at each AGM; and (ii) any Director appointed by the Board, either to fill a casual vacancy on or as an addition to the existing Board, shall hold office until the next following AGM and shall be eligible for re-election at that meeting.

Pursuant to the previous bye-laws of the Company, Mr. Mak shall not be subject to the retirement by rotation as he is the Chairman and the managing Director. The reasons for the deviation from the Code Provision B.2.2 under the CG Code during the period from 1 January 2023 to 30 June 2023 are set out in the section headed "Corporate Governance Practices" above.

BOARD COMMITTEES

The Board currently has established three committees, which are the Remuneration Committee, the Audit Committee and the Nomination Committee, with clearly defined written terms of reference. The main roles and responsibilities of these three board committees, including all authorities delegated to them by the Board, as set out in the terms of reference, are published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cct-fortis.com in the sub-section of "Corporate Governance" under the section of "Investor Information".

Remuneration Committee

The Remuneration Committee was established in 2005 with specific written terms of reference formulated in accordance with the requirements of the Listing Rules.

The main responsibilities of the Remuneration Committee include, inter alia, (i) making recommendations to the Board on the policy and structure for the remuneration of the Directors and senior management of the Group; (ii) reviewing the management's remuneration proposals with reference to the Board's corporate goals and objectives; (iii) making recommendations to the Board on the remuneration package of individual Directors and senior management of the Group (adopting the approach described under Code Provision E.1.2 (c)(ii) of the CG Code); (iv) reviewing and making recommendations to the Board the fees payable to the INEDs; (v) reviewing and making recommendations to the Board the compensation, if any, payable to the Directors and senior management of the Group in connection with any loss or termination of office or appointment; and (vi) reviewing or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

The Remuneration Committee consists of five members who are three INEDs, namely Mr. Chow Siu Ngor ("**Mr. Chow**"), Mr. Chen Li and Mr. Lau Ho Kit, Ivan and two executive Directors, namely Mr. Mak Shiu Tong, Clement and Ms. Cheng Yuk Ching, Flora. The Remuneration Committee is currently chaired by Mr. Chow.

BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

During the financial year ended 31 December 2023, the Remuneration Committee held one meeting and its main work during 2023 included:

(i) reviewing and making recommendations to the Board on the policy and structure for the remuneration of the Directors and senior management of the Group; and

(ii) reviewing and making recommendations to the Board on the remuneration package of the Directors and senior management of the Group.

For the sake of good corporate governance practice, none of the members of the Remuneration Committee participated in the discussions and decision on matters relating to his remuneration.

The attendance record of the members at the meeting of the Remuneration Committee in 2023 is set out as follows:

Members of the Remuneration Committee	Number of meeting attended/held
Chow Siu Ngor	1/1
Chen Li	1/1
Lau Ho Kit, Ivan	1/1
Mak Shiu Tong, Clement	1/1
Cheng Yuk Ching, Flora	1/1

The Group provides competitive remuneration packages to the Directors and senior management of the Group. The emoluments of Directors are decided by the Remuneration Committee are determined based on skill, knowledge, experience and performance of the Directors and achievements and performance of the Company and taking into account market conditions. In addition, the 2021 Scheme has been established to provide incentives and rewards to eligible participants who include the Directors and senior management of the Group.

Audit Committee

The Company has established the Audit Committee since 2000 with specific written terms of reference formulated in accordance with the requirements of the Listing Rules. The primary duties of the Audit Committee are to ensure the objectivity and credibility of the Company's financial reporting, risk management and internal control systems, to maintain an appropriate relationship with the external and internal auditors of the Company as well as other duties under the CG Code.

The main responsibilities of the Audit Committee include, inter alia, (i) reviewing the financial statements of the Group's interim and annual reports before submitting them to the Board for approval; (ii) reviewing and making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and the terms of engagement including the remuneration of the external auditors; (iii) discussing with the external auditors the nature and scope of the audit; (iv) monitoring and assessing the independence and objectivity of the external auditors and the effectiveness of the audit process in accordance with the applicable standards; (v) reviewing and monitoring the financial reporting and the reporting judgment contained in them; (vi) reviewing the financial controls, risk management and internal control systems (including the adequacy of resources, and the effectiveness of the financial and internal audit function); and (vii) reviewing the Group's accounting policies and practices and any changes of them with the management of the Group, and the internal and external auditors of the Company.

BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

The Audit Committee consists of three members who are three INEDs, namely Mr. Lau Ho Kit, Ivan ("**Mr. Ivan Lau**"), Mr. Chen Li and Mr. Chow Siu Ngor. The Audit Committee is currently chaired by Mr. Ivan Lau, who is a qualified accountant with extensive accounting and financial experience.

The Audit Committee has been provided with sufficient resources to perform its duties.

During the financial year ended 31 December 2023, the Audit Committee held three meetings and its main work during 2023 included reviewing:

(i) the 2022 annual report, including the Corporate Governance Report, the Directors' Report, the Financial Statements and various corporate transactions as well as the 2022 annual results announcement;

(ii) the 2023 interim report and 2023 interim results announcement;

(iii) the plans, reports, fees, involvement in non-audit services and terms of engagement of the external auditors;

(iv) the plans, resources and work of the Company's internal auditors; and

(v) the adequacy and effectiveness of the Company's financial reporting system, the system of internal controls in operation, risk management system and associated procedures within the Group.

The attendance record of the members at the meetings of the Audit Committee in 2023 is set out as follows:

Members of the Audit Committee	Number of meetings attended/held
Lau Ho Kit, Ivan	3/3
Chen Li	3/3
Chow Siu Ngor	3/3

Nomination Committee

The Company has established the Nomination Committee since 2012 with specific written terms of reference in line with the Code Provisions under the CG Code. The main responsibilities of the Nomination Committee include, inter alia, (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually; (ii) making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (iii) identifying individuals suitably qualified to become board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (iv) assessing the independence of INEDs; and (v) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the CEO.

The Nomination Committee consists of five members who are three INEDs, namely Mr. Chen Li, Mr. Chow Siu Ngor and Mr. Lau Ho Kit, Ivan and two executive Directors, namely Mr. Mak Shiu Tong, Clement ("**Mr. Mak**") and Ms. Cheng Yuk Ching, Flora. The Nomination Committee is currently chaired by Mr. Mak.

The Nomination Committee has been provided with sufficient resources to perform its duties.

BOARD COMMITTEES *(continued)*

Nomination Committee *(continued)*

During the financial year ended 31 December 2023, the Nomination Committee held one meeting and its main work during 2023 included:

(i) reviewing the structure, size, composition and diversity of the Board;

(ii) reviewing the Board Diversity Policy and the Nomination Policy;

(iii) reviewing the confirmation from the Directors on time commitment in performing their duties as Directors;

(iv) assessing the independence of the INEDs; and

(v) making the recommendations to the Board on the nomination of the Directors for re-election at the AGM.

The attendance record of the members at the meeting of the Nomination Committee in 2023 is set out as follows:

Members of the Nomination Committee	Number of meeting attended/held
Mak Shiu Tong, Clement	1/1
Cheng Yuk Ching, Flora	1/1
Chen Li	1/1
Chow Siu Ngor	1/1
Lau Ho Kit, Ivan	1/1

Nomination Policy

The Company adopted a nomination policy (the "**Nomination Policy**") in January 2019. A summary of the Nomination Policy is stated as below:

– to nominate suitable candidates to the Board for it to consider and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning (if considered necessary);

– skills, experience and diversity of perspectives which are relevant to the operations of the Group;

– the selection criteria, the nomination procedures and process are set out in the Board Diversity Policy; and

– to propose person(s) for election as Director(s) by the Shareholder(s), of which are set out in the "Procedures for Shareholders to Propose a Person for Election as a Director" is available on the Company's website.

The Nomination Committee will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy.

BOARD COMMITTEES *(continued)*

Nomination Committee *(continued)*

Board Diversity Policy

The Board has adopted the Board Diversity Policy in August 2013 which sets out the approach to achieve diversity on the Board. The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. As from the adoption of the Board Diversity Policy, the Company seeks to achieve Board diversity through a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will review the Board Diversity Policy, on an annual basis to ensure its continued the implementation and effectiveness from time to time.

During the financial year ended 31 December 2023 and as at the date of this annual report, the Board comprised five Directors, one of which is female; the Group has one senior management of the Group is male. As at the date of this annual report, approximately 83.3% of the Company's senior workforce (including the Directors and senior management of the Group) is male and approximately 16.7% is female. The Company targets to avoid a single gender senior workforce (including the Directors and senior management of the Group) and will timely review the gender diversity of the senior workforce (including the Directors and senior management of the Group) in accordance with the business development of the Group.

The following table further illustrate the diversity of the Board members (other than gender diversity) as of the date of this annual report:

		No. of Director(s)
Age group:	46–60	1
	Over 60	4
Length of service (year):	1 to 9	1
	Over 9	4
Extensive knowledge/professional experience in:	– Business management	4
	– Industries	4
	– Finance and accounting	1
	– Legal	1

The Board has sufficient diversity in educational background, business and professional experience, skill and knowledge.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing corporate governance duties which include (i) developing, reviewing and approving the Company's policies and practices on corporate governance and make recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional development of the Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and (v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the financial year ended 31 December 2023, the Board held two meetings to develop and review the Company's policy and practice on corporate governance and to perform other corporate governance duties stated in the paragraph above. The attendance record of the members of the Board at the corporate governance meetings in 2023 is set out as follows:

Name of the Directors	Number of meetings attended/held
Mak Shiu Tong, Clement	2/2
Cheng Yuk Ching, Flora	2/2
Chen Li	2/2
Chow Siu Ngor	2/2
Lau Ho Kit, Ivan	2/2

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company, Ernst & Young, for the year ended 31 December 2023 is set out as follows:

Services rendered	Fees paid/payable HK$
Audit services	2,700,000
Non-audit services:	
Taxation	53,000
Total	2,753,000

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company and ensure that they are prepared in accordance with the statutory requirements and applicable accounting standards. Save as stated in the sub-section headed "Rule 13.49 and Code Provision D.1.3", under the section headed "Corporate Governance Practices" in the Corporate Governance Report, the Directors ensure the timely publication of such financial statements. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

The statement of the external auditors of the Company, Ernst & Young, with regard to their reporting responsibilities on the Company's financial statements is set out in the section headed "Independent Auditor's Report" in this annual report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, save as disclosed in the financial statements, they are not aware of any material uncertainties relating to the events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Company's annual results announcement dated 11 April 2024 and the Corporate Governance Report also included an additional statement detailing the management's action plans to address going concern issues.

RISK MANAGEMENT AND INTERNAL CONTROL AND INTERNAL AUDIT

The Board is entrusted with the overall responsibility for establishing and maintaining the Group's risk management and internal control systems on an ongoing basis and reviewing their effectiveness. The Group's risk management and internal control systems have been designed for safeguarding assets, maintaining proper accounting records and ensuring reliability of the financial information. The Board also reviews and considers the adequacy of resources, staff qualifications and experience, and training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

The Company has established the internal audit department for many years and the department performs risk-based audit on the effectiveness of the internal control system of the Group half-yearly. The internal audit department of the Company reports to the Chairman. The annual audit plan of the internal audit department is reviewed and approved by the Audit Committee and summary of major audit findings and control weaknesses, if any, and follow-up actions are reviewed by the Audit Committee.

During the financial year ended 31 December 2023, the Board reviewed the effectiveness and adequacy of risk management and internal control systems of the Group for 2023 and considered them effective and adequate.

Objective of Risk Management and Internal Control

The Company recognises the importance of risk management and internal control in the achievement of its strategic goals. The Company maintains a conservative approach to manage and align risk to its strategy of achieving sustainability and delivering long-term returns to the Shareholders.

Process and Procedure for Risk Management and Internal Control

1. The Board has the overall responsibility for evaluating the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems.

2. The Board through the Audit Committee, reviews the adequacy the Group's risk management and internal control systems.

3. The Group employs an enterprise risk management framework to manage risk.

4. The management of business units/divisions are responsible for the day-to-day management of operational risks and implementation of mitigation measures.

5. All division heads are required to provide a confirmation annually to the Board on the effectiveness of the risk management and internal control systems.

6. The Internal Audit Department of the Group is responsible for reviewing and appraising effectiveness of risk management and internal control systems and reporting results to the Board through the Audit Committee.

RISK MANAGEMENT AND INTERNAL CONTROL AND INTERNAL AUDIT *(continued)*

Top and emerging risks

The top and emerging risks framework enables the Group to identify current and forward-looking risks so that the Group may take actions that either prevents them, crystallising or limits their impact. Top risks are those that may have a material impact on the financial results, reputation or business model of the Group in the year ahead. Emerging risks are those that have large unknown components any may form beyond a one-year horizon. If these risks were to occur, they could occur have material impact on the Group. The Group's top and emerging risks are summarised as follows:

- trade war tensions between the USA and China;
- geopolitical risks;
- rising inflation and interest hike;
- global economic outlook and capital flows;
- major changes of government policies that have significant impact on the Group's operations;
- information technology security and risks;
- sales and receivable management;
- production and supplier management; and
- human resources management.

The above top and emerging risks were reviewed by the Audit Committee and discussed by the Board. Measures have been formulated and implemented to mitigate such risks. These risks will be changed to respond to changes in the Group's business and the external environment.

COMPANY SECRETARY

Ms. Sze Suet Ling was appointed by the Board as the company secretary of the Company with effect from 6 May 2019. Ms. Sze is also an employee of the Company. She has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2023.

SHAREHOLDERS' RIGHTS

(i) Procedures for Shareholders to convene special general meeting

Shareholder(s) may convene a special general meeting on requisition, as provided by the Companies Act 1981 of Bermuda.

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

SHAREHOLDERS' RIGHTS *(continued)*

(ii) Procedures for putting enquiries to the Board

Shareholders have the right to put enquiries to the Board at any time and all such enquiries shall be in writing and addressed to the "Company Secretarial Department" of the Company by mail to Floor 26A, Fortis Tower, 77–79 Gloucester Road, Hong Kong or by email to cctinfo@cct.com.hk.

(iii) Procedures for putting forward proposals at general meetings

Pursuant to bye-law 88 of the Company's bye-laws, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a written notice ("**Nomination Notice**") signed by such Shareholder(s) individually or collectively holding not less than one-tenth of the then total paid up capital of the Company as at the date of the Nomination Notice carrying the right of attending and voting at the general meeting of the Company for which such Nomination Notice is given of his intention to propose such person(s) for election and also a written notice signed by each person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the number of candidates to be nominated by the qualified Shareholder individually or the group of qualified Shareholders collectively for election at any general meeting shall be limited to three (3), subject to the maximum number of Directors of the Company, if any, and provided that the minimum length of the period during which such written notices are given, shall be at least seven (7) days and that (if the written notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such written notices shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

INVESTOR RELATIONS

(i) Constitutional Documents

On 11 January 2023, the Company held the special general meeting at which, amongst others, the Shareholders approved the matter of increasing of the authorised share capital of the Company from HK$200,000,000 divided into 2,000,000,000 Shares to HK$2,000,000,000 divided into 20,000,000,000 Shares by the creation of an additional 18,000,000,000 unissued Shares. Except for above mentioned, there was no change in the Company's constitutional documents during the year ended 31 December 2023 and as at the date of this annual report.

(ii) Shareholders' Communication Policy

The Company has established Shareholders' Communication Policy to ensure proactive communication with Shareholders and keep Shareholders informed of balanced and understandable information about the Company in a factual and timely manner. The policy also serves to govern the Company's open and regular dialogue with Shareholders, bankers and the media through effective corporate communication system covering various communication channels including Shareholders' meetings, corporate's publications and website.

Information about the Company is disseminated to the Shareholders through: (i) delivery of interim and annual reports to all shareholders; (ii) publication of announcements on interim and annual results on the websites of the Company and the Stock Exchange, and issuance of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and (iii) the general meeting of the Company is an effective communication channel between the Board and the Shareholders. As such, the Board members attended the special general meeting held on 11 January 2023 and the AGM held on 30 June 2023 to provide Shareholders with opportunities to understand the latest development of the Group and raise questions.

Details of the attendances of each Directors at the general meetings of the Company in 2023 is listed under the section named "THE BOARD" in this Corporate Governance Report.

DIVIDEND POLICY

Pursuant to Code Provision F.1.1, the Company should have a policy on payment of dividends.

The Company has adopted the dividend policy (the "**Dividend Policy**") in January 2019, according to which the Company may declare and distribute dividends to the Shareholders, to allow Shareholders to share the Company's profits and for the Company to retain adequate reserves for future growth.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders.

In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's financial results, the general financial condition of the Group, the Group's current and future operations and any other factors that the Board thinks appropriate from time to time. The Company's ability to pay dividends is also subject to the requirements of the Listing Rules, all relevant applicable laws, rules and regulations in Bermuda and the Memorandum of continuance and the bye-laws of the Company.

WHISTLEBLOWING POLICY

The Company is committed to the highest possible standards of openness, probity and accountability. Employees at all levels are expected to conduct themselves with integrity, impartiality and honesty. It is every employee's responsibility and in all interest of the Company to ensure that any inappropriate behaviour or organisational malpractice that compromise the interest of the shareholders, investors, customers and wider public does not occur. To this end, the Company has devised this policy.

This policy is intended to encourage and assist individual employees (permanent or temporary employees) and related third parties (e.g. customers, suppliers, etc., who deal with the Company) ("Third Parties") to disclose information relevant to suspected misconduct, malpractice or impropriety within the Company and/or its subsidiaries (the "Group") through a confidential reporting channel. It is not designed to further any personal disputes, question financial or business decisions taken by the Company nor should it be used to reconsider any staff matters which have been addressed under the grievances procedure already in place.

This policy applies to the Group's employees at all levels and divisions/departments and Third Parties. The details of the whistleblowing policy are available on the website of the Company at www.cct-fortis.com/eng/investor/governance.php.

ANTI-CORRUPTION AND BRIBERY POLICY

The Group is committed to upholding high standards of business integrity, honesty and transparency in all its business dealings. The Company strictly prohibits any form of corruption or bribery, and is committed to the prevention, deterrence, detection and investigation of all forms of corruption and bribery.

This policy applies to all directors, officers and employees (includes temporary and contract staffs, the "Employees") of the Group, and joint ventures or companies in which the Group holds a controlling interest. We encourage all our business partners, including joint venture partners, associated companies, contractors and suppliers to abide by the principles of this policy. The details of the anti-corruption and bribery policy are available on the website of the Company at www.cct-fortis.com/eng/investor/governance.php.

report of the directors

The Directors present their report and the consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries' businesses comprise principally: (i) property business; (ii) securities business; (iii) Blackbird's multi-faceted automotive business and investment in valuable collections; and (vi) cultural entertainment business.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 December 2023 including the principal risks and uncertainties facing the Group, the important events affecting the Group that have occurred (if any), and the likely future development in the Group's business can be found throughout this annual report, particularly in the sections headed "Chairman's Statement" and "Financial Review" as well as notes 1.2, 46 and 47 to financial statements in this annual report.

The environmental policies and performance, compliance with relevant laws and regulations that have a significant impact (if any) and the Group's key relationship with its employees, customers and suppliers are covered by the sections headed "Sustainable Operations and Development" and "Corporate Governance Report" in this annual report as well as a separate ESG Report which will be available on the Company's website under the "Corporate Social Responsibility Reports" section and the website of the Stock Exchange at the same time as the publication of this annual report.

The above sections form part of the Directors' Report.

ANNUAL RESULTS

The Group's loss for the year ended 31 December 2023 and the Group's financial position at that date are set out in the financial statements on pages 47 to 144 of this annual report.

FINAL DIVIDEND

In light of the current adverse situation, the Group intends to conserve cash resources to combat the difficulties and challenges going forward. Therefore, the Board did not recommend the payment of a final dividend for 2023 (2022 final dividend: Nil). The Company did not pay any interim dividend for 2023 (2022 interim dividend: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the consolidated financial statements and restated/reclassified as appropriate, is set out on page 147 of this annual report. This summary does not form part of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND LEASES AS WELL AS INVESTMENTS PROPERTIES

Details of movements in the property, plant and equipment and leases as well as the investment properties of the Group during the year are set out in notes 13 and 14 to the financial statements of this annual report, respectively.

SHARE CAPITAL

Details of the movement of the share capital of the Company during the year ended 31 December 2023 are set out in note 34 to the financial statements of this annual report.

EQUITY-LINKED AGREEMENT

(i) 2025 Convertible Bonds

On 20 January 2023, the Company issued the 2025 Convertible Bonds with the aggregate principal amount of HK$220,000,000 due on 31 December 2025. The 2025 Convertible Bonds are unsecured, carry interest at 4.5% per annum on the principal amount and of which are redeemable at the option of the Company before the maturity date on 31 December 2025. Subject to the terms and conditions of the 2025 Convertible Bonds, holder(s) of the 2025 Convertible Bonds has a right to convert the convertible bonds into the Shares at current conversion price of HK$0.16 per conversion share (subject to adjustments pursuant to the terms and conditions of the convertible bonds). New Shares will be allotted and issued upon conversion of the 2025 Convertible Bonds, created as fully paid and will rank pari passu with all existing shares of the Company. A total of 731,250,000 conversion shares (at conversion price of HK$0.16 each) was allotted and issued on 22 May 2023. After aforesaid conversion, the outstanding principal amount of the 2025 Convertible Bonds was HK$103,000,000 and as at the date of this annual report. Save as disclosed, there was no other movement of the 2025 Convertible Bonds during the financial year ended 31 December 2023.

(ii) 4.5%-2024 Convertible Bonds

On 18 August 2023, the Company issued the 4.5%-2024 Convertible Bonds (or the 4.5%-2024 CB) with the aggregate principal amount of HK$30,011,500 due on 18 August 2024 to not less than six(6) parties. The 4.5%-2024 CBs are unsecured, carry interest at 4.5% per annum on the principal amount and of which are redeemable at the option of the Company before the maturity date on 18 August 2024. A partial principal amount of HK$10,000,000.00 of 4.5%-2024 CB was redeemed by the Company on 18 February 2024. After aforesaid partial redemption, the outstanding principal amount of 4.5%-2024 CB was HK$20,011,500.00 as at the date of this report. Details of redemption were reflected in the Company's monthly return uploaded on the websites of the Company and the Stock Exchange on 5 March 2024. Save as aforesaid disclosed, during the period from 18 August 2023 to 31 December 2023, there was no other movement of the 4.5%-2024 CB.

Other than the 2025 Convertible Bonds and 4.5%-2024 CB disclosed above and the share option scheme disclosed in the section sub-headed "Share Option Scheme of the Company" pages 36 to 39 of this directors' report, no other equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of the Bermuda, which oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed Shares during the year ended 31 December 2023.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 49 to the financial statements and in the section headed "Consolidated Statement of Changes in Equity" to this annual report, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2023, the Company's reserve available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda, amounted to HK$841 million. In addition, the Company's share premium account, in the amount of HK$272 million, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totally HK$50,000 (2023: HK$30,000).

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers during the financial year ended 31 December 2023 is as follows:

	Percentage of the Group's total			
	Sales		Purchases	
	2023	2022	**2023**	2022
Largest customer	**9%**	9%		
Five largest customers in aggregate	**27%**	26%		
Largest supplier			**33%**	28%
Five largest suppliers in aggregate			**54%**	45%

None of the directors of the Company or any of their close associates or Shareholders (which, to the knowledge of the Directors own more than 5% of the Company's total number of issued Shares) had any interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors during the year and up to the date of this annual report were as follows:

Executive Directors:
Mak Shiu Tong, Clement
Cheng Yuk Ching, Flora

Independent Non-Executive Directors:
Chen Li
Chow Siu Ngor
Lau Ho Kit, Ivan

In accordance with the bye-law 87 of the Company's bye-laws, Mr. Mak Shiu Tong, Clement and Mr. Chen Li will retire by rotation and, being eligible, offer himself for re-election at the forthcoming AGM.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 6 to 7 of this annual report.

DIRECTORS' REMUNERATION

The Directors' fees are subject to Shareholders' approval at general meeting. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' SERVICE CONTRACTS

During the year, no Director had a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Details of director's interests in contracts which the Company or any of its subsidiaries entered into during the year are set out in note 43 to the financial statements.

SHARE OPTION SCHEME OF THE COMPANY

The 2021 Scheme of the Company

At the AGM held on 23 June 2021 (the "**2021 AGM**"), an ordinary resolution was passed by the Shareholders to adopt the new 2021 Scheme. Unless otherwise cancelled or amended, the 2021 Scheme will be valid for 10 years from the date of adoption which is 23 June 2021.

When the 2021 Scheme was approved by the Shareholders at the 2021 AGM and the Shareholders also approved that the total number of Shares which may be allotted and issued upon exercise of all share options to be granted under the 2021 Scheme and any other share option scheme(s) must not in aggregate exceed 10% of the Shares in issue as at the date of the 2021 AGM (i.e. 87,311,145 Shares). As at the date of the 2021 AGM, the total number of issued Shares was 873,111,452. Shares which would have been issuable have lapsed or cancelled in accordance with the terms of the 2021 Scheme and any other share option scheme(s) will not be counted for the purpose of the 10% limit.

On 25 June 2021, the Listing Committee also granted approval for the listing of, and permission to deal in, such 87,311,145 Shares on the Stock Exchange which may fall to be allotted and issued by the Company pursuant to the terms and conditions of the 2021 Scheme.

Notwithstanding the foregoing, Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2021 Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the total number of the Shares in issue from time to time. No share option shall be granted under any share option scheme(s) (including the 2021 Scheme) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded.

As at the date of this annual report, there was no share option was granted under the 2021 Scheme.

As at the date of this annual report, the total number of share options available for grant under the 2021 Scheme is 87,311,145 and the total number of Shares which may be issued upon grant and exercise of all such share options is 87,311,145, which represents 5.44% of the total number of issued Shares. The percentage of 5.44% was calculated based on 1,604,361,452 shares in issue as at the date of this annual report.

SHARE OPTION SCHEME OF THE COMPANY *(continued)*

The 2021 Scheme of the Company *(continued)*

The purpose of the 2021 Scheme

The 2021 Scheme is to enable the Company to grant share options to the Eligible Participants, as incentives and/or rewards for their contribution or potential contribution to the Group and/or any entity interest in which any member of the Group holds any entity interest (the "**Invested Entity**") and/or the holding company of the Company (if applicable).

The eligible participants of the 2021 Scheme

The eligible participants of the 2021 Scheme include:

(a) any director or proposed director (whether executive, non-executive or independent non- executive director), any executive, officer, employee or any person to whom any offer of employment has been made, executive or officer (whether full-time or part-time, on an employment or contractual or honorary basis or otherwise and whether paid or unpaid) of the Group;

(b) any supplier or services provider or goods provider to offer more economic and quality supplies to the Group;

(c) any customer to maximise the quantity of their orders and increase loyalty to the Group;

(d) any adviser, professional, consultant and agent to provide better services to the Group; and

(e) business partner or shareholder(s) of any Invested Entity and/or the holding company of the Company and/or any member of the Group who have contributed or will contribute to the growth and development of the Group;

(collectively as the "**Eligible Participants**").

SHARE OPTION SCHEME OF THE COMPANY *(continued)*

The 2021 Scheme of the Company *(continued)*

The maximum entitlement of each Eligible Participant under the 2021 Scheme

The total number of Shares issued and which may fall to be issued upon exercise of the share options granted under the 2021 Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the total number of Shares in issue as at the date of grant.

Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders in a general meeting with such Eligible Participant and his/her associates abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time. Any circular to be issued by the Company must disclose, amongst other things, the details of the share options, including share options exercised or outstanding.

Any grant of share options to a director, chief executive or substantial shareholder of the Company or any of their respective associates is required to be approved by the INEDs, excluding the INED(s) who is/are the grantee(s) of the share options.

If the Company proposes to grant share options to a substantial shareholder of the Company or any INED or their respective associates which will result in the number of Shares issued and to be issued upon exercise of share options granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant:

(a) representing in aggregate over 0.1% of the total number of Shares in issue as at the date of the offer; and

(b) having an aggregate value in excess of HK$5 million, based on the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange as at the date of each offer,

such further grant of share options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting at which the grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of the Company shall abstain from voting, and/or such other requirements prescribed under the Listing Rules from time to time except that the grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of the Company may vote against the relevant resolution at the general meeting, provided that his/her intention to do so has been stated in the circular.

SHARE OPTION SCHEME OF THE COMPANY *(continued)*

The 2021 Scheme of the Company *(continued)*

Time of exercise of and duration of share option

There is no specific requirement under the 2021 Scheme that a share option must be held for any minimum period before it can be exercised, but the terms of the 2021 Scheme provide that the Board has the discretion to impose a minimum period at the time of grant of any particular share option.

The date of grant of any particular share option is the date when the duplicate offer document constituting acceptance of the share option duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration is received by the Company, such date must be on or before the 28th day after the share option is offered to the relevant grantee(s).

The period during which a share option may be exercised will be determined by the Board at its absolute discretion, save that no share option may be exercised more than 10 years after it has been granted. No share option may be granted upon the expiry of the 10th anniversary of the approval date of the 2021 Scheme. Subject to earlier termination by the Company in general meeting or by the Board in accordance with the terms of the 2021 Scheme, the 2021 Scheme shall be valid and effective for a period of 10 years commencing on the adoption date which is 23 June 2021.

Exercise price of the share option

The exercise price for a Share in respect of any particular share option granted under the 2021 Scheme (which shall be payable upon exercise of the share option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day (and for this purpose shall be taken to be the date of the Board meeting at which the Board proposes to grant the share options);

(b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant; and

(c) the nominal value of a Share.

The Company's share options do not confer rights on the holders to dividends or to vote at the general meetings of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, the Directors and the chief executive of the Company and/or any of their respective associates had the following interests and short positions in the Shares, underlying Shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) (i) as recorded in the register required to be kept by the Company under section 352 of the SFO; or (ii) as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO; or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company:

Interests and Short Positions in the Shares and the Underlying Shares as at 31 December 2023

Long Positions

		Number of Shares/underlying Shares			
Name of Director	**Capacity/ nature of interests**	**No. of Shares**	**No. of Shares convertible under the 2025 Convertible Bonds**	**Total interests**	**Approximate % of the total number of issued Shares***
Executive Director					
Mak Shiu Tong, Clement ("**Mr. Mak**")	Beneficiary owner	25,589,652	–	25,589,652	1.59%
	Interests of controlled corporations	1,177,275,079 *(Note 1)*	643,750,000 *(Note 2)*	1,821,025,079	113.50%
				1,846,614,731	**115.09%**

* The percentage was calculated based on 1,604,361,452 Shares in issue as at 31 December 2023.

Notes:

1. The interests disclosed represented an aggregate of 1,177,275,079 Shares which were held by Capital Force, New Capital and Capital Winner as at 31 December 2023. All these companies are private corporations as to 51% owned by Mr. Mak and as to 49% owned by Mr. Mak Chun Kiu, a son of Mr. Mak, beneficially. Mr. Mak is deemed to be interested in 1,177,275,079 Shares under the SFO as he controls the exercise of all the voting power at general meetings of Capital Force, New Capital and Capital Winner.

2. The interests disclosed represented 643,750,000 underlying Shares, as at 31 December 2023, at the current conversion price of HK$0.16 per conversion share (subject to adjustments pursuant to the terms and conditions of the 2025 Convertible Bonds) in respect of the 2025 Convertible Bonds issued by the Company to Treasure Goal International Limited on 20 January 2023. Treasure Goal is a private corporation of which wholly-owned by Mr. Mak beneficially. Mr. Mak is deemed to be interested in such underlying Shares under the SFO as he controls the exercise of all the voting power at general meetings of Treasure Goal. Under the terms and conditions of the 2025 Convertible Bonds, the exercise of the conversion rights attached to the 2025 Convertible Bonds shall not cause the Company to be unable to meet the public float requirements under the Listing Rules.

Save as disclosed above, as at 31 December 2023, none of the Directors and the chief executive of the Company and/or any of their respective associates had or was deemed to have any interest and short position in the Shares, underlying Shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the sections headed "Share Option Scheme of the Company" and "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above, at no time during the year was the Company, or any of its holding companies, subsidiaries or associated corporations, a party to any arrangement to enable the Directors and the chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2023, the following persons (not being the Directors or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Interests and Short Positions in the Shares and the Underlying Shares as at 31 December 2023

Long Positions

		Number of Shares/underlying Shares			
Name of substantial Shareholders	**Capacity/ nature of interests**	**No. of Shares**	**No. of Shares convertible under the 2025 Convertible Bonds**	**Total interests**	**Approximate % of the total number of issued Shares***
Capital Force International Limited ("**Capital Force**") *(Note 1)*	Beneficiary owner	256,243,792	–	256,243,792	15.97%
New Capital Industrial Limited ("**New Capital**") *(Note 1)*	Beneficiary owner	452,607,615	–	452,607,615	28.21%
Capital Winner Investments Limited ("**Capital Winner**") *(Note 1)*	Beneficiary owner	468,423,672	–	468,423,672	29.19%
Treasure Goal International Limited ("**Treasure Goal**") *(Note 2)*	Beneficiary owner	–	643,750,000	643,750,000	40.12%
Mr. Mak Chun Kiu	Interest of controlled corporations	1,177,275,079 *(Notes 1 & 3)*	–	1,177,275,079	73.37%

* The percentage was calculated based on 1,604,361,452 Shares in issue as at 31 December 2023.

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(continued)*

Interests and Short Positions in the Shares and the Underlying Shares as at 31 December 2023 *(continued)*

Long Positions (continued)

Notes:

1. Capital Force, New Capital and Capital Winner are private corporations, the shares in which are owned as to 51% by Mr. Mak Shiu Tong, Clement ("**Mr. Mak**") and as to 49% by Mr. Mak Chun Kiu, a son of Mr. Mak, beneficially.

2. Treasure Goal is a private corporation, the shares in which are wholly-owned by Mr. Mak beneficially.

3. The interests disclosed represented an aggregate of 1,177,275,079 Shares which were held by Capital Force, New Capital and Capital Winner as at 31 December 2023. Mr. Mak Chun Kiu is deemed to be interested in 1,177,275,079 Shares under the SFO as he controls the exercise of all the voting power at general meetings of Capital Force, New Capital and Capital Winner.

Save for Mr. Mak who is a director and a beneficial owner of 51% of the issued share capital of Capital Force, New Capital and Capital Winner; and the beneficially and ultimately owner of all the issued share capital of Treasure Goal, no other Director is a director or an employee of the above substantial Shareholders which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at 31 December 2023, the Directors and the chief executive of the Company are not aware that there is any party who (other than the Directors and the chief executive of the Company), had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with all the Code Provisions under the CG Code throughout the year from 1 January 2023 to 31 December 2023, except for the minor deviations from Code Provisions C.2.1 and B.2.2 of the CG Code for the relevant periods. Detailed information of such deviations and their respective considered reasons as well as other information on the corporate governance practices of the Company are set out in the section headed "Corporate Governance Report" in this annual report.

In addition, some management action plans to be implemented by Company have been stated under the sub-section headed "Management action plans to be implemented by the Company" under the section headed "Corporate Governance Practices" in the Corporate Governance Report as required by the Appendix C1 to the Listing Rules.

DISCLOSURE ON CHANGE OF INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51(B)(1) OF THE LISTING RULES

Upon specific enquiry by the Company and following confirmations from the Directors, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CHANGE IN COMPOSITION OF THE BOARD

During the period from 1 January 2023 and up to the date of this annual report, there were no changes on the composition of the Board and the Board committees.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of not less than 25% of the total issued share capital of the Company as required under the Listing Rules throughout the financial year under review and up to the date of this annual report.

PERMITTED INDEMNITY PROVISION

The Company's bye-laws provide that each Director or other officer of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of his or her duty in office. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

MANAGEMENT CONTRACTS

Save for employment contracts, no other contracts, relating to the management and/or administration of the whole or any substantial part of any business of the Company were entered into or subsisted during the year ended 31 December 2023.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, none of the Directors or any of their respective associates is interested in any business competing or likely to compete with the Group's business that is discloseable under Rule 8.10(2) of the Listing Rules.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT PREPARED BY THE AUDITORS OF THE COMPANY

The Auditors have issued a disclaimer of opinion in their independent auditor's report. The Company provides an extract of "Disclaimer of opinion" and "Basis for disclaimer of opinion" from the independent auditor's report prepared by Ernst & Young on the Group's consolidated financial statements for the year ended 31 December 2023 as set out below:

Disclaimer of opinion – We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements as described in the Basis for disclaimer of opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. Except for the matters described in the Basis for disclaimer of opinion section of our report, in all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for disclaimer of opinion – Multiple uncertainties relating to going concern – The Group recorded a net loss of approximately HK$575 million and, as at 31 December 2023, the Group had net current liabilities of approximately HK$61 million. On the same date, the Group had cash and bank balances of HK$47 million and interest-bearing bank and other borrowings of HK$1,495 million (including borrowings of HK$58 million in the disposal groups), among which HK$712 million are due for repayment within 12 months from the end of the reporting period. In order to meet the Group's daily operation needs and its monthly repayment of the term loans, the Group has been disposing certain of its long-term assets, such as investment properties and valuable collections held for investments, to generate cash flows to meet the working capital requirements. However, given the market conditions, uncertainties remain as to the Group's ability to timely dispose of these assets in order to meet its working capital requirements. The Group had breached certain financial covenants for its term loans of HK$1,245 million during the year, though waivers were obtained from the respective banks before and after the reporting date; the waivers are valid until December 2024. Furthermore, any adverse conditions or developments could also consequently trigger the unsuccessful renewals of the Group's revolving loans of HK$168 million, which are subject to the lenders' discretion every three to twelve months. These conditions indicate the existence of material multiple uncertainties which cast significant doubt on the Group's ability to continue as a going concern.

In view of the above circumstances, the Company will implement a number of strategies management actions of which have been stated in the Corporate Governance Report.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT PREPARED BY THE AUDITORS OF THE COMPANY *(continued)*

As stated above, (i) the Group's revolving loans, totaling HK$168 million, are subject to renewal every three to twelve months at the discretion of the lenders. Historically, the Group has demonstrated a consistent track record of renewing these loans, which are primarily utilised for ongoing trading activities. The standardised renewal terms, coupled with the Group's continuous trading operations, provide a solid foundation for the banks to renew the loans. The continuity of our trading activities and the strong banking relationships constitute a favorable outlook for the anticipated renewal of the revolving loans; and (ii) the Group is required to comply with financial covenant for its bank borrowings. In instances of non-compliance, historical precedent indicates that banks have shown a preference for negotiation, leading to mutually agreeable resolutions, rather than exercising their rights. This preference for dialogue and resolution is evidenced by the Group's successful negotiations in obtaining waivers for the financial covenant in 2023 and early 2024 and a bank has demonstrated the flexibility by revising the terms of the facilities that the Group successful in obtaining such revising in 2022. Banks remain open to considering further revisions to the terms upon receiving requests by us and willing to engaging in negotiations.

We encourage you to review our annual financial figures for the year ended 31 December 2023 accompanying auditor's disclaimer of opinion and a number of strategic measures to be implemented by the Group to optimise the Group's liquidity and financial position together.

AUDITORS

Ernst & Young will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in note 47 to the financial statements, there are no material events after the reporting period.

ON BEHALF OF THE BOARD OF
CCT FORTIS HOLDINGS LIMITED

Mak Shiu Tong, Clement
Chairman
Hong Kong

11 April 2024

independent auditor's report

EY 安永

To the shareholders of CCT Fortis Holdings Limited
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of CCT Fortis Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 47 to 144, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements as described in the *Basis for disclaimer of opinion* section of our report, it is not possible for us to form an opinion on these consolidated financial statements. Except for the matters described in the *Basis for disclaimer of opinion* section of our report, in all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

As set out in note 1.2 to the consolidated financial statements, the Group recorded a net loss of approximately HK$575 million and, as at 31 December 2023, the Group had net current liabilities of approximately HK$61 million. On the same date, the Group had cash and bank balances of HK$47 million and interest-bearing bank and other borrowings of HK$1,495 million (including borrowings of HK$58 million in the disposal groups), among which HK$712 million are due for repayment within 12 months from the end of the reporting period. In order to meet the Group's daily operation needs and its monthly repayment of the term loans, the Group has been disposing certain of its long-term assets, such as investment properties and valuable collections held for investments, to generate cash flows to meet the working capital requirements. However, given the market conditions, uncertainties remain as to the Group's ability to timely dispose of these assets in order to meet its working capital requirements. Furthermore, as detailed in note 1.2 to the consolidated financial statements, the Group had breached certain financial covenants for its term loans of HK$1,245 million during the year, though waivers were obtained from the respective banks before and after the reporting date; the waivers are valid until December 2024. Furthermore, any adverse conditions or developments could also consequently trigger the unsuccessful renewals of the Group's revolving loans of HK$168 million, which are subject to the lenders' discretion every three to twelve months. These conditions, along with other matters set forth in note 1.2 to the consolidated financial statements, indicate the existence of material multiple uncertainties which cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have been undertaking plans and measures to improve the Group's liquidity and financial position, which are set out in note 1.2 to the consolidated financial statements. The validity of the going concern assumptions on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including (a) the successful and timely disposals of the Group's long term assets to satisfy the repayments of term loans; (b) the successful renewal of banking facilities such as revolving, trading and working capital loans with more favourable financial covenants upon or before the maturity dates; (c) the successful completion of capital transactions to improve the net asset position of the Group; and (d) the successful and timely implementation of the plans to enhance operating cash flows in order to improve the Group's working capital.

BASIS FOR DISCLAIMER OF OPINION *(continued)*

Multiple uncertainties relating to going concern *(continued)*

As a result of these multiple uncertainties, their potential interaction, and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate. Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act of 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters as described in the *Basis for disclaimer of opinion* section of our report, it is not possible for us to form an opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Leung Yin.

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place,
979 King's Road,
Quarry Bay, Hong Kong

11 April 2024

consolidated statement of profit or loss

Year ended 31 December 2023

HK$ million	Notes	2023	2022
REVENUE	5	**765**	812
Cost of sales		**(593)**	(709)
Gross profit		**172**	103
Other income and gains, net	5	**40**	183
Selling and distribution costs		**(19)**	(23)
Administrative expenses		**(265)**	(250)
Other expenses, net		**(383)**	(402)
Finance costs	7	**(124)**	(78)
Share of profits of associates		**4**	–
LOSS BEFORE TAX	6	**(575)**	(467)
Income tax	10	**–**	–
LOSS FOR THE YEAR		**(575)**	(467)
Attributable to:			
– Owners of the parent		**(577)**	(465)
– Non-controlling interests		**2**	(2)
		(575)	(467)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		**(HK$0.43)**	(HK$0.53)

consolidated statement of comprehensive income

Year ended 31 December 2023

HK$ million	2023	2022
LOSS FOR THE YEAR	**(575)**	(467)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
– Exchange differences on translation of subsidiaries of the Company	**1**	–
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(574)**	(467)
ATTRIBUTABLE TO:		
– Owners of the parent	**(576)**	(465)
– Non-controlling interests	**2**	(2)
	(574)	(467)

consolidated statement of financial position

As at 31 December 2023

HK$ million	Notes	2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment	13	**716**	771
Investment properties	14	**627**	1,316
Goodwill	15	**17**	17
Investments in associates	17	**9**	–
Valuable collections held for investments	18	**298**	314
Other receivables	24	**1**	11
Deferred tax assets	33	**–**	1
Total non-current assets		**1,668**	2,430
Current assets			
Inventories	19	**68**	104
Stock of valuable collections held for sale	20	**–***	–*
Trade receivables	22	**43**	166
Investment in a film	23	**80**	80
Prepayments and other receivables	24	**160**	332
Financial assets at fair value through profit or loss	25	**5**	6
Promissory note receivable	26	**148**	150
Pledged time deposits	27	**20**	38
Cash and cash equivalents	27	**47**	33
		571	909
Assets of disposal groups classified as held for sale	21	**602**	–
Total current assets		**1,173**	909
Total assets		**2,841**	3,339

* Less than HK$1 million

consolidated statement of financial position (continued)

As at 31 December 2023

HK$ million	Notes	2023	2022
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital	34	**160**	87
Reserves	36	**571**	1,079
		731	1,166
Non-controlling interests		**–**	7
Total equity		**731**	1,173
Non-current liabilities			
Interest-bearing bank and other borrowings	30	**783**	1,145
Convertible bonds	31	**93**	–
Bond	32	**–**	192
Deferred tax liabilities	33	**–**	22
Total non-current liabilities		**876**	1,359
Current liabilities			
Trade payables	28	**40**	66
Tax payable		**–***	3
Other payables and accruals	29	**428**	333
Interest-bearing bank and other borrowings	30	**654**	405
Convertible bonds	31	**29**	–
		1,151	807
Liabilities directly associated with the assets classified as held for sale	21	**83**	–
Total current liabilities		**1,234**	807
Total liabilities		**2,110**	2,166
Total equity and liabilities		**2,841**	3,339
Net current (liabilities)/assets		**(61)**	102
Total assets less current liabilities		**1,607**	2,532

* Less than HK$1 million

Mak Shiu Tong, Clement
Chairman

Cheng Yuk Ching, Flora
Director

consolidated statement of changes in equity

Year ended 31 December 2023

HK$ million	Attributable to owners of the parent										Non-controlling interests	Total equity
	Issued capital	Share premium account	Capital reserve (note 36)	Distributable reserve	Equity component of convertible bonds (note 31)	Asset revaluation reserve	Exchange fluctuation reserve	Capital redemption reserve	Accumulated losses	Total		
At 1 January 2022	87	223*	741*	841*	22*	44*	28*	24*	(389)*	1,621	9	1,630
Loss and total comprehensive loss for the year	–	–	–	–	–	–	–	–	(465)	(465)	(2)	(467)
Early redemption of convertible bonds (note 31)	–	–	10	–	(22)	–	–	–	22	10	–	10
At 31 December 2022 and 1 January 2023	**87**	**223***	**751***	**841***	**-**	**44***	**28***	**24***	**(832)***	**1,166**	**7**	**1,173**
Loss and total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**(577)**	**(576)**	**2**	**(574)**
Disposal of subsidiaries (note 38)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9)**	**(9)**
Issue of convertible bonds (note 31)	**-**	**-**	**-**	**-**	**38**	**-**	**-**	**-**	**-**	**38**	**-**	**38**
Conversion of convertible bonds (note 31)	**73**	**49**	**-**	**-**	**(19)**	**-**	**-**	**-**	**-**	**103**	**-**	**103**
At 31 December 2023	**160**	**272***	**751***	**841***	**19***	**44***	**29***	**24***	**(1,409)***	**731**	**-**	**731**

* These reserve accounts comprise the consolidated reserves of HK$571 million (2022: HK$1,079 million) in the consolidated statement of financial position.

consolidated statement of cash flows

Year ended 31 December 2023

HK$ million	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(575)**	(467)
Adjustments for:			
Finance costs	7	**124**	78
Share of profits of associates		**(4)**	–
Loss on disposal of an associate	6	**1**	–
Depreciation	6	**86**	81
Amortisation of intangible asset	6	**–**	3
Impairment of trade receivables, net	6	**109**	93
Impairment of other receivables, net	6	**155**	183
Impairment of promissory note receivable	6	**2**	–
Fair value losses on financial assets at fair value through profit or loss	6	**1**	–
Fair value losses on investment properties, net	6	**88**	126
Fair value losses/(gains) on valuable collections held for investments, net	6	**2**	(35)
Gain on disposal of subsidiaries	6	**(19)**	(8)
Loss on early redemption of 2024 Bond	6	**25**	–
Gain on early redemption of convertible bonds	6	**–**	(11)
		(5)	43
Decrease/(increase) in inventories		**35**	(26)
Decrease in stock of valuable collections		**–**	103
Increase in trade receivables		**(14)**	(12)
Decrease/(increase) in prepayments, deposits and other receivables		**7**	(61)
(Decrease)/increase in trade payables		**(3)**	20
Increase in other payables and accruals		**50**	8
Cash generated from operations		**70**	75
Interest paid		**(108)**	(74)
Net cash flows (used in)/from operating activities		**(38)**	1

consolidated statement of cash flows (continued)

Year ended 31 December 2023

HK$ million	Notes	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(34)**	(21)
Proceeds from disposal of items of property, plant and equipment		**6**	7
Proceed from disposal of a financial asset at fair value through profit or loss		**–**	100
Proceeds from disposal of an investment property		**–**	110
Proceeds from disposal of subsidiaries	38	**12**	127
Proceeds from disposal of an associate		**5**	–
Proceeds from disposal of valuable collections held for investments		**14**	18
Deposits received for disposal of assets of disposal groups classified as held for sale		**60**	–
Decrease in pledged time deposits		**18**	2
Net cash flows from investing activities		**81**	343
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**127**	453
Repayment of bank and other borrowings		**(139)**	(755)
Repayment of bonds		**–**	(30)
Issue of convertible bonds		**30**	–
Principal portion of lease payments		**(48)**	(36)
Net cash flows used in financing activities		**(30)**	(368)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**13**	(24)
Cash and cash equivalents at beginning of year		**33**	57
Effect of foreign exchange rate changes		**1**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		**47**	33
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**47**	33

notes to the financial statements

31 December 2023

1.1 CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands with limited liability and continued as an exempted company under the laws of Bermuda after the change of domicile from the Cayman Islands to Bermuda effective on 9 December 2005.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following activities:

- investment and holding of properties;
- trading in securities and holding of securities, financial assets and treasury products;
- trading and sale of Ferrari vehicles and provision of after-sales services for Ferrari automotives;
- trading and sale of Maserati vehicles and provision of after-sales services for Maserati automotives;
- acquisition of classic cars and collectible precision devices for long-term investment purpose, trading and sale of classic cars and car logistics business;
- cultural entertainment business included film operations, stage audio, lighting and engineering operations (stage audio, lighting and engineering operations were disposed during the year as disclosed in note 38 to the financial statements); and
- supportive and start-up businesses including multimedia operations, the running of a classic car service centre, artist management, magazine publication.

1.1 CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Billion Spread Limited	Hong Kong	HK$1 Ordinary	–	100	Property investment and holding
Blackbird Classic Automobiles Limited	Hong Kong	HK$1,000 Ordinary	–	100	Investment in classic cars
Blackbird Concessionaires Limited	Hong Kong	HK$135,000,001 Ordinary	–	100	Distribution of Ferrari vehicles and provision of after-sales services as an official importer of Ferrari in Hong Kong and Macau
Blackbird Heritage Motorworks Limited	Hong Kong	HK$1 Ordinary	–	100	Classic car restoration and maintenance services
Blackbird Tridente Company Limited	Hong Kong	HK$28,800,001 Ordinary	–	100	Distribution of Maserati vehicles and provision of after-sales services as an official importer of Maserati in Hong Kong and Macau
Blackbird Watch Manual Company Limited	Hong Kong	HK$1 Ordinary	–	100	Investment in collectible precision devices
Blackbird Works Supply Company Limited	Hong Kong	HK$1,000 Ordinary	–	100	Car logistics services
CCT Telecom Securities Limited	Hong Kong	HK$1 Ordinary	–	100	Securities business
Cyber Profit (HK) Limited	Hong Kong	HK$2 Ordinary	–	100	Property investment and holding

1.1 CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Dragon Glory Limited	Hong Kong	HK$1 Ordinary	–	100	Property investment and holding
Edition Cars Company Limited (formerly known as "Blackbird Classics Limited")	Hong Kong	HK$1,000 Ordinary	–	100	Trading of classic cars
Goldbay Capital Limited	Hong Kong	HK$1 Ordinary	–	100	Property investment
Goldbay Development Limited	Hong Kong	HK$1 Ordinary	–	100	Property investment
Goldbay Investments Limited	Hong Kong	HK$2 Ordinary	–	100	Property investment and holding
Goldbay Property (China) Limited	Hong Kong	HK$1 Ordinary	–	100	Property investment
Goldbay Property (HK) Limited	Hong Kong	HK$1 Ordinary	–	100	Property investment
Goldbay Strategy Limited	Hong Kong	HK$1 Ordinary	–	100	Property investment
Rich Full International Industries Limited	Hong Kong	HK$1 Ordinary	–	100	Property investment
Topcon Investments Limited	Hong Kong	HK$1 Ordinary	–	100	Property investment
Victory Way Investments Limited	Hong Kong	HK$1 Ordinary	–	100	Property investment

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Company's directors, result in particulars of excessive length.

1.2 BASIS OF PRESENTATION

Going concern basis

For the year ended 31 December 2023, the Group recorded a net loss of approximately HK$575 million and, as at 31 December 2023, the Group had net current liabilities of approximately HK$61 million. On the same date, the Group had cash and bank balances of HK$47 million and interest-bearing bank and other borrowings of HK$1,495 million (including borrowings of HK$58 million in the disposal groups), among which HK$712 million are due for repayment within 12 months from the end of the reporting period.

In order to meet the Group's daily operation needs and its monthly repayment of the term loans, the Group has been disposing certain of its long-term assets, such as investment properties and valuable collections held for investments, to generate cash flows to meet the working capital requirements.

As at 31 December 2023, the Group had breached certain financial covenants for its bank borrowings. Among which, the Group had obtained a waiver from the bank relating to certain bank borrowings of HK$1,196 million, which is valid until 15 December 2024. Whilst regarding the bank borrowings of HK$49 million, the Group obtained the waiver which is valid until 30 December 2024 from the bank subsequent to the reporting date, and accordingly, the respective bank borrowings are classified as current liabilities.

In addition, the Group's revolving loans of HK$168 million are subject to renewal at the discretion of the lenders every three to twelve months.

In view of the above circumstances, the directors of the Company have given careful consideration to the Group's future liquidity requirements, operating performance and available sources of financing in assessing the Group's ability to continue operating as a going concern. The following plans and measures are formulated to manage the working capital and improve the financial position of the Group:

(a) the Group is actively discussing with potential buyers to dispose the long term assets;

(b) the Group is able to renew and roll over the revolving, trading and working capital loans with more favourable financial covenants upon or before the maturity dates;

(c) the Group is actively discussing with financial advisor for potential capital transactions;

(d) the Group will continue to improve the sales and collection of outstanding sales proceeds; and

(e) the Group will continue to take active measures to control its administrative costs and manage its capital expenditure.

The Directors have reviewed the Group's cash flow forecast, covering a period of at least 12 months from the reporting date, prepared by the management. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within 12 months from 31 December 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon (a) the successful and timely disposals of the Group's long term assets to satisfy the repayments of term loans; (b) the successful renewal of banking facilities such as revolving, trading and working capital loans with more favourable financial covenants upon or before the maturity dates; (c) the successful completion of capital transactions to improve the net asset position of the Group; and (d) the successful and timely implementation of the plans to enhance operating cash flows in order to improve the Group's working capital.

Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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 ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, valuable collections held for investments, investment in a film and financial assets at fair value through profit or loss which have been measured at fair value. Disposal groups held for sale are stated at lower of their carrying amounts and fair values less cost to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest million except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2 ACCOUNTING POLICIES *(continued)*

2.2 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	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the 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 Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa.

    The Group has early adopted the 2020 Amendments and 2022 Amendments from 1 January 2023 and in accordance with the transition provisions of the amendments, the Group has adopted the amendments retrospectively. As disclosed in notes 30 and 46 to the financial statements, the outstanding principal amount of the interest-bearing bank and other borrowings of HK$684 million as at 31 December 2023 was classified as non-current interest-bearing bank and other borrowings in the consolidated statement of financial position as the Group has complied with the covenants of those liabilities as at 31 December 2023.

2 ACCOUNTING POLICIES *(continued)*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(c) 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.

(d) 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.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 33 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

(e) 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.

2 ACCOUNTING POLICIES *(continued)*

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

[1] Effective for annual periods beginning on or after 1 January 2024
[2] Effective for annual periods beginning on or after 1 January 2025
[3] No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2 ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other case, upon loss of significant influence over the associates, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2 ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Fair value measurement

The Group measures its investment properties, valuable collections held for investments, investment in a film and financial assets at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than valuable collections held for investments, inventories, deferred tax assets, financial assets, investment properties and disposal groups classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

2 ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/ amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a) above;

(vii) a person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2 ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for “Non-current assets and disposal groups held for sale”. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings and leasehold improvement	6%–20%
Plant and machinery	10%–20%
Tools, moulds and equipment	10%–33%
Furniture and office equipment	10%–20%
Motor vehicles	15%–30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2 ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Disposal groups held for sale

Disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Valuable collections held for investments

Valuable collections comprising classic cars and collectible precision devices held for long-term investment purposes and not traded in the ordinary course of business are initially measured at cost. Subsequent to initial recognition, valuable collections held for long-term investments purposes are stated at fair value with gains and losses from the change in fair value recognised in the statement of profit or loss.

For a transfer from valuable collections held for investments to stock held for sale, the deemed cost of the valuable collections for subsequent accounting is its fair value at the date of change in use.

Film investment

Film investment is the Group's investment in film production project which entitles the Group to share certain percentage of income to be generated from the related film based on the Group's investment portion as specified in respective film investment agreement but the Group has no control nor joint control over the investment. Film investment is carried at fair value.

2 ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Stock of valuation collections held for sale

Stock of valuation collections held for sale are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of Ferrari cars is determined based on different component costs derived from specific unique requirements of each customer. Cost of other inventories is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	2%
Office premises	2–5 years
Motor vehicles	3–4 years
Other equipment	2–5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2 ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee *(continued)*

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments or a change (e.g., a change to future lease payments resulting from a change in an index or rate) in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

2 ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

2 ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

2 ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

General approach *(continued)*

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, bonds, convertible bonds, and interest-bearing bank and other borrowings.

2 ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, bond, convertible bonds, and interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2 ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2 ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2 ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

(i) Sale of classic cars

Revenue from the sale of classic cars is recognised at the point in time when control of the classic cars is transferred to the customer, generally on delivery of the classic cars. Revenue from the service and maintenance of classic cars is recognised over time when the customer simultaneously receives and consumes the benefits provided by the Group.

(ii) Sale and leasing of audio and lighting equipment and provision of technical and engineering services and metal construction work for stage performance events

Revenue from the sale and leasing of stage audio and lighting equipment and provision of stage technical and engineering services is recognised over time when the customers simultaneously receive and consume the benefits provided by the Group. Revenue from the trading of stage audio and lighting equipment is recognised at the point in time when the control of the stage audio and lighting equipment is transferred to the customers.

(iii) Income from Ferrari dealership and Maserati importership

Revenue from the trading of new and pre-owned cars is recognised at the point in time when control of the cars is transferred to the customer, generally on delivery of the cars. Revenue from the service and maintenance of Ferrari and Maserati cars is recognised over time when the customer simultaneously receives and consumes the benefits provided by the Group.

(iv) Income from other operations

Income from other operations comprised advertising income from the magazine publishing business. The revenue from magazine advertising is recognised over time when the customers simultaneously receive and consume the benefits provided by the Group.

Revenue from other sources

(i) Rental income

Rental income is recognised on a time proportion basis over the lease terms.

(ii) Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

2 ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2 ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification between valuable collections held for investments and stock of valuable collection held for sale

The Group determines whether a valuable collection is held for long-term investment purposes, or for trading in the ordinary course of business. Judgement is made on an individual item basis to determine whether the valuable collection is classified as held for investment or held for sale.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 15 to the financial statements.

Provision for expected credit losses on trade and other receivables

Except for the trade receivables with collateral, the Group applied the simplified approach by establishing a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type, customer type and customer rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., entertainment industry) are expected to deteriorate over the next year which can lead to an increased number of defaults in the culture entertainment business, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future.

Management applied the general approach to calculate ECLs for other receivables. The Group assesses whether the credit risk on the receivable has increased significantly since initial recognition by comparing the risk of a default occurring on the receivable as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The information about the ECLs on the Group's trade and other receivables is disclosed in notes 22 and 24 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences; and

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

Further details, including the key assumptions used for fair value measurements, are given in note 14 to the financial statements.

Impairment of properties classified as property, plant and equipment

The Group assesses whether there are any indicators of impairment for all properties (including related right-of-use assets) classified as property, plant and equipment at the end of each reporting period. Properties classified as property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of the properties classified as property, plant and equipment exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar properties or observable market prices less incremental costs for disposing of the property. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the property and choose a suitable discount rate in order to calculate the present value of those cash flows. During the years ended 31 December 2023 and 2022, no impairment has been recognised for properties classified as property, plant and equipment.

Estimation of fair value of valuable collections held for investments

Valuable collections held for investments are revalued at the end of the reporting period by independent professional qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, market information of valuable collections held for investments of the comparable model is considered. Further details are given in note 18 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has the following reportable operating segments:

(a) the property investment and holding segment which represents the investment and holding of properties;

(b) the securities business segment representing the trading in securities and holding of securities, financial assets and treasury products;

(c) Ferrari business segment representing the import and distribution of Ferrari cars and provision of after-sales services as an official importer of Ferrari in Hong Kong and Macau;

(d) Maserati business segment representing the import and distribution of Maserati cars and provision of after-sales services as an official importer of Maserati in Hong Kong and Macau;

(e) valuable collections and logistics segment representing the acquisition of classic cars and collectible precision devices for long-term investment purpose, trading and sale of classic cars and car logistics business;

(f) cultural entertainment business segment representing film operations, stage audio, lighting and engineering operations; and

(g) other operations segment which is engaged in supportive business and start-up business including multimedia operations, the running of a classic car service centre, artist management and magazine publication.

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/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that non-lease-related finance costs, compensation income from litigation, gain on disposal of subsidiaries, gain/loss on early redemption of bond/convertible bonds, share of profits of associates, loss on disposal of an associate and head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2023

HK$ million	Property investment and holding	Securities business	Ferrari business	Maserati business	Valuable collections and logistics	Cultural entertainment business	Other operations	Total
Segment revenue:								
Sales to external customers (note 5)	8	–*	344	126	149	72	66	765
Other revenue	–	8	3	1	5	1	3	21
	8	8	347	127	154	73	69	786
Operating profit/(loss)	(80)	(251)	12	(9)	(37)	7	(48)	(406)
Finance costs (other than interest on lease liabilities)								(120)
Reconciled items:								
Corporate and other unallocated expenses								(46)
Gain on disposal of subsidiaries								19
Loss on disposal of an associate								(1)
Loss on early redemption of 2024 Bond (note 31)								(25)
Share of profits of associates								4
Loss before tax								(575)
Income tax								–
Loss for the year								(575)

* Less than HK$1 million

4. OPERATING SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2023 *(continued)*

HK$ million	Property investment and holding	Securities business	Ferrari business	Maserati business	Valuable collections and logistics	Cultural entertainment business	Other operations	Reconciliations	Total
Other segment information:									
Expenditure for non-current assets	14	-	18	5	2	5	18	-	62
Depreciation and amortisation	(8)	-	(39)	(14)	(3)	(4)	(18)	-	(86)
Other material non-cash items:									
Fair value loss on investment properties, net	(88)	-	-	-	-	-	-	-	(88)
Fair value loss on valuable collections held for investments, net	-	-	-	-	(2)	-	-	-	(2)
Fair value losses on financial assets at fair value through profit or loss	-	(1)	-	-	-	-	-	-	(1)
Gain on disposal of subsidiaries	-	-	-	-	-	19	-	-	19
Loss on disposal of an associate	-	-	-	-	-	(1)	-	-	(1)
Share of profits of associates	-	-	-	-	-	4	-	-	4
Impairment of trade receivables, net	-	(106)	-	-	(1)	-	(2)	-	(109)
Impairment of other receivables, net	-	(153)	-	-	-	-	(2)	-	(155)
Segment assets	1,231	166	276	74	347	104	185	-	2,383
Reconciled items:									
Corporate and other unallocated assets	-	-	-	-	-	-	-	458	458
Total assets	1,231	166	276	74	347	104	185	458	2,841
Segment liabilities	852	146	446	109	36	-*	93	-	1,682
Reconciled items:									
Corporate and other unallocated liabilities	-	-	-	-	-	-	-	428	428
Total liabilities	852	146	446	109	36	-*	93	428	2,110

* Less than HK$1 million

4. OPERATING SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2022

HK$ million	Property investment and holding	Securities business	Ferrari business	Maserati business	Valuable collections and logistics	Cultural entertainment business	Other operations	Total
Segment revenue:								
Sales to external customers (note 5)	11	–	363	49	277	62	50	812
Other revenue	5	3	12	1	4	2	3	30
	16	3	375	50	281	64	53	842
Operating profit/(loss)	(119)	(265)	8	(7)	(34)	(9)	(31)	(457)
Finance costs (other than interest on lease liabilities)								(77)
Reconciled items:								
Corporate and other unallocated expenses, net								(37)
Compensation income from litigation								93
Gain on early redemption of convertible bonds								11
Loss before tax								(467)
Income tax								–
Loss for the year								(467)

4. OPERATING SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2022 *(continued)*

HK$ million	Property investment and holding	Securities business	Ferrari business	Maserati business	Valuable collections and logistics	Cultural entertainment business	Other operations	Reconciliations	Total
Other segment information:									
Expenditure for non-current assets	–	–	82	30	2	1	12	–	127
Depreciation and amortisation	(8)	–	(40)	(12)	(3)	(9)	(12)	–	(84)
Other material non-cash items:									
Fair value loss on investment properties, net	(126)	–	–	–	–	–	–	–	(126)
Fair value gains on valuable collections held for investments	–	–	–	–	35	–	–	–	35
Impairment of trade receivables	–	(91)	–	–	–	–	(2)	–	(93)
Impairment of other receivables	–	(177)	–	–	–	(6)	–	–	(183)
Segment assets	1,319	425	323	97	377	140	188	–	2,869
Reconciled items:									
Corporate and other unallocated assets	–	–	–	–	–	–	–	470	470
Total assets	1,319	425	323	97	377	140	188	470	3,339
Segment liabilities	865	199	362	101	73	43	94	–	1,737
Reconciled items:									
Corporate and other unallocated liabilities	–	–	–	–	–	–	–	429	429
Total liabilities	865	199	362	101	73	43	94	429	2,166

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

HK$ million	2023	2022
Hong Kong, Macau and Chinese Mainland	**659**	619
Rest of the world	**106**	193
	765	812

The revenue information above is based on the locations where the Group's products were sold to customers.

(b) Non-current assets

HK$ million	2023	2022
Hong Kong, Macau and Chinese Mainland	**1,554**	2,277
Rest of the world	**113**	141
	1,667	2,418

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

Information about major customers

For the years ended 31 December 2023 and 2022, no single customer contributed 10% or more of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue, other income and gains, net is as follows:

HK$ million	2023	2022
Revenue		
Revenue from contracts with customers	**757**	801
Revenue from other sources		
Gross rental income from investment properties, fixed payments	**8**	11
	765	812
Other income and gains, net		
Fair value gains on valuable collections held for investments, net	**–**	35
Gain on disposal of subsidiaries (note 38)	**19**	8
Compensation income from litigation	**–**	93
Gain on early redemption of convertible bonds	**–**	11
Government grants#	**–**	6
Interest from promissory note receivable	**8**	2
Others	**13**	28
	40	183

There are no unfulfilled conditions or contingencies relating to these grants.

5. REVENUE, OTHER INCOME AND GAINS, NET *(continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2023

HK$ million	Ferrari business	Maserati business	Valuable collections and logistics	Cultural entertainment business	Other operations	Total
Type of goods or services						
Sale of cars	261	104	106	–	–	471
Sale of other goods	–	–	–	–	7	7
Provision and leasing of stage audio and lighting equipment	–	–	–	72	–	72
Provision of other services	83	22	43	–	59	207
Total revenue from contracts with customers	344	126	149	72	66	757
Geographical markets						
Hong Kong, Macau and Chinese Mainland	344	126	43	72	66	651
Rest of the world	–	–	106	–	–	106
Total revenue from contracts with customers	344	126	149	72	66	757
Timing of revenue recognition						
Goods transferred at a point in time	261	104	106	–	7	478
Services transferred over time	83	22	43	72	59	279
Total revenue from contracts with customers	344	126	149	72	66	757

5. REVENUE, OTHER INCOME AND GAINS, NET *(continued)*

Revenue from contracts with customers *(continued)*

(i) ***Disaggregated revenue information*** *(continued)*

For the year ended 31 December 2022

HK$ million	Ferrari business	Maserati business	Valuable collections and logistics	Cultural entertainment business	Other operations	Total
Type of goods or services						
Sale of cars	282	29	238	–	–	549
Sale of other goods	–	–	–	–	4	4
Provision and leasing of stage audio and lighting equipment	–	–	–	62	–	62
Provision of other services	81	20	39	–	46	186
Total revenue from contracts with customers	363	49	277	62	50	801
Geographical markets						
Hong Kong, Macau and Chinese Mainland	363	49	86	60	50	608
Rest of the world	–	–	191	2	–	193
Total revenue from contracts with customers	363	49	277	62	50	801
Timing of revenue recognition						
Goods transferred at a point in time	282	29	238	–	4	553
Services transferred over time	81	20	39	62	46	248
Total revenue from contracts with customers	363	49	277	62	50	801

5. REVENUE, OTHER INCOME AND GAINS, NET *(continued)*

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information *(continued)*

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

HK$ million	**2023**	2022
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of Ferrari cars	**69**	114
Sale of Maserati cars	**37**	11

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of Ferrari cars

The performance obligation is satisfied upon delivery of Ferrari cars and payment in advance is normally required for customers.

Sale of Maserati cars

The performance obligation is satisfied upon delivery of Maserati cars and payment in advance is normally required for customers.

Sale of valuable collections

The performance obligation is satisfied upon delivery of the valuable collections and payment is generally due within 30 days from delivery, except for new customers, where payment in advance is normally required.

Provision of car logistics and after-sales services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 to 90 days upon completion of services.

Sale of stage audio and lighting equipment

The performance obligation is satisfied upon delivery of the stage audio and lighting equipment to customers and payment is generally due within 30 to 90 days from delivery.

5. **REVENUE, OTHER INCOME AND GAINS, NET** *(continued)*

Revenue from contracts with customers *(continued)*

(ii) Performance obligations *(continued)*

Leasing of stage audio and lighting equipment and provision of stage technical and engineering services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 to 90 days upon completion of services. The service contracts are project-based, usually last for less than 1 year and do not contain variable consideration.

Provision of advertising services under other operations

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 to 90 days upon completion of services.

All the amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised within one year.

6. LOSS BEFORE TAX

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

HK$ million	Notes	**2023**	2022
Cost of valuable collections sold		**106**	264
Cost of Ferrari business		**275**	304
Cost of Maserati business		**104**	41
Cost of automotive services provided		**23**	21
Cost of cultural entertainment business		**56**	51
Cost of other operations		**26**	22
Depreciation of property, plant and equipment (including right-of-use assets)	13	**86**	81
Amortisation of intangible asset [2]	16	**–**	3
Auditors' remuneration		**3**	3
Employee benefit expense			
(excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**104**	89
Pension scheme contributions [4]		**4**	3
		108	92
Foreign exchange differences, net [2]		**1**	3
Gain on early redemption of convertible bonds [3]		**–**	(11)
Loss on early redemption of 2024 Bond [1]		**25**	–
Gain on disposal of subsidiaries [3]	38	**(19)**	(8)
Loss on disposal of an associate [1]		**1**	–
Compensation income from litigation [3]		**–**	(93)
Fair value losses on investment properties, net [1]	14	**88**	126
Fair value losses/(gains) on valuable collections held for investments, net [1]/[3]	18	**2**	(35)
Fair value losses on financial assets at fair value through profit or loss [1]	25	**1**	–
Impairment of trade receivables, net [1]	22	**109**	93
Impairment of other receivables, net [1]	24	**155**	183
Impairment of promissory note receivable [1]	26	**2**	–

(1) Included in "Other expenses, net" on the face of the consolidated statement of profit or loss.

(2) Included in "Administrative expenses" on the face of the consolidated statement of profit or loss.

(3) Included in "Other income and gains, net" on the face of the consolidated statement of profit or loss.

(4) The effect of forfeited contributions on the Group's contributions to the pension schemes for the year, and the amounts of forfeited contributions available to reduce contributions in future years, were not material.

7. FINANCE COSTS

An analysis of finance costs is as follows:

HK$ million	2023	2022
Interest on bank and other loans and bonds	108	72
Interest on convertible bonds	12	5
Interest on lease liabilities	4	1
Total interest expense on financial liabilities not at fair value through profit or loss	124	78

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

HK$ million	2023	2022
Fees:		
Executive directors and the chief executive	–	–
Independent non-executive directors	1	1
	1	1
Executive directors' and the chief executive's other emoluments:		
Salaries, allowances and benefits in kind	11	10
Discretionary bonuses	–	–
Pension scheme contributions	–*	–*
	11	10
Total fees and other emoluments	12	11

* Less than HK$1 million

8. **DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION** *(continued)*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Fees HK$'000
2023	
Lau Ho Kit	**240**
Chow Siu Ngor	**240**
Chen Li	**240**
	720
2022	
Lau Ho Kit (appointed on 8 June 2022)	135
Tam King Ching, Kenny (resigned on 8 June 2022)	105
Chow Siu Ngor	240
Chen Li	240
Total	720

(b) Executive directors and the chief executive

HK$ million	**Salaries, allowances and benefits in kind**	**Discre-tionary bonuses**	**Pension scheme contributions**	**Total remuneration**
2023				
Executive director and the chief executive:				
Mak Shiu Tong, Clement ("Mr. Mak")	**11**	**–**	**–***	**11**
Executive directors:				
Cheng Yuk Ching, Flora	**–***	**–**	**–***	**–***
Total	**11**	**–**	**–***	**11**

* Less than HK$1 million

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive directors and the chief executive *(continued)*

HK$ million	Salaries, allowances and benefits in kind	Discre-tionary bonuses	Pension scheme contributions	Total remuneration
2022				
Executive director and the chief executive:				
Mak Shiu Tong, Clement ("Mr. Mak")	9	–	–*	9
Executive directors:				
Tam Ngai Hung, Terry (resigned on 12 May 2022)	1	–	–*	1
Cheng Yuk Ching, Flora	–*	–	–*	–*
	1	–	–*	1
Total	10	–	–*	10

* Less than HK$1 million

With effect from 1 July 2011, quarters have been provided to Mr. Mak free of charge. The amounts of Mr. Mak's remuneration for 2023 and 2022 have included the estimated values of the quarters of HK$200,000 per month provided to him as housing benefit.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2022: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2022: one) director who is also the chief executive (2022: one), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2022: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

HK$ million	**2023**	2022
Salaries, allowances and benefits in kind	**12**	11

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
HK$1,500,001–HK$2,000,000	**1**	1
HK$2,000,001–HK$2,500,000	**–**	1
HK$2,500,001–HK$3,000,000	**1**	–
HK$3,000,001–HK$3,500,000	**–**	2
HK$3,500,001–HK$4,000,000	**1**	–
HK$4,000,001–HK$4,500,000	**1**	–
Total	**4**	4

10. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year ended 31 December 2023 and 2022.

HK$ million	**2023**	2022
Current – Hong Kong		
Charge for the year	**–**	–

10. INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

2023

	Hong Kong		Mainland China		Total	
HK$ million	Amount	%	Amount	%	Amount	%
Loss before tax	(575.0)		(0.4)		(575.4)	
Tax at the statutory or appropriate tax rate	(94.9)	16.5	(0.1)	25.0	(95.0)	16.5
Income not subject to tax	(5.5)	0.9	–	–	(5.5)	0.9
Expenses not deductible for tax	61.6	(10.7)	–	–	61.6	(10.7)
Tax losses not recognised	39.3	(6.8)	0.1	(25.0)	39.4	(6.8)
Tax losses utilised from previous periods	(0.5)	0.1	–	–	(0.5)	0.1
Tax charge at the Group's effective rate	–	–	–	–	–	–

2022

	Hong Kong		Mainland China		Total	
HK$ million	Amount	%	Amount	%	Amount	%
Loss before tax	(465.0)		(1.7)		(466.7)	
Tax at the statutory or appropriate tax rate	(76.7)	16.5	(0.4)	25.0	(77.1)	16.5
Income not subject to tax	(27.8)	6.0	–	–	(27.8)	6.0
Expenses not deductible for tax	74.3	(16.0)	–	–	74.3	(16.0)
Tax losses not recognised	30.5	(6.6)	0.4	(25.0)	30.9	(6.6)
Tax losses utilised from previous periods	(0.3)	0.1	–	–	(0.3)	0.1
Tax charge at the Group's effective rate	–	–	–	–	–	–

11. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2023 (2022: Nil).

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

The calculations of the basic and diluted loss per share are based on:

HK$ million	2023	2022
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(577)**	(465)
Interest on convertible bonds	**12**	5
Loss attributable to ordinary equity holders of the parent before interest on convertible bonds	**(565)**	(460)

	Number of shares	
	2023	2022
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**1,331,895,699**	873,111,452
Effect of dilution — weighted average number of ordinary shares:		
Convertible bonds	**904,583,562**	113,294,521
Weighted average number of ordinary shares used in the diluted loss per share calculation	**2,236,479,261**	986,405,973

Because the diluted loss per share amount is decreased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic loss per share for the year and were ignored in the calculation of diluted loss per share. Therefore, the diluted loss per share amounts are based on the loss for the year attributable to ordinary equity holders of the parent of HK$577 million (2022: HK$465 million), and the weighted average number of ordinary shares of 1,331,895,699 (2022: 873,111,452) in issue during the year.

13. PROPERTY, PLANT AND EQUIPMENT AND LEASES

HK$ million	Right-of-use assets (Note)	Owned assets: Buildings and leasehold improvement	Plant and machinery	Tools and equipment	Furniture and office equipment	Motor vehicles	Total
31 December 2023							
At 1 January 2023:							
Cost	632	450	9	86	37	33	1,247
Accumulated depreciation	(209)	(134)	(8)	(74)	(33)	(18)	(476)
Net carrying amount	423	316	1	12	4	15	771
At 1 January 2023, net of accumulated depreciation	423	316	1	12	4	15	771
Additions	18	6	–	16	10	12	62
Disposals	–	(5)	–	–	–	(1)	(6)
Disposal of subsidiaries (note 38)	(6)	–	–	(19)	–	–	(25)
Depreciation provided during the year	(51)	(22)	–	(4)	(4)	(5)	(86)
At 31 December 2023, net of accumulated depreciation	384	295	1	5	10	21	716
At 31 December 2023:							
Cost	642	454	3	13	47	44	1,200
Accumulated depreciation	(258)	(156)	(2)	(8)	(37)	(23)	(484)
Net carrying amount	384	295	1	5	10	21	716

13. PROPERTY, PLANT AND EQUIPMENT AND LEASES *(continued)*

HK$ million	Right-of-use assets (Note)	Owned assets: Buildings and leasehold improvement	Plant and machinery	Tools and equipment	Furniture and office equipment	Motor vehicles	Total
31 December 2022							
At 1 January 2022:							
Cost	526	438	9	86	36	33	1,128
Accumulated depreciation	(158)	(116)	(7)	(68)	(30)	(17)	(396)
Net carrying amount	368	322	2	18	6	16	732
At 1 January 2022, net of accumulated depreciation	368	322	2	18	6	16	732
Additions	106	12	–	–	1	8	127
Disposals	–	–	–	–	–	(7)	(7)
Depreciation provided during the year	(51)	(18)	(1)	(6)	(3)	(2)	(81)
At 31 December 2022, net of accumulated depreciation	423	316	1	12	4	15	771
At 31 December 2022:							
Cost	632	450	9	86	37	33	1,247
Accumulated depreciation	(209)	(134)	(8)	(74)	(33)	(18)	(476)
Net carrying amount	423	316	1	12	4	15	771

At 31 December 2023, certain of the Group's prepaid land lease payments included in right-of-use assets and owned buildings with an aggregate net carrying amount of approximately HK$558 million (2022: HK$569 million) were pledged to secure bank loans granted to the Group (note 30(a)(i)).

13. PROPERTY, PLANT AND EQUIPMENT AND LEASES *(continued)*

Note related to leases:

THE GROUP AS A LESSEE

The Group has lease contracts for various items of office premises, other equipment and motor vehicles used in its operations. Leases of office premises and other equipment generally have lease terms from 2 to 5 years. Motor vehicles generally have lease terms from 3 to 4 years. In addition, the Group leased several plots of land located in Hong Kong for 50 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. No lease contracts have extension and termination options.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

HK$ million	Office premises	Prepaid land lease payments	Other equipment	Motor vehicles	Total
As at 1 January 2022	33	323	7	5	368
Additions	105	–	–	1	106
Depreciation charge	(42)	(6)	(1)	(2)	(51)
As at 31 December 2022 and 1 January 2023	**96**	**317**	**6**	**4**	**423**
Additions	**15**	**–**	**–**	**3**	**18**
Disposal of subsidiaries	**–**	**–**	**(6)**	**–**	**(6)**
Depreciation charge	**(43)**	**(6)**	**–**	**(2)**	**(51)**
As at 31 December 2023	**68**	**311**	**–**	**5**	**384**

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	Lease liabilities	
HK$ million	**2023**	2022
Carrying amount at 1 January	**112**	42
New leases	**18**	106
Disposal of subsidiaries	**(6)**	–
Accretion of interest recognised during the year	**4**	1
Payments	**(52)**	(37)
Carrying amount at 31 December	**76**	112
Analysed into:		
Current portion	**47**	49
Non-current portion	**29**	63

The maturity analysis of lease liabilities is disclosed in note 46 to the financial statements.

13. PROPERTY, PLANT AND EQUIPMENT AND LEASES *(continued)*

Note related to leases: *(continued)*

THE GROUP AS A LESSEE *(continued)*

(c) The amounts recognised in profit or loss in relation to leases are as follows:

HK$ million	2023	2022
Interest on lease liabilities	**4**	1
Depreciation charge of right-of-use assets	**51**	51
Total amount recognised in profit or loss	**55**	52

The total cash outflow for leases is disclosed in note 39(c) to the financial statements.

THE GROUP AS A LESSOR

The Group leases its investment properties (note 14) consisting of certain commercial properties and residential properties in Hong Kong under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK$8 million (2022: HK$11 million), details of which are included in note 5 to the financial statements.

At 31 December 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

HK$ million	2023	2022
Within one year	**6**	7
After one year but within two years	**2**	6
After two years but within three years	**–**	2
After three years but within four years	**–**	–
Total	**8**	15

14. INVESTMENT PROPERTIES

HK$ million	2023	2022
Carrying amount at 1 January	**1,316**	1,651
Disposal of subsidiaries (note 38)	**–**	(99)
Disposal of an investment property	**–**	(110)
Fair value losses on investment properties, net	**(88)**	(126)
Transfer to assets of disposal groups classified as held for sales (note 21)	**(601)**	–
Carrying amount at 31 December	**627**	1,316

The Group's investment properties consist of commercial and residential properties and car parking spaces in Hong Kong. The directors of the Company have determined that the investment properties consist of three classes of assets, i.e., commercial properties, residential properties, and car parking spaces, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2023 and 2022 based on valuations performed by Graval Consulting Limited ("Graval"), independent professionally qualified valuers. Each year, the Company's directors decide to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's corporate finance team has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

At 31 December 2023, the Group's investment properties with an aggregate carrying amount of HK$627 million (2022: HK$1,316 million) were pledged to secure bank loans granted to the Group (note 30 (a)(ii)).

14. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

HK$ million	**Fair value measurement as at 31 December 2023 using**			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**41**	**41**
Residential properties	**–**	**–**	**569**	**569**
Car parking spaces	**–**	**–**	**17**	**17**
Total	**–**	**–**	**627**	**627**

HK$ million	Fair value measurement as at 31 December 2022 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:				
Commercial properties	–	–	502	502
Residential properties	–	–	797	797
Car parking spaces	–	–	17	17
Total	–	–	1,316	1,316

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2022: Nil).

14. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

HK$ million	Car parking spaces	Commercial properties	Residential properties	Total
Carrying amount at 1 January 2022	18	810	823	1,651
Disposal of subsidiaries	–	(99)	–	(99)
Disposal of an investment property	–	(110)	–	(110)
Net losses from fair value adjustments recognised in other expenses, net in profit or loss	(1)	(99)	(26)	(126)
Carrying amount at 31 December 2022 and 1 January 2023	**17**	**502**	**797**	**1,316**
Net losses from fair value adjustments recognised in other expenses, net in profit or loss	**–**	**(45)**	**(43)**	**(88)**
Transfer to assets of disposal groups classified as held for sale	**–**	**(416)**	**(185)**	**(601)**
Carrying amount at 31 December 2023	**17**	**41**	**569**	**627**

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2023	2022
Commercial properties	Market approach	Adopted unit rate (per square foot)	**HK$4,900 to HK$19,000**	**HK$5,800 to HK$36,000**
Residential properties	Market approach	Adopted unit rate (per square foot)	**HK$69,000 to HK$70,000**	**HK$50,000 to HK$73,000**
Car parking spaces	Market approach	Adopted unit rate (per lot)	**HK$2,400,000**	**HK$2,400,000**

Under the market approach, fair value is estimated using the unit rates of comparable transactions of similar properties and adjusted for the uniqueness of each property multiplied by the gross floor area of each property.

A significant increase (decrease) in the adopted unit rate would result in a significant increase (decrease) in the fair value of the investment properties.

15. GOODWILL

HK$ million	
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023:	
Cost	89
Accumulated impairment	(72)
Net carrying amount	17

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating unit for impairment testing:

- Car logistics cash-generating unit

Car logistics cash-generating unit

The recoverable amount of the car logistics cash-generating unit was determined based on value-in-use calculations using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections of the car logistics unit for 2023 was 12.7% (2022: 12.1%). The cash flow projections of the car logistics unit beyond the respective periods of financial budgets were extrapolated using a growth rate of 2.5% (2022: 2%), which did not exceed the long term average growth rate of the industry.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

HK$ million	**2023**	2022
Car logistics	**17**	17

Assumptions were used in the value-in-use calculation of the car logistics for 31 December 2023 and 2022. The following describes each key assumption on which management had based its cash flow projections to undertake impairment testing of goodwill:

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Business environment – There was no major change in the existing political, legal and economic conditions in the countries with and in which the cash-generating unit conduct their businesses.

Forecasted growth rates – The forecasted growth rates are based on historical operating results, expected market development as well as industry forecasts.

16. INTANGIBLE ASSET

HK$ million	Licence
Cost at 1 January 2022, net of accumulated amortisation	3
Amortisation provided during the year	(3)
Cost at 31 December 2022, 1 January 2023 and 31 December 2023, net of accumulated amortisation	–
At 31 December 2022 and 31 December 2023:	
Cost	33
Accumulated amortisation	(33)
Net carrying amount	–

17. INVESTMENTS IN ASSOCIATES

(i) The Group has investments in associates, which are not considered to be material associates as at 31 December 2023 and 2022, as detailed below:

HK$ million	**2023**	2022
Share of net assets (note)	**14**	5
Impairment	**(5)**	(5)
Net carrying amount	**9**	–

The following table illustrates the financial information of the Group's associates that are not individually material:

HK$ million	**2023**	2022
Share of the associates' profit for the year	**4**	–
Share of the associates' total comprehensive income for the year	**4**	–
Aggregate carrying amount of the Group's investment in associates	**9**	–

Note:

During the year ended 31 December 2023, the Group disposed of 71% equity interest of a group of subsidiaries engaging in the stage audio, lighting and engineering operations to an independent third party for a cash consideration of HK$30 million. As a result, the remaining 29% equity interest was classified to investments in associates and are accounted for using equity method in the consolidated financial statements since then (note 38).

The Group further disposed of certain interest in the associate to an independent third party for a cash consideration of HK$5 million and recognised loss on disposal of an associate of HK$1 million in profit or loss during the year ended 31 December 2023.

18. VALUABLE COLLECTIONS HELD FOR INVESTMENTS

HK$ million	**2023**	2022
Valuable collections held for investments, at fair value	**298**	314

The following table illustrates the fair value measurement hierarchy of the Group's valuable collections held for investments:

	Fair value measurement as at 31 December 2023 using			
HK$ million	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Recurring fair value measurement for:				
Valuable collections held for investments	**–**	**–**	**298**	**298**

	Fair value measurement as at 31 December 2022 using			
HK$ million	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:				
Valuable collections held for investments	–	–	314	314

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2022: Nil).

18. VALUABLE COLLECTIONS HELD FOR INVESTMENTS *(continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

HK$ million	
Carrying amount at 1 January 2022	340
Disposal	(18)
Transfer to stock of classic cars held for sale	(14)
Disposal of subsidiaries (note 38)	(29)
Net gain from a fair value adjustment recognised in other income and gains, net in profit or loss	35
Carrying amount at 31 December 2022 and 1 January 2023	**314**
Disposal	**(14)**
Net loss from a fair value adjustment recognised in other expenses, net in profit or loss	**(2)**
Carrying amount at 31 December 2023	**298**

Below is a summary of the valuation technique used and the key input to the valuable collections held for investments:

	Valuation technique	Significant unobservable input	Range or weighted average 2023	2022
Classic cars held for investment	Market approach	Transaction price (per unit)	**HK$2 million to HK$47 million**	HK$2 million to HK$47 million
Collectible precision devices held for investment	Market approach	Transaction price (per unit)	**HK$40,000 to HK$28 million**	HK$36,000 to HK$28 million

Under the market approach, fair value is estimated using the market price of comparable transactions of similar valuable collections held for investments and adjusted for the uniqueness of each valuable collections held for investments.

A significant increase (decrease) in the transaction price would result in a significant increase (decrease) in the fair value of the valuable collections held for investments.

19. INVENTORIES

HK$ million	2023	2022
Raw materials	18	18
Finished goods	4	5
Ferrari cars	19	37
Maserati cars	27	44
Total	68	104

At 31 December 2023, certain inventories of the Group with an aggregate net carrying amount of approximately HK$28 million (2022: HK$32 million) were pledged to secure bank loans granted to the Group (note 30(a)(iii)).

20. STOCK OF VALUABLE COLLECTIONS HELD FOR SALE

HK$ million	2023	2022
Stock of valuable collections held for sale, at the lower of cost and net realisable value	–*	–*

* Less than HK$1 million

21. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2023, the directors of the Company resolved to dispose of certain indirect wholly-owned subsidiaries of the Group which carried out property investment business in Hong Kong. The directors of the Company expect it is highly probable that the assets and liabilities attributable to the business will be sold within twelve months and classified them as disposal groups held for sale and are presented separately in the consolidated statement of financial position.

The major classes of assets and liabilities of disposal groups classified as held for sale as at 31 December 2023 are as below:

HK$ million	2023
Assets	
Investment properties (note 14)	601
Other receivables	1
Cash and cash equivalents	–*
Assets of disposal groups classified as held for sale	602
Liabilities	
Interest-bearing bank and other borrowings	58
Deferred tax liabilities	22
Other payables and accruals	3
Liabilities directly associated with the assets classified as held for sale	83
Net assets directly associated with the disposal groups	519

* Less than HK$1 million

As at 31 December 2023, the investment properties in the disposal groups with an aggregate carrying amount of HK$601 million were pledged to secure bank loans granted to the Group (note 30(a)(v)).

22. TRADE RECEIVABLES

HK$ million	2023	2022
Trade receivables	**253**	274
Impairment	**(210)**	(108)
Net carrying amount	**43**	166

The credit term given by the Group to its customers is generally one month, further details of which are included in note 5(ii) to the financial statements. The credit term granted to the customers of trading securities is up to 365 days (2022: 365 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department for each segment to minimise credit risk. Overdue balances are reviewed regularly by senior management. As at 31 December 2023, the Group had a certain concentration of credit risk as 8% (2022: 57%) and 31% (2022: 71%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

Trade receivables includes (i) balances of HK$1,913,000 (2022: HK$1,394,000) due from a key management personnel and an immediate family member of Mr. Mak and a company controlled by him; and (ii) a balance of HK$159,000 (2022: HK$218,000) due from Mr. Mak.

As at 31 December 2023, an amount of HK$2 million (2022: HK$2 million) of the trade receivables was secured by a motor vehicle. The recoverability was assessed with reference to the fair value of the collateral, and the expected credit losses as at 31 December 2023 was considered to be minimal. An impairment analysis is performed at each reporting date with reference to the risks of default of the customer. Management also takes into account the mitigating effect of the value of the collateral in the ECL analysis. As at 31 December 2023, in the opinion of the directors of the Company, the probability of default applied to the secured trade receivables was 100% (2022: 100%) and the trade receivable was covered by the collateral with a fair value of approximately HK$3 million (2022: HK$3 million) as at 31 December 2023. During the year ended 31 December 2023, no impairment was recognised in the consolidated statement of profit or loss (2022: Nil).

As at 31 December 2023, an aggregate amount of HK$4 million (2022: HK$107 million), net of loss allowance, of the trade receivables was secured by a pledge over a property in Chinese Mainland. An impairment analysis is performed at each reporting date with reference to the risks of default of the customers. Management also takes into account the mitigating effect of the value of the collateral in the ECL analysis. As at 31 December 2023, in the opinion of the directors of the Company, the probability of default applied to the secured trade receivable was 100% (2022: 100%). Subsequent to the end of the reporting period, the Group has entered into a settlement agreement with the debtors, pursuant to which the debtors agreed to settle the balances by HK$4 million and the Group agreed to release the respective pledge. As a result, in the opinion of the directors of the Company, an impairment loss of HK$103 million was recognised in the consolidated statement of profit or loss during the year ended 31 December 2023. The settlement amount of HK$4 million was subsequently received as at the date of the approval of these financial statements. During the year ended 31 December 2022, an impairment loss of HK$91 million was recognised in the consolidated statement of profit or loss due to a significant decrease in fair value of the collateral.

Save as mentioned above, the Group does not hold any collateral or other credit enhancement over its trade receivable balances. Trade receivables are non-interest-bearing.

22. TRADE RECEIVABLES *(continued)*

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

	2023		2022	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Within 180 days	**32**	**74**	43	26
181 to 365 days	**2**	**5**	7	4
1 to 2 years	**2**	**5**	4	3
Over 2 years	**7**	**16**	112	67
Total	**43**	**100**	166	100

The movements in the loss allowance for impairment of trade receivables are as follows:

HK$ million	**2023**	2022
At 1 January	**108**	15
Impairment losses recognised, net (note 6)	**109**	93
Disposal of subsidiaries	**(7)**	–
At 31 December	**210**	108

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses, except for certain trade receivable balances secured by collaterals. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type, customer type and customer rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

22. TRADE RECEIVABLES *(continued)*

Set out below is the information about the credit risk exposure on the Group's trade receivables without collaterals using a provision matrix:

As at 31 December 2023

HK$ million	Current	Past due: Within 6 months	Past due: 6 to 12 months	Past due: Over 12 months	Total
Cultural entertainment business					
Expected credit loss rate	0.1%	0.1%	22.1%	69.7%	33.3%
Gross carrying amount	–	–	0.1	0.2	0.3
Expected credit losses	–	–	–	0.1	0.1
Classic cars, Ferrari business and Maserati business					
Expected credit loss rate	7.9%	22.5%	57.8%	73.3%	27.7%
Gross carrying amount	13.9	10.1	2.1	5.7	31.8
Expected credit losses	1.1	2.3	1.2	4.2	8.8
Magazine publication business					
Expected credit loss rate	6.0%	6.5%	31.6%	87.7%	34.0%
Gross carrying amount	3.8	8.5	1.9	6.4	20.6
Expected credit losses	0.2	0.6	0.6	5.6	7.0
Property investment					
Expected credit loss rate	0.1%	0.1%	0.1%	0.1%	0.1%
Gross carrying amount	–	–	–	–	–
Expected credit losses	–	–	–	–	–
Total					
Expected credit loss rate	0.1%–7.9%	0.1%–22.5%	0.1%–57.8%	0.1%–87.7%	0.1%–34.0%
Gross carrying amount	17.7	18.6	4.1	12.3	52.7
Expected credit losses	1.3	2.9	1.8	9.9	15.9

22. TRADE RECEIVABLES *(continued)*

As at 31 December 2022

		Past due			
HK$ million	Current	Within 6 months	6 to 12 months	Over 12 months	Total
Cultural entertainment business					
Expected credit loss rate	1.8%	22.6%	30.7%	71.7%	30.7%
Gross carrying amount	6.2	8.0	5.7	5.8	25.7
Expected credit losses	0.1	1.8	1.8	4.2	7.9
Classic cars, Ferrari business and Maserati business					
Expected credit loss rate	4.8%	17.2%	39.1%	8.0%	11.2%
Gross carrying amount	13.3	9.2	2.4	5.0	29.9
Expected credit losses	0.6	1.6	0.9	0.4	3.5
Magazine publication business					
Expected credit loss rate	5.8%	7.1%	30.0%	83.7%	30.9%
Gross carrying amount	5.4	5.1	1.8	5.8	18.1
Expected credit losses	0.3	0.4	0.5	4.4	5.6
Property investment					
Expected credit loss rate	0.1%	0.1%	0.1%	0.1%	0.1%
Gross carrying amount	0.3	0.0	0.0	0.0	0.3
Expected credit losses	–	–	–	–	–
Total					
Expected credit loss rate	0.1%–5.8%	0.1%–22.6%	0.1%–39.1%	0.1%–83.7%	0.1%–30.9%
Gross carrying amount	25.2	22.3	9.9	16.6	74.0
Expected credit losses	1.0	3.8	3.2	9.0	17.0

23. INVESTMENT IN A FILM

HK$ million	2023	2022
Investment in a film classified as current assets which is expected to be recoverable:		
Within one year	**80**	80

The investment in a film was still under development at 31 December 2023 and 2022. Since the investment is expected to be recovered by the Group within 12 months, the amount was classified as a current financial asset. The investment is measured at fair value through profit or loss at fair value at the end of each reporting period. The directors consider that the fair value of the investment is approximated to its carrying amount (being the costs invested by the Group) as at 31 December 2023 and 2022. The balance represents the Group's investment in a film production which entitled the Group to predetermined percentage of income to be generated from the film based on the Group's investment portion as specified in the respective film investment agreement. The film production company is a private company controlled by an immediate family member of Mr. Mak.

24. PREPAYMENTS AND OTHER RECEIVABLES

HK$ million	2023	2022
Prepayments	**113**	136
Other receivables	**380**	394
	493	530
Impairment losses recognised	**(332)**	(187)
	161	343
Current portion	**(160)**	(332)
Non-current portion	**1**	11

The movements in the loss allowance for impairment of other receivables are as follows:

HK$ million	2023	2022
At 1 January	**187**	4
Impairment losses recognised (note 6)	**155**	183
Disposal of subsidiaries	**(10)**	–
At 31 December	**332**	187

As at 31 December 2022, included in the Group's other receivables were amounts due from an independent third party of HK$159 million, net of loss allowance, which were secured by certain equity interests in a company incorporated in Chinese Mainland, and shall be settled on or before 15 December 2023. The amount was related to the disposal of certain equity interests in an entity to the independent third party in prior years. The Group received partial settlements of an aggregate of HK$44 million in prior years. The recoverable amount was assessed with reference to the fair value of the collateral of approximately HK$159 million as at 31 December 2022, and hence, HK$177 million was recognised as the expected credit losses during the year ended 31 December 2022. During the year ended 31 December 2023, the Group further received a partial settlement of HK$6 million (2022: Nil). Subsequent to the end of the reporting period, the Group has entered into a settlement agreement with the debtor, pursuant to which the Group agreed the HK$6 million received in 2023 as the final settlement amount and agreed to release the respective security. As a result, in the opinion of directors of the Company, an impairment loss of HK$153 million was recognised during the year ended 31 December 2023.

As at 31 December 2022, included in the Group's other receivables were an amount due from a then non-controlling shareholder of Golden Wish Enterprises Limited ("Golden Wish") of HK$10 million, net of loss allowance, which was secured by certain equity interests in companies incorporated in Hong Kong and Macau, and shall be settled by monthly instalment. The due date for payment of the first monthly instalment of the consideration receivable had been extended in March 2022 to two months after the date of reopening of the business in Macau. During the year ended 31 December 2023, the balance was disposed of through the disposal of subsidiaries as detailed in note 38 to the financial statements.

24. PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

An impairment analysis is performed at each reporting date by considering the expected credit losses, which are estimated by applying the probability of default approach with reference to the risks of default of the debtors. Management also takes into account the mitigating effect of the value of the collaterals in the ECL analysis. As at 31 December 2023, in the opinion of the Company's directors, the probability of default applied was minimal to 100% (2022: minimal to 100%) and the loss given default was estimated to be ranged from minimal to 96% (2022: ranged from minimal to 62%).

Except for the above, the financial assets included in the other receivables relate to receivables for which there was no recent history of default.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The carrying amounts of financial assets at fair value through profit or loss as at the end of the reporting period and the movements during the year are as follows:

HK$ million	Listed equity investment, at fair value (Note a)	Other assets, at fair value (Note b)	Total
As at 1 January 2022	250	6	256
Disposal	(250)	–	(250)
As at 31 December 2022 and 1 January 2023	**–**	**6**	**6**
Fair value losses on financial assets	**–**	**(1)**	**(1)**
As at 31 December 2023	**–**	**5**	**5**

Notes:

(a) The movements in fair value measurements within Level 3 during the year are as follows:

HK$ million	**2023**	2022
Listed equity investment, at fair value		
At 1 January	**–**	250
Disposal	**–**	(250)
At 31 December	**–**	–

During the year ended 31 December 2022, the financial asset at fair value through profit or loss was disposed to Top Pioneer Holdings Limited ("Top Pioneer") at a consideration of HK$250 million that HK$100 million was settled by cash and the remaining balance of HK$150 million was settled by a promissory note, as detailed in note 26 to the financial statements. The transaction was completed in October 2022.

(b) The other assets at 31 December 2023 and 2022 represented investments in club debentures which were mandatorily classified as financial assets at fair value through profit or loss under HKFRS 9 as their contractual cash flows are not solely payments of principal and interest.

26. PROMISSORY NOTE RECEIVABLE

HK$ million	2023	2022
Promissory note receivable	**150**	150
Impairment losses recognised	**(2)**	–
	148	150

As at 31 December 2022, the promissory note receivable bore interest at the rate of 5% per annum and was repayable within one year in October 2023, which is covered by shares charges and a personal guarantee. As at 31 December 2023, the promissory note is overdue and the directors of the Company are actively negotiating with the debtor. The balance is related to the disposal of the financial asset at fair value through profit or loss to Top Pioneer during the year ended 31 December 2022 as detailed in note 25(a) to the financial statements.

The movements in the loss allowance for impairment of promissory note receivable are as follows:

HK$ million	2023	2022
At beginning of year	**–**	–
Impairment losses (note 6)	**2**	–
At end of year	**2**	–

An impairment analysis is performed at each reporting date by considering the expected credit losses, which are estimated by applying the probability of default approach with reference to the risks of default of the debtors. Management also takes into account the mitigating effect of the value of the collaterals in the ECL analysis. As at 31 December 2023, in the opinion of the Company's directors, the probability of default applied was 4.1% (2022: 4.1%) and the loss given default was estimated to be 29% (2022: minimal).

27. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

HK$ million	2023	2022
Cash and bank balances	**47**	33
Time deposits	**20**	38
	67	71
Less: Time deposits pledged for bank loans included in current portion (note 30(a)(iv))	**(20)**	(38)
Cash and cash equivalents	**47**	33

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$12 million (2022: cash and cash equivalents and pledged time deposits amounted to HK$19 million). The RMB is not freely convertible into other currencies. However, under The Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks carried interest at floating rates based on daily bank deposit rates. Short term time deposits were made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and carried interest at the respective short term time deposit rates. The bank balances and pledged deposits were placed with creditworthy banks with no recent history of default.

28. TRADE PAYABLES

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

	2023		2022	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**14**	**35**	30	45
31 to 60 days	**11**	**28**	5	8
61 to 90 days	**1**	**2**	3	5
Over 90 days	**14**	**35**	28	42
Total	**40**	**100**	66	100

The trade payables were interest-free, unsecured and were normally settled on a 60-day term.

29. OTHER PAYABLES AND ACCRUALS

HK$ million	Notes	**2023**	2022
Contract liabilities	(a)	**266**	248
Other payables	(b)	**138**	62
Accruals		**24**	23
Total		**428**	333

Notes:

(a) Details of contract liabilities as at 31 December 2023 and 2022 are as follows:

HK$ million	**31 December 2023**	31 December 2022	1 January 2022
Short-term advances received from customers			
Sale of Ferrari cars	**230**	164	180
Sale of Maserati cars	**6**	39	11
Sale of valuable collections	**28**	43	55
Provision and leasing of stage audio and lighting equipment and provision of stage technical and engineering services	**–**	–*	3
Provision of advertising services	**2**	2	3
Total contract liabilities	**266**	248	252

* Less than HK$1 million

Contract liabilities include receipts in advance for Ferrari cars, Maserati cars, valuable collections, the provision and leasing of stage audio and lighting equipment and provision of stage technical and engineering services, and the provision of advertising services.

The increase in contract liabilities in 2023 was mainly due to the combined effect of the increase in short-term advances received from customers in relation to the sale of Ferrari cars and decrease in short-term advances received from customers in relation to the sale of Maserati cars and valuable collections.

The decrease in contract liabilities in 2022 was mainly due to the combined effect of the decrease in short-term advances received from customers in relation to the sale of Ferrari cars and valuable collection and increase in short-term advances received from customers in relation to the sale of Maserati cars.

(b) Other payables include deposits received of HK$80 million (2022: Nil) for disposal of certain assets of disposal groups, which are unsecured and interest-bearing at 5% per annum, and a balance of HK$16,745,000 (2022: HK$12,823,000) due to an immediate family member of Mr. Mak and a balance of HK$7,300,000 (2022: HK$23,200,000) due to Mr Mak, which is unsecured, interest-free and has no fixed terms of repayment. Remaining balances are non-interest-bearing and have an average term of three months.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2023			31 December 2022		
	Effective interest rate (%)	**Maturity**	**HK$ million**	Effective interest rate (%)	Maturity	HK$ million
Current						
Lease liabilities (note 13(b))	**1.85–7.78**	**2024**	**47**	1.90–6.00	2023	49
Bank loans – secured	**3.63–8.02**	**2024 or on demand**	**551**	1.15–2.90	2023 or on demand	243
Other loan – secured	**6.375**	**2024**	**28**	3.17–4.75	2023	32
Other loan – unsecured	**10**	**2024**	**28**	7.00–10.00	2023	81
Total – current			**654**			405
Non-current						
Lease liabilities (note 13(b))	**1.85–7.78**	**2025–2028**	**29**	1.90–4.31	2026	63
Bank loans – secured	**3.63–8.02**	**2025–2042**	**684**	1.90–2.90	2023–2041	1,082
Other loan – unsecured	**7.00**	**2025**	**70**	–	–	–
Total – non-current			**783**			1,145
Total			**1,437**			1,550

HK$ million	**2023**	2022
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**551**	243
In the second year	**72**	181
In the third to fifth years, inclusive	**389**	514
Beyond five years	**223**	387
Subtotal	**1,235**	1,325
Other borrowings repayable:		
Within one year or on demand	**103**	162
In the second year	**95**	44
In the third to fifth years, inclusive	**4**	19
Subtotal	**202**	225
Total	**1,437**	1,550

30. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

(a) As at 31 December 2023, certain of the Group's bank loans were secured by:

(i) pledge of certain prepaid land lease payments and owned buildings of the Group situated in Hong Kong with an aggregate carrying amount at the end of the reporting period of approximately HK$558 million (2022: HK$569 million) (note 13);

(ii) pledge of the Group's investment properties situated in Hong Kong, which had an aggregate carrying amount at the end of the reporting period of approximately HK$627 million (2022: HK$1,316 million) (note 14);

(iii) pledge of certain inventories of the Group, which had an aggregate carrying amount at the end of the reporting period of approximately HK$28 million (2022: HK$32 million) (note 19);

(iv) pledge of certain time deposits of the Group with an aggregate amount of HK$20 million (2022: HK$38 million) (note 27); and

(v) pledge of the assets of the disposal groups classified as held for sale situated in Hong Kong, which had an aggregate carrying amount at the end of the reporting period of approximately HK$601 million (2022: Nil) (note 21).

(b) All bank and other borrowings of the Group were denominated in Hong Kong dollars as at 31 December 2023 and 2022.

(c) Approximately HK$354 million (2022: Nil) bank borrowings repayable over one year were classified as current liabilities as at 31 December 2023 in accordance with the relevant accounting standards. The classification was resulted from the transfer of pledged investment properties to the assets of the disposal groups classified as held for sale.

(d) Approximately HK$49 million bank borrowings classified as repayable on demand in current liabilities as at 31 December 2023 were not complied with a financial covenant related to the amount of net tangible assets value under certain facilities agreement entered into by the Group with one of its bankers, which had been made known to the banker by the Group before the year end date. As the balances had already been classified as repayable on demand as at 31 December 2023, the non-compliance did not have any significant impact on the financial statements of the Group. Subsequent to the end of the reporting period, the bank has waived the financial covenant.

31. CONVERTIBLE BONDS

On 30 March 2016, the Company issued the 5% coupon convertible bonds (the "5% 2024 Convertible Bonds") with an aggregate principal amount of HK$250,200,000 to Capital Force International Limited ("Capital Force") and New Capital Industrial Limited ("New Capital").

On 20 January 2023, the Company issued the 4.5% coupon convertible bonds (the "2025 Convertible Bonds") with principal amount of HK$220 million to Treasure Gold International Limited; and on 18 August 2023, the Company issued the 4.5% coupon convertible bonds (the "4.5% 2024 Convertible Bonds") with an aggregate principal amount of HK$30 million to six parties. Details of these convertible bonds are set out as follows:

(a) 5% 2024 Convertible Bonds

During the year ended 31 December 2022, the Group had early redeemed the 5% 2024 Convertible Bonds by issuing 2024 Bond as further detailed in note 32 to the financial statements and the difference between the carrying amount and the fair value of 5% 2024 Convertible Bonds liability component as at the redemption date of HK$11 million was recognised as gain on early redemption of convertible bond in the profit or loss.

(b) 2025 Convertible Bonds

On 20 January 2023, pursuant to the subscription agreement dated 16 November 2022 entered into between Treasure Goal International Limited, a company wholly owned by Mr. Mak, the chairman and controlling shareholder of the Company, as subscriber and the Company as issuer in respect of subscription and issue of the 2025 Convertible Bonds for early redemption of the 2024 Bond.

The maturity date of the 2025 Convertible Bonds will fall on 31 December 2025. The 2025 Convertible Bonds are convertible at the option of the bondholders into ordinary shares at the initial conversion price of HK$0.16 per conversion share (subject to adjustments pursuant to the terms and conditions of the 2025 Convertible Bonds) during the period from the issue date to the maturity date. The 2025 Convertible Bonds shall be redeemable at the option of the Company at any time on or before seven days before the maturity date of the 2025 Convertible Bonds. The 2025 Convertible Bonds are unsecured and carry interest at 4.5% per annum on the outstanding principal amount. Interest is payable monthly.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in the shareholders' equity.

During the year ended 31 December 2023, convertible bonds with a principal amount of HK$117 million were converted into 731,250,000 ordinary shares, resulting in additional issued capital of HK$73 million (note 34) and share premium of HK$49 million.

(c) 4.5% 2024 Convertible Bonds

On 18 August 2023, pursuant to the subscription agreement dated 28 July 2023, entered into between six parties, independent third parties, as subscriber and the Company as issuer in respect of subscription and issue of the 4.5% 2024 Convertible Bonds for cash, the Company issued the 4.5% 2024 Convertible Bonds with an aggregate principal amount of HK$30 million. The maturity date of the 4.5% 2024 Convertible Bonds will fall on the first anniversary of the date of issue of the convertible bonds, which will fall due on 18 August 2024. The bonds are convertible at the option of the bondholders into ordinary shares at the conversion price of HK$0.193 per conversion share (subject to adjustment pursuant to the terms and conditions of the convertible bonds) during the period from the issue date to the maturity date. The 4.5% 2024 Convertible Bonds are unsecured and carry interest at 4.5% per annum on the outstanding principal amount. Interest is payable semi-annually after the date of issue of the convertible bonds.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in the shareholders' equity.

During the year ended 31 December 2023, there was no conversion or movement of the 4.5% 2024 Convertible Bonds.

31. CONVERTIBLE BONDS *(continued)*

The convertible bonds issued during the year have been split into the liability and equity components as follows:

HK$ million	**2023**	2022
Fair value of convertible bonds issued during the year	**257**	–
Equity component	**(38)**	–
Liability component at 1 January	**–**	243
Liability component at issuance date	**219**	–
Interest expense	**12**	5
Interest paid	**(6)**	(5)
Early redemption of convertible bonds	**(103)**	(243)
Liability component at 31 December	**122**	–
Analysed into:		
Current portion	**29**	–
Non-current portion	**93**	–

32. BOND

HK$ million	**2023**	2022
Unsecured corporate bond repayable:		
In the second year, inclusive	**–**	192

On 29 April 2022, the Company issued an unsecured corporate bond (the "2024 Bond") to Treasure Goal International Limited, a company wholly-owned by Mr. Mak, which would be due on 31 December 2024. The 2024 Bond shall be redeemable at the option of the Company at any time on or before 31 December 2024. The 2024 Bond was unsecured, and bore interest at 4.5% per annum on the outstanding principal amount. The interest was monthly payable.

The difference between the fair value of the 2024 Bond and the fair value of the 2024 Convertible Bonds liability component as at the redemption date of HK$10 million was considered as capital contribution from Mr. Mak as further detailed in note 36 to the finance statements.

On 20 January 2023, the Company early redeemed the 2024 Bond by issuing the 2025 Convertible Bonds with an aggregate principal amount of HK$220,000,000 as further detailed in note 31(b) to the finance statements and the difference of HK$25 million was recognised as a loss on early redemption in the profit or loss (note 6).

33. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

HK$ million	Revaluation of properties
Gross deferred tax liabilities at 1 January 2022, 31 December 2022, 1 January 2023	22
Gross deferred tax liabilities included in the disposal group (note 21)	(22)
Gross deferred tax liabilities at 31 December 2023	–

Deferred tax assets

HK$ million	Loss available for offsetting against future taxable profits
Gross deferred tax assets at 1 January 2022, 31 December 2022, 1 January 2023	1
Gross deferred tax assets included in disposed subsidiaries (note 38)	(1)
Gross deferred tax assets at 31 December 2023	–

At 31 December 2023, the Group had tax losses of HK$1,677 million (2022: HK$1,442 million), which were available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, and for which no deferred tax assets were recognised in respect of these losses as it was not considered probable that taxable profits would be available against which the tax losses could be utilised.

34. SHARE CAPITAL

Shares

HK$ million	2023	2022
Authorised:		
20,000,000,000 (2022: 2,000,000,000) ordinary shares of HK$0.10 each	**2,000**	200
Issued and fully paid:		
1,604,361,452 (2022: 873,111,452) ordinary shares of HK$0.10 each	**160**	87

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK$ million
At 1 January 2022, 31 December 2022 and 1 January 2023	873,111,452	87
Conversion of convertible bonds (note 31(b))	731,250,000	73
At 31 December 2023	1,604,361,452	160

Note:

During the year ended 31 December 2023, the 2025 Convertible Bonds with a principal amount of HK$117 million were converted into 731,250,000 shares, resulting in additional issued capital of HK$73 million and share premium of HK$49 million.

Share options

Details of the Company's share option scheme are detailed in note 35 to the financial statements.

35. SHARE OPTION SCHEME

Share option scheme of the Company

The 2011 Scheme

The 2011 Scheme which was adopted by the Company on 27 May 2011 and expired on 26 May 2021.

As at 31 December 2021, there was no share option under the 2011 Scheme remain outstanding and exercisable. No share options were granted, exercised, lapsed or cancelled by the Company under the 2011 Scheme during the current and prior years. No share option has ever been granted under the 2011 Scheme.

The 2021 Scheme

At the AGM held on 23 June 2021 (the "2021 AGM"), an ordinary resolution was passed by the shareholders of the Company (the "Shareholders") to adopt the new 2021 Scheme. Unless otherwise cancelled or amended, the 2021 Scheme will be valid for 10 years from the date of adoption which is 23 June 2021. When the 2021 Scheme was approved by the Shareholders at the 2021 AGM and the Shareholders also approved that the total number of shares of the Company (the "Shares") which may be allotted and issued upon exercise of all share options to be granted under the 2021 Scheme and any other share option scheme(s) must not in aggregate exceed 10% of the Shares in issue as at the date of the 2021 AGM (i.e. 87,311,145 Shares). As at the date of the 2021 AGM, the total number of issued Shares was 873,111,452. Shares which would have been issuable have lapsed or cancelled in accordance with the terms of the 2021 Scheme and any other share option scheme(s) will not be counted for the purpose of the 10% limit. On 25 June 2021, the Listing Committee of the Stock Exchange also granted approval for the listing of, and permission to deal in, such 87,311,145 Shares on the Stock Exchange which may fall to be allotted and issued by the Company pursuant to the terms and conditions of the 2021 Scheme.

Notwithstanding the foregoing, Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2021 Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the total number of the Shares in issue from time to time. No share option shall be granted under any share option scheme(s) (including the 2021 Scheme) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded.

The purpose of the 2021 Scheme is to enable the Company to grant share options to the eligible participants, as incentives and/or rewards for their contribution or potential contribution to the Group and/or any entity interest in which any member of the Group holds any entity interest (the "Invested Entity") and/or the holding company of the Company (if applicable).

35. SHARE OPTION SCHEME *(continued)*

Share option scheme of the Company *(continued)*

The 2021 Scheme *(continued)*

The eligible participants of the 2021 Scheme include:

(a) any director or proposed director (whether executive, non-executive or independent non-executive director ("INED")), any executive, officer, employee or any person to whom any offer of employment has been made, executive or officer (whether full-time or part-time, on an employment or contractual or honorary basis or otherwise and whether paid or unpaid) of the Group;

(b) any supplier or services provider or goods provider to offer more economic and quality supplies to the Group;

(c) any customer to maximise the quantity of their orders and increase loyalty to the Group;

(d) any adviser, professional, consultant and agent to provide better services to the Group; and

(e) business partner or shareholder(s) of any Invested Entity and/or the holding company of the Company and/or any member of the Group who have contributed or will contribute to the growth and development of the Group;

(collectively as the "Eligible Participants").

Pursuant to the 2021 Scheme, the total number of Shares issued and which may fall to be issued upon exercise of the share options granted under the 2021 Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the total number of Shares in issue as at the date of grant.

Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders in a general meeting with such Eligible Participant and his/her associates abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time. Any circular to be issued by the Company must disclose, amongst other things, the details of the share options, including share options exercised or outstanding.

Any grant of share options to a director, chief executive or substantial shareholder of the Company or any of their respective associates is required to be approved by the INEDs, excluding the INED(s) who is/are the grantee(s) of the share options.

If the Company proposes to grant share options to a substantial shareholder of the Company or any INED or their respective associates which will result in the number of Shares issued and to be issued upon exercise of share options granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant:

(a) representing in aggregate over 0.1% of the total number of Shares in issue as at the date of the offer; and

(b) having an aggregate value in excess of HK$5 million, based on the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange as at the date of each offer,

such further grant of share options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting at which the grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of the Company shall abstain from voting, and/or such other requirements prescribed under the Listing Rules from time to time except that the grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of the Company may vote against the relevant resolution at the general meeting, provided that his/her intention to do so has been stated in the circular.

35. SHARE OPTION SCHEME *(continued)*

Share option scheme of the Company *(continued)*

The 2021 Scheme *(continued)*

There is no specific requirement under the 2021 Scheme that a share option must be held for any minimum period before it can be exercised, but the terms of the 2021 Scheme provide that the board of directors of the Company (the "Board") has the discretion to impose a minimum period at the time of grant of any particular share option.

The date of grant of any particular share option is the date when the duplicate offer document constituting acceptance of the share option duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration is received by the Company, such date must be on or before the 28th day after the share option is offered to the relevant grantee(s).

The period during which a share option may be exercised will be determined by the Board at its absolute discretion, save that no share option may be exercised more than 10 years after it has been granted. No share option may be granted upon the expiry of the 10th anniversary of the approval date of the 2021 Scheme. Subject to earlier termination by the Company in general meeting or by the Board in accordance with the terms of the 2021 Scheme, the 2021 Scheme shall be valid and effective for a period of 10 years commencing on the adoption date which is 23 June 2021.

The exercise price for a Share in respect of any particular share option granted under the 2021 Scheme (which shall be payable upon exercise of the share option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day (and for this purpose shall be taken to be the date of the Board meeting at which the Board proposes to grant the share options);

(b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant; and

(c) the nominal value of a Share.

The Company's share options do not confer rights on the holders to dividends or to vote at the general meetings of the Company.

As at 31 December 2023 and 2022, there was no share option granted under the 2021 Scheme and the total number of share options available for grant under the 2021 Scheme is 87,311,145 and the total number of Shares which may be issued upon grant and exercise of all such share options is 87,311,145, which represents 5.44% of the total number of issued Shares. No share option was granted, exercised or cancelled under the 2021 Scheme during the year.

36. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 51 of the financial statements.

The Group's capital reserve was created from the reduction of the Company's share capital which became effective on 7 August 2002 and the shareholder's contribution from early redemption of convertible bonds during the year ended 31 December 2022.

37. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2023	2022
Percentage of equity interest held by non-controlling interests:		
AHM Engineering Company Limited ("AHM") (note)	**–**	28%
Hip Hing Loong Stage Engineering Company Limited ("HHL") (note)	**–**	27%

HK$ million	**2023**	2022
Profit/(loss) for the year attributable to non-controlling interests:		
AHM	**2**	–*
HHL	**–***	(2)
Accumulated balances of non-controlling interests at the reporting date:		
AHM	**–**	7
HHL	**–**	–*

Note:

The subsidiaries were disposed during the year ended 31 December 2023 as further detailed in note 38 to the financial statements.

The following tables illustrate the summarised financial information of the above subsidiaries for the year ended 31 December 2022. The amounts disclosed are before any inter-company eliminations:

2022	AHM HK$ million	HHL HK$ million
Revenue	48	15
Total expenses, net	48	24
Loss for the year	–*	(9)
Total comprehensive loss for the year	–*	(9)
Current assets	33	10
Non-current assets	19	5
Current liabilities	56	6
Non-current liabilities	1	2

2022	AHM HK$ million	HHL HK$ million
Net cash flows from operating activities	10	6
Net cash flows used in investing activities	–	–
Net cash flows used in financing activities	(11)	(6)
Net decrease in cash and cash equivalents	(1)	–

* Less than HK$1 million

38. DISPOSAL OF SUBSIDIARIES

HK$ million	2023	2022
Net assets disposed of:		
Property, plant and equipment	**25**	–
Investment properties	**–**	99
Valuable collections held for investments	**–**	29
Deferred tax assets	**1**	–
Inventories	**1**	–
Trade receivables	**28**	–
Prepayment and other receivables	**19**	–
Cash and cash equivalents	**8**	–
Trade payables	**(23)**	–
Tax payable	**(3)**	–
Other payables and accruals	**(12)**	(1)
Interest-bearing bank and other borrowings	**(13)**	–
Non-controlling interests	**(9)**	–
Subtotal	**22**	127
Gain on disposal of subsidiaries (note 6)	**19**	8
	41	135
Satisfied by:		
Cash considerations per sale and purchase agreements	**30**	135
Fair value of investments retained as associates	**11**	–
	41	135

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

HK$ million	2023	2022
Cash considerations per sale and purchase agreements	**30**	135
Cash and bank balance disposed of	**(8)**	–
Consideration receivable included in other receivables as at year end	**(10)**	(8)
Net cash inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**12**	127

The Group completed the following significant disposal of subsidiaries during the year ended 31 December 2022:

(i) the Group disposed of a 100% equity interest in a subsidiary engaging in the property investment to an independent third party, for a cash consideration of HK$107 million; and

(ii) the Group disposed of a 100% equity interest in a subsidiary engaging in the valuable collection business to an independent third party, for a cash consideration of HK$28 million.

During the year ended 31 December 2023, the Group disposed of 71% equity interest of a group of subsidiaries engaging in the stage audio, lighting and engineering operation business to an independent third party for a total cash consideration of HK$30 million.

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

During the year, in addition to the redemption of convertible bonds and a bond as further detailed in notes 31 and 32 to the financial statements, respectively, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$18 million (2022: HK$106 million) and HK$18 million (2022: HK$106 million), respectively, in respect of lease arrangements for office premises, other equipment and motor vehicles.

(b) Changes in liabilities arising from financing activities

2023

HK$ million	Bank and other loans and bond	Lease liabilities	Convertible bonds
At 1 January 2023	1,630	112	–
New leases	–	18	–
Changes from financing cash flows	(12)	(48)	30
Disposal of subsidiaries	(7)	(6)	–
Redemption of 2024 Bond	(202)	–	191
Equity component of convertible bonds	–	–	(2)
Interest expense	108	4	12
Early redemption of convertible bonds	–	–	(103)
Interest paid classified as operating cash flow	(98)	(4)	(6)
Transfer to liabilities directly associated with the assets classified as held for sale	(58)	–	–
At 31 December 2023	1,361	76	122

2022

HK$ million	Bank and other loans and bond	Lease liabilities	Convertible bonds
At 1 January 2022	1,740	42	243
New leases	–	106	–
Changes from financing cash flows	(332)	(36)	–
Redemption of convertible bonds	222	–	(243)
Interest expense	72	1	5
Interest paid classified as operating cash flow	(72)	(1)	(5)
At 31 December 2022	1,630	112	–

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(c) Total cash outflows for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

HK$ million	2023	2022
Within operating activities	4	1
Within financing activities	48	36
Total	52	37

40. CONTINGENT LIABILITIES

Litigations

During 2017 and in or about August 2018, various property purchasers initiated legal proceedings against a subsidiary of the Company (the "Relevant Subsidiary") concerning alleged misrepresentations on the part of the Relevant Subsidiary in relation to certain properties sold by the Relevant Subsidiary. In September 2018, the Court ordered that all individual legal proceedings against the Relevant Subsidiary were consolidated into one legal proceedings. Based on the existing legal documents and advice of the legal advisor of the Company, the directors of the Company are of the opinion that there is a reasonably good chance of success in the defence by the Relevant Subsidiary. In the opinion of the Directors, no provision is considered necessary for the claims arising from the legal proceedings at the end of the reporting period (2022: Nil).

41. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank and other loans are included in note 30(a) to the financial statements.

42. COMMITMENTS

As at 31 December 2023, capital commitment of the Group amounted to approximately HK$1 million (2022: HK$5 million). The Group intends to finance the capital commitment by the internal resources.

43. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the reporting period.

HK$ million	Notes	**2023**	2022
Interest expense on the 5% 2024 Convertible Bonds	(i)	**–**	5.1
Interest expense on the 2025 Convertible Bonds	(ii)	**11.4**	–
Interest expense on the 2024 Bond	(iii)	**0.6**	7.2
Purchase of inventories	(iv)	**–**	2.3
Rental income	(v)	**–**	0.6

Notes:

(i) On 27 January 2016, the Company entered into the sale and purchase agreement with Mr. Mak to acquire all the issued shares of Capital Force and New Capital (collectively as the "Property Holding Companies") from Mr. Mak and the shareholder's loans then due to Mr. Mak by the Property Holding Companies for the share consideration of approximately HK$250 million (which was satisfied by the issue of the 5% 2024 Convertible Bonds) and the cash consideration of approximately HK$29 million. Details of the 5% 2024 Convertible Bonds are set out in note 31 to the financial statements. The aforesaid transactions constituted non-exempt connected transactions for the Company under the Listing Rules. During the year ended 31 December 2022, HK$5 million interest was incurred by the Company on the 5% 2024 Convertible Bonds to Capital Force and New Capital.

(ii) On 20 January 2023, the Company issued the 2025 Convertible Bonds as further detailed in note 31 to the financial statements.

(iii) On 29 April 2022, the Company issued the 2024 Bond as further detailed in note 32 to the financial statements.

(iv) The amounts in prior year represented purchase of certain items of inventories from a private company controlled by a key management personnel and an immediate family member of Mr. Mak. The aforesaid transaction constituted exempt connected transaction for the Company under the Listing Rules.

(v) The amount represented office rental income from a private company controlled by a key management personal and an immediate family member of Mr. Mak. The aforesaid transaction constituted exempt continuing connected transaction for the Company under the Listing Rules.

(b) Compensation of key management personnel of the Group

HK$ million	**2023**	2022
Short term employee benefits	**13**	13

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

44. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2023

HK$ million

Financial asset

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
Trade receivables	–	43	43
Investment in a film	80	–	80
Financial assets included in prepayments and other receivables	–	48	48
Financial assets at fair value through profit or loss	5	–	5
Promissory note receivable	–	148	148
Pledged time deposits	–	20	20
Cash and cash equivalents	–	47	47
Financial assets of disposal groups classified as held for sales	–	1	1
Total	85	307	392

Financial liabilities

	Financial liabilities at amortised cost
Trade payables	40
Other payables and accruals	138
Interest-bearing bank and other borrowings	1,437
Convertible bonds	122
Financial liabilities directly associated with the assets classified as held for sale	61
Total	1,798

44. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2022

HK$ million

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
Trade receivables	–	166	166
Investment in a film	80	–	80
Financial assets included in prepayments and other receivables	–	293	293
Financial assets at fair value through profit or loss	6	–	6
Promissory note receivable	–	150	150
Pledged time deposits	–	38	38
Cash and cash equivalents	–	33	33
Total	86	680	766

Financial liabilities

	Financial liabilities at amortised cost
Trade payables	66
Other payables and accruals	62
Interest-bearing bank and other borrowings	1,550
Bond	192
Total	1,870

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments reasonably approximate to fair values.

Management has assessed that the fair values of cash and cash equivalents, pledged time deposits, trade receivables, trade payables, financial assets included in prepayments and other receivables, promissory note receivable and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the directors and the audit committee of the Company. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors of the Company. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the non-current portion of interest-bearing bank and other borrowings and a bond of HK$798 million (2022: HK$1,400 million) have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2023 and 2022 was assessed to be insignificant.

As at 31 December 2023, the fair value of the liability portion of the convertible bonds of HK$122 million (2022: Nil) was estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The fair value of the investment in a film has been measured, at initial recognition, the costs of investment based on the cash consideration of the investment. The carrying amount at the end of the reporting period represented the fair value of the estimated net future cash flows from the investment attributable to the Group.

The fair values of other assets are based on quoted market prices.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Fair value hierarchy

	Fair value measurement using			
HK$ million	**Quoted prices in active markets** (Level 1)	**Significant observable inputs** (Level 2)	**Significant unobservable inputs** (Level 3)	Total
Assets measured at fair value as at 31 December 2023:				
Financial assets at fair value through profit or loss				
– Other assets, at fair value	**5**	**–**	**–**	**5**
– Investment in a film	**–**	**–**	**80**	**80**
	5	**–**	**80**	**85**
Assets measured at fair value as at 31 December 2022:				
Financial assets at fair value through profit or loss				
– Other assets, at fair value	6	–	–	6
– Investment in a film	–	–	80	80
	6	–	80	86

The Group did not have any financial liabilities measured at fair value as at 31 December 2023 (2022: Nil).

During the year ended 31 December 2023, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (2022: Nil).

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank and other borrowings and convertible bonds and cash and bank balances, and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in loss before tax HK$ million**
2023		
HK$	**100**	**13**
HK$	**(100)**	**(13)**

	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax HK$ million
2022		
HK$	100	14
HK$	(100)	(14)

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by or expenditure of operating units in currencies other than the units' functional currency. During the year, the Group did not use any financial instruments for hedging purposes.

A reasonably possible strengthening (weakening) in the exchange rate of EUR against the Hong Kong dollar of 4.32% (2022: 11.48%) would result in decrease on the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) by HK$0.2 million (2022: HK$0.3 million) in 2023.

A reasonably possible strengthening (weakening) in the exchange rate of RMB against the Hong Kong dollar of 7.87% (2022: 12.9%) would result in decrease on the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) by HK$0.9 million (2022: HK$2.2 million) in 2023.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, and financial assets at fair value through profit or loss, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. There is no significant concentration of credit risk in relation to the Group's financial assets, other than trade and other receivables. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 22 and 24 to the financial statements, respectively.

For the Group's trade receivables, since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by the Group based on counterparty.

Certain of the Group's trade receivables and other receivables are secured by collaterals provided by independent third parties, details of which are described in notes 22 and 24 to the financial statements.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Maximum exposure and year-end staging *(continued)*

As at 31 December 2023 HK$ million	**12-month ECLs** **Stage 1**	**Lifetime ECLs** **Stage 2**	 **Stage 3**	 **Simplified approach**	 **Total**
Trade receivables*	**–**	**–**	**–**	**253**	**253**
Financial assets included in prepayments and other receivables					
– Normal**	**50**	**–**	**–**	**–**	**50**
– Doubtful*	**–**	**–**	**330**	**–**	**330**
Pledged deposits	**20**	**–**	**–**	**–**	**20**
Cash and cash equivalents	**47**	**–**	**–**	**–**	**47**
Total	**117**	**–**	**330**	**253**	**700**

As at 31 December 2022 HK$ million	12-month ECLs Stage 1	Lifetime ECLs Stage 2	 Stage 3	 Simplified approach	 Total
Trade receivables*	–	–	–	274	274
Financial assets included in prepayments and other receivables					
– Normal**	38	–	–	–	38
– Doubtful*	–	–	356	–	356
Pledged deposits	38	–	–	–	38
Cash and cash equivalents	33	–	–	–	33
Total	109	–	356	274	739

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to the financial statements.

** The credit quality of the finance assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets has a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, interest-bearing bank and other borrowings and lease liabilities. In addition, banking facilities have been put in place for contingency purposes.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

As at 31 December 2023

HK$ million	**Within one year or on demand**	**In the second year**	**In the third to fifth years, inclusive**	**Beyond five years**	**Total**
Trade payables	**40**	**–**	**–**	**–**	**40**
Other payables	**138**	**–**	**–**	**–**	**138**
Lease liabilities	**50**	**27**	**4**	**–**	**81**
Other interest-bearing bank and other borrowings and convertible bonds	**745**	**295**	**435**	**239**	**1,714**
Liabilities directly associated with the assets classified as held for sale	**65**	**–**	**–**	**–**	**65**
Total	**1,038**	**322**	**439**	**239**	**2,038**

As at 31 December 2022

HK$ million	Within one year or on demand	In the second year	In the third to fifth years, inclusive	Beyond five years	Total
Trade payables	66	–	–	–	66
Other payables	62	–	–	–	62
Lease liabilities	49	44	19	–	112
Other interest-bearing bank and other borrowings and bond	374	415	515	387	1,691
Total	551	459	534	387	1,931

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total capital plus total borrowings. The Group includes interest-bearing bank and other borrowings, bond/convertible bonds in the total borrowings. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

HK$ million	**31 December 2023**	31 December 2022
Interest-bearing bank and other borrowings (note 30)	**1,437**	1,550
Convertible bonds (note 31)/bond (note 32)	**122**	192
Interest-bearing bank and other borrowings directly associated with the assets classified as held for sale	**58**	–
Total borrowings	**1,617**	1,742
Total capital	**731**	1,166
Total capital and borrowings	**2,348**	2,908
Gearing ratio	**68.9%**	59.9%

Loan covenants

(i) Under the terms of certain bank loans, which have a carrying amount of HK$1,196 million (2022: HK$1,323 million), the Group is required to comply with the following financial covenants throughout the year:

2023

– Maintain its shareholders' equity of not less than HK$500 million on or before 15 December 2024; and

– Maintain its shareholders' equity of not less than HK$1,000 million after 15 December 2024.

Please refer to note 1.2 to the financial statements for further details for basis of presentation.

2022

– Maintain its shareholder's equity of not less than HK$1,000 million.

As at 31 December 2022, the shareholder's equity of the Group was HK$1,166 million. The Group has complied with this covenant.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management *(continued)*

Loan covenants *(continued)*

(ii) Under the terms of certain bank loans, which have a carrying amount of HK$49 million (2022: Nil), the Group is required to comply with the following financial covenants throughout the year:

2023

- Maintain the consolidated tangible net assets of not less than HK$1,000 million; and
- Debt ratio is not greater than 75%.

As at 31 December 2023, the consolidated tangible net asset of the Group was HK$714 million. There was a non-compliance of a debt covenant as at 31 December 2023 that the respective bank loans were classified as repayable on demand as current liabilities in accordance with the relevant accounting standards. Subsequent to the end of the reporting period, the bank has waived the financial covenant to maintain consolidated tangible net assets of not less than HK$1,000 million until 30 December 2024. The Group is currently in negotiations with the bank to revise the covenant with more favourable terms.

47. EVENT AFTER THE REPORTING PERIOD

A partial principal amount of HK$10,000,000 of 4.5% 2024 Convertible Bonds was redeemed by the Company on 18 February 2024. After aforesaid partial redemption, the outstanding principal amount of 4.5% 2024 Convertible Bonds was HK$20,011,500 as at the date of the approval of these financial statements.

48. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and re-presented to conform to the current year's presentation.

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

HK$ million	**2023**	2022
ASSETS		
Non-current assets		
Investments in subsidiaries	**1,339**	1,907
Current assets		
Due from subsidiaries	**335**	329
Prepayments and other receivables	**1**	1
Cash and cash equivalents	**3**	3
Total current assets	**339**	333
Total assets	**1,678**	2,240
EQUITY AND LIABILITIES		
Issued capital	**160**	87
Reserves	**249**	924
Total equity	**409**	1,011
Non-current liabilities		
Convertible bonds	**93**	–
Bond	**–**	192
Total non-current liabilities	**93**	192
Current liabilities		
Other payables and accruals	**110**	32
Convertible bonds	**29**	–
Due to subsidiaries	**939**	924
Interest-bearing bank and other borrowings	**98**	81
Total current liabilities	**1,176**	1,037
Total liabilities	**1,269**	1,229
Total equity and liabilities	**1,678**	2,240
Net current liabilities	**(837)**	(704)
Total assets less current liabilities	**502**	1,203

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

HK$ million	Capital redemption reserve	Share premium account	Capital reserve*	Distributable reserve	Equity component of convertible bonds	Accumulated losses	Total
At 1 January 2022	24	223	741	841	22	(796)	1,055
Loss and total comprehensive loss for the year	–	–	–	–	–	(141)	(141)
Redemption of convertible bonds	–	–	10	–	(22)	22	10
At 31 December 2022 and 1 January 2023	**24**	**223**	**751**	**841**	**–**	**(915)**	**924**
Loss and total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(743)**	**(743)**
Issue of convertible bonds	**–**	**–**	**–**	**–**	**38**	**–**	**38**
Conversion of convertible bonds	**–**	**49**	**–**	**–**	**(19)**	**–**	**30**
At 31 December 2023	**24**	**272**	**751**	**841**	**19**	**(1,658)**	**249**

* The Company's capital reserve was created from the reduction of share capital which became effective on 7 August 2002 and shareholder's contribution from early redemption of bonds during the year ended 31 December 2022.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 11 April 2024.

other information

PARTICULARS OF THE GROUP'S INVESTMENT PROPERTIES AS AT 31 DECEMBER 2023

Location	Lot number	Use	Tenure	Attributable interest of the Group
House No. 38 and car park space P14 and P15, No. 56 Repulse Bay Road, Repulse Bay, Hong Kong	364/16,363rd parts of Rural Building Lot No. 172	Residential	Long term lease	100%
House No. 39 and car park space P5 and P6, No. 56 Repulse Bay Road, Repulse Bay, Hong Kong	355/16,363rd parts of Rural Building Lot No. 172	Residential	Long term lease	100%
House No. 7, Rosecliff, No. 20 Tai Tam Road, Hong Kong	2,310/26,070th parts of Rural Building Lot No. 147	Residential	Long term lease	100%
Car park space no. 5–11 on 1st Floor, Fortis Tower, 77–79 Gloucester Road, Hong Kong	1/3100th parts of Inland Lot No. 2782	Commercial	Long term lease	100%
Shop Nos. 297A, 297B, 297C, 297D, 298, 299, 300 and 301 on the portion of the Basement of the podium of Blocks 1, 2 and 3, City Garden (known as "Maxibase" of City Garden), No. 233 Electric Road, Hong Kong	2754/21,663rd of 1,135/100,180th shares of Inland Lot No. 8580	Commercial	Medium term lease	100%
Shop A on Ground floor, Gramercy, No. 38 Caine Road, Hong Kong	2,150/89,772th of section A of Inland Lot No. 150	Commercial	Long term lease	100%
Shop B on Ground floor, Gramercy, No. 38 Caine Road, Hong Kong	945/89,772th of section A of Inland Lot No. 150	Commercial	Long term lease	100%
Shop A on first floor, Gramercy, No. 38 Caine Road, Hong Kong	2,504/89,772th of section A of Inland Lot No. 150	Commercial	Long term lease	100%
Shop B on first floor, Gramercy, No. 38 Caine Road, Hong Kong	853/89,772th of section A of Inland Lot No. 150	Commercial	Long term lease	100%

PARTICULARS OF THE GROUP'S INVESTMENT PROPERTIES AS AT 31 DECEMBER 2023 *(continued)*

Location	Lot number	Use	Tenure	Attributable interest of the Group
Workshop 8 on Ground Floor, MP Industrial Centre, No. 18 Ka Yip Street, Hong Kong	48/8,899th equal and undivided shares of and in Chai Wan Inland Lot No. 139	Commercial	Medium term lease	100%
18th Floor, CCT Telecom Building, No. 11 Wo Shing Street, Shatin, N.T., Hong Kong	14,427/289,200th equal and undivided shares of and in the Remaining Portion of Sha Tin Town Lot No. 17	Commercial	Medium term lease	100%
The whole of Ground Floor, (excluding portions C), Wah Po Building, No. 1 New Praya, Kennedy Town, Hong Kong	92/1,076th shares of Marine Lot No. 242	Commercial	Long term lease	100%

five-year financial summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published financial statements and re-presented as appropriate, is set out below.

RESULTS

	Year ended 31 December				
HK$ million	**2023**	2022	2021	2020	2019 (Restated)
CONTINUING OPERATIONS					
REVENUE	**765**	812	731	505	1,006
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**(575)**	(467)	(521)	(698)	(180)
Income tax credit	**–**	–	–	5	50
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(575)**	(467)	(521)	(693)	(130)
DISCONTINUED OPERATION					
Loss for the year from a discontinued operation	**–**	–	–	(3)	(11)
LOSS FOR THE YEAR	**(575)**	(467)	(521)	(696)	(141)
Loss attributable to:					
Owners of the parent	**(577)**	(465)	(517)	(689)	(141)
Non-controlling interests	**2**	(2)	(4)	(7)	–
	(575)	(467)	(521)	(696)	(141)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
HK$ million	**2023**	2022	2021	2020	2019
TOTAL ASSETS	**2,841**	3,339	4,048	4,481	5,450
TOTAL LIABILITIES	**(2,110)**	(2,166)	(2,418)	(2,330)	(2,616)
	731	1,173	1,630	2,151	2,834
EQUITY:					
Equity attributable to owners of the parent	**731**	1,166	1,621	2,138	2,814
Non-controlling interests	**–**	7	9	13	20
	731	1,173	1,630	2,151	2,834

glossary of terms

GENERAL TERMS

"2021 Scheme"	The new share option scheme of the Company, the adoption of which was approved by the Shareholders at the AGM held on 23 June 2021
"2024 Bonds"	The 4.5% coupon bonds with the aggregate principal amount of HK$250,200,000 issued by the Company on 29 April 2022 to Treasure Goal. Partial of principal amount of the HK$30,200,000 was redeemed by the Company on 16 November 2022 and the aggregate outstanding principal amount of the HK$220,000,000 under the 2024 Bonds was setting off by Treasure Goal (the subscriber of the 2025 Convertible Bonds) as the subscription price of HK$220,000,000 of the 2025 Convertible Bonds issued by the Company on 20 January 2023
"2025 Convertible Bonds"	The 4.5% coupon convertible bonds due on 31 December 2025 with the initial aggregate principal amount of HK$220,000,000 issued by the Company on 20 January 2023 to Treasure Goal, the subscription price of the 2025 Convertible Bonds has been satisfied by set off the aggregate outstanding principal amount of HK$220,000,000 under the 2024 Bonds by Treasure Goal, being the subscriber of the 2025 Convertible Bonds under the subscription agreement dated 16 November 2022. The outstanding principal amount of 2025 Convertible Bonds was HK$103,000,000 as at the date of this report
"4.5% – 2024 CB" or "4.5% 2024 Convertible Bonds"	On 18 August 2023, 4.5% coupon convertible bonds with the aggregate principal amount of HK$30,011,500 was issued by the Company to not less than six placees under general mandate; and the Company redeemed a partial principal amount of HK$10,000,000.00 on 18 February 2024. The outstanding principal amount was HK$20,011,500.00 as at the date of this report
"5% – 2024 CB" or "5% 2024 Convertible Bonds"	The 5% coupon convertible bonds with the aggregate principal amount of HK$250,200,000 issued by the Company on 30 March 2016 to Capital Force and New Capital. On 25 April 2022, Capital Force and New Capital transferred all of the 5% coupon convertible bonds to Treasure Goal; and the Company redeemed all of which on 29 April 2022
"AGM"	The annual general meeting of the Company
"Audit Committee"	The audit committee of the Company
"Blackbird" or "Blackbird Group"	The Blackbird group established by the Company, which is engaged in the multi-faceted automotive business including the Ferrari business, Maserati importership, investment and trading of valuable collections, car logistics operations and other new business ventures
"Blackbird Concessionaires"	Blackbird Concessionaires Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of the Company under the Blackbird Group
"Blackbird Tridente"	Blackbird Tridente Company Limited, a company incorporated in Hong Kong with limited liability, being a wholly-owned subsidiary of the Company under the Blackbird Group
"Board"	The board of Directors
"Capital Force"	Capital Force International Limited, a company incorporated in the British Virgin Islands with limited liability, the shares in which are 51% owned by Mr. Mak and 49% owned by Mr. Mak Chun Kiu, a son of Mr. Mak, beneficially

“Capital Winner”	Capital Winner Investments Limited, a company incorporated in the British Virgin Islands with limited liability, the shares in which are owned as to 51% by Mr. Mak and 49% by Mr. Mak Chun Kiu, a son of Mr. Mak, beneficially
“CCT Securities”	CCT Telecom Securities Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, which is principally engaged in securities business
“CEO”	the chief executive officer of the Company
“CG Code”	The Corporate Governance Code as contained in Appendix C1 to the Listing Rules
“Chairman”	The chairman of the Company
“China” or “PRC”	The People’s Republic of China
“Company”	CCT Fortis Holdings Limited (stock code: 00138), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	The director(s) of the Company
“ESG Report”	environmental, social and governance report as contained in Appendix C2 to the Listing Rules
“Group”	The Company and its subsidiaries, from time to time
“HK” or “Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“HK$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“INED(s)”	Independent non-executive Director(s)
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Mainland”	The mainland of the PRC
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules

"Mr. Mak"	Mr. Mak Shiu Tong, Clement, who is the Chairman, the CEO, an executive Director and the controlling shareholder of the Company
"N/A"	Not applicable
"New Capital"	New Capital Industrial Limited, a company incorporated in the British Virgin Islands with limited liability, the shares in which are owned as to 51% by Mr. Mak and 49% by Mr. Mak Chun Kiu, a son of Mr. Mak, beneficially
"Nomination Committee"	The nomination committee of the Company
"Remuneration Committee"	The remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of China
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	Ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	Holder(s) of the issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Treasure Goal"	Treasure Goal International Limited (寶高國際有限公司), a company incorporated in the British Virgin Islands with limited liability, which is beneficially and ultimately owned by Mr. Mak
"US$"	US dollar(s), the lawful currency of the US
"US"	The United States of America
"%"	Per cent.

FINANCIAL TERMS

"Gearing Ratio"	Total borrowings (representing bank and other borrowings, bonds/convertible bonds and lease liabilities) divided by total capital employed (i.e. total Shareholders' fund plus total borrowings)
"Loss Per Share"	Loss attributable to ordinary equity holders of the parent divided by weighted average number of ordinary shares in issue during the period
"Net Current Assets/(Liabilities)"	Current assets less current liabilities
"Operating profit/(loss)"	Operating profit/(loss) before interest, tax and unallocated income and expenses