

# 2022



**CCTI** FORTIS

中建富通集團有限公司

Stock Code : 138



## ANNUAL REPORT

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# chairman's statement

On behalf of the Board, I report the annual results of the Group for the year ended 31 December 2022.

## RESULTS

Amidst difficult operating environment, the Group recorded a net loss attributable to owners of the parent of HK\$465 million, representing a decrease of 10.1%, as compared to a net loss of HK\$517 million in 2021. This significant reduction in reported loss was attributable to a gain of approximately HK\$93 million of legal proceedings in relation to the intended purchase of a commercial development project in Hong Kong and the car park development at the same premises initiated by the Group in 2013 which was offset in part by the effect of interest rate hikes, as further elaborated in the section headed "Financial Review" of this annual report.

## FINAL DIVIDEND

Given 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 2022 (2021 final dividend: Nil). The Company did not pay any interim dividend for 2022 (2021 interim dividend: Nil).

## BUSINESS REVIEW

In 2022, the Group was principally engaged in (i) property business; (ii) securities business; (iii) Blackbird Group's multi-faceted automotive business and investment in valuable collection; and (iv) cultural entertainment business.

## PROPERTY BUSINESS

### Hong Kong Property Business

In 2022, Hong Kong's property market experienced a remarkable decline. Such decline was caused by multiple negative factors such as (i) COVID-related restrictions and measures in Hong Kong; (ii) cross-border travelling restrictions; (iii) interest rate hikes; and (iv) poor investment sentiment. Nevertheless, in light of China's reopening and easing of COVID rules, it is generally expected that Hong Kong's property market will be on a path to recovery in medium to long term.

Our property portfolio is diversified and comprises luxury residential properties, retail properties, industrial properties and car parks.

In 2022, the property investment and holding division recorded loss of HK\$119 million, which is mainly attributable to unrealised fair value loss of our investment properties derived from the declining property market.



## SECURITIES BUSINESS

On 15 November 2021, the first vendor, CCT Telecom Securities Limited, and second vendor, Ever Sino Group Limited, (collectively, the **"Vendors"**), both being indirect wholly-owned subsidiaries of the Company, the purchaser, Top Pioneer Holdings Limited (the **"Purchaser"**), and the Company as guarantor, entered into the agreement dated 15 November 2021 (the **"Agreement"**), pursuant to which the Vendors conditionally agreed to sell 53,667,100,000 shares of GBA (the **"Sale Shares"**) (prior to GBA share consolidation of every one hundred (100) shares of par value of HK\$0.01 each in the issued share capital of GBA into one (1) consolidated share of par value of HK\$1.00, effective 20 July 2022) to the Purchaser at a total consideration of HK\$250,000,000 (the **"Disposal"** or the **"Transactions"**). The Disposal was approved by the Shareholders at the special general meeting of the Company convened on 17 January 2022 (the **"First SGM"**).

Subsequent to the First SGM, the parties agreed to amend and supplement the terms of the Agreement by entering into the fifth supplemental agreement dated 16 May 2022 and the sixth supplemental agreement dated 4 July 2022. Nevertheless, such revision of the terms of the Agreement constituted a variation of the terms of the Disposal (the **"Amendment"**) previously approved by the Shareholders in the First SGM. Accordingly, pursuant to Rules 14.36 and 14.49 of the Listing Rules, the Company convened another SGM on 3 October 2022 (the **"Second SGM"**) and the Shareholders approved such Amendment at the Second SGM. The Disposal was completed on the date of the Second SGM. The consideration of HK\$100,000,000 had been paid by the Purchaser and the balance of the consideration of HK\$150,000,000 would be settled by the promissory notes issued by the Purchaser to the Vendors (or their nominee(s)) upon the completion took place on 20 October 2022. Details of which may refer to the announcements of the Company dated 16 November 2021, 10 December 2021, 14 December 2021, 20 December 2021, 17 January 2022, 26 January 2022, 15 March 2022, 6 May 2022, 16 May 2022, 4 July 2022, 28 July 2022, 18 August 2022, 24 August 2022, 31 August 2022, 3 October 2022 as well as the circulars of the Company dated 28 December 2021 and 15 September 2022.

After completion, the Company ceases to have any shareholding interest in GBA.

During the year of 2022, save for the Transactions, the Company did not trade any shares of GBA and did not receive any dividend from these securities.



## **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 of Maserati in Hong Kong and Macau, also including the repair and servicing business; (iii) valuable collection 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**

2022 represented the fifth year of Blackbird Concessionaires’ official Ferrari 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 296 GTS, the convertible version of the company’s highly acclaimed V6 hybrid sports car. Blackbird Concessionaires conducted a launch in Hong Kong in October 2022 for customers and media and received a number of orders very quickly after the event.

In September 2022, Ferrari revealed one of the most highly anticipated models in its 75 year history, the Purosangue. Meaning “Thoroughbred”, the Purosangue is Ferrari’s first utility vehicle. Blackbird Concessionaires received a number of orders immediately after the global unveiling of the car and will conduct a launch event in Hong Kong in the spring of 2023.

Deliveries of new cars continued. Ferrari’s Roma GT model has proven to be very popular with both existing clients and new customers with a strong order book. The new 296 hybrid sports car, in both GTB (coupe) and GTS (convertible) variants, is also proving attractive to clients who appreciate the combination of strong performance combined with lower emissions. The first deliveries of Ferrari’s latest “Limited Series” model, the 812 Competizione, also began in the second half of 2022.

Our Ferrari after-sales centre in Kwai Chung, which occupies about 70,000 square feet, continues to perform very well. This facility is equipped 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. The facility continues to be very well received and strongly supported by customers.

On 10 March 2023, Blackbird Concessionaires was appointed as the official Ferrari importer for Hong Kong and Macau. This appointment (i) reflects the recognition of Blackbird’s long-term commitment and investment to the Ferrari brand; (ii) strengthens the partnership between Blackbird and Ferrari; and (iii) represents another major milestone of the Blackbird Group in the development of its automotive business globally. It is strongly believed that this appointment will become a catalyst for future growth of Blackbird in the global automotive sector.

### **Maserati Business**

In the first half of 2021, the Group’s subsidiary company, Blackbird Tridente, was appointed as the official importer and distributor for Maserati and the provider of after-sales services in Hong Kong and Macau. The management considers that this importership appointment represents another major milestone for the Blackbird Group in the development of its automotive business.

During the full year of 2022, Blackbird Tridente opened its new 8,400 square feet Maserati showroom in Causeway Bay. In addition, the brand’s all-new SUV model, the Grecale, was launched in Hong Kong. The Company was delighted with the response that the car received and expects the Grecale to quickly become the most popular Maserati given its attractive combination of styling, technology, efficient power trains including a hybrid, and competitive pricing.



### **Valuable Collection Trading and Investment Business**

In the current year of 2022, the classic and investment car market continued to be affected by the global economic slowdown due to the COVID-19 pandemic, combined with geopolitical factors. However, the management remains cautiously optimistic regarding the long-term improvement of the classic car market. The Company will continue to monitor market trends to capitalise on both sales and investment opportunities.

The Watch Manual division continues to receive commercial support for its well-regarded print publication and online platforms from key brands and partners. It has an international readership with a very high degree of engagement, and a number of strategic projects are in progress with regional activations, such as the DFS Masters of Time event in Macau. We expect its visibility to increase with exposure at the 2023 Watches & Wonders Geneva fair, which will, for the first time, open its doors to the public. Mr. TK Mak, the chairman and the CEO of the Blackbird Group, continues on the watch advisory board for Phillips auction house, sustaining our position in the luxury watch industry.

### **Car Logistics Business**

The Group's car logistics business performed well during the year of 2022 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. 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 Company's cultural entertainment business comprises film operations, and stage audio, lighting and engineering operations. In 2022, the operating environment of this business division remained difficult as a result of COVID-19 pandemic, relevant tightening social distancing measures and prolonged cross-border travelling restrictions. Given the adverse situation, this business division remain disciplined in implementing budgetary controls and recorded an operating loss of HK\$9 million in this current year of 2022.

Such easing of COVID rules as relaxation of social distancing measures and cross-border travelling restrictions in early 2023 generate more momentum to a nascent recovery of cultural entertainment business. This business division's performance is expected to improve afterwards.



## OUTLOOK

Looking forward, year of 2023 remains uncertain and challenging. It is expected that rising inflation and interest hike, the prolonged Sino-US trade conflict and geopolitical tensions will continue to pose greatest challenges to the local and global economic recovery. We, however, are encouraged by the recent policy stimulus and stringent pandemic control measures being mostly jettisoned, which may improve market sentiment.

Despite the current challenging environment, Blackbird's Ferrari business continues to perform well. Ferrari also recognise Blackbird's long-term commitment by appointing Blackbird Concessionaires as the official Ferrari importer in Hong Kong and Macau. We are also happy at the pace that Maserati business has grown so far. We believe the Ferrari importership and 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 circumstance, 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, 29 March 2023



# directors and senior management

## EXECUTIVE DIRECTORS

**Mr. MAK Shiu Tong, Clement**, aged 69, 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 46 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 was the chairman, the chief executive officer and an executive director of GBA Holdings Limited (stock code: 00261) from August 2002 to May 2022, the shares of which are listed on the Main Board of the Stock Exchange. Mr. Mak holds a Diploma in Electrical Engineering.

**Ms. CHENG Yuk Ching, Flora**, aged 69, has been an executive Director since February 1998. Ms. Cheng is the deputy chairman of the Company and a member of each of the Remuneration Committee and the Nomination Committee. 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 43 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: 00261) from August 2002 to July 2022, the shares of which are listed on the Main Board of the Stock Exchange. Ms. Cheng holds a Diploma in Business Administration.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. CHEN Li**, aged 58, 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 67, 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: 00261), 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 has 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 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 are 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 is 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. 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 has lodged an appeal against the REXLot Winding Up Order on 18 September 2020 and no date has 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 in the view of that there is no evidence that the REXLot Criticism involved the relevant act of dishonesty, fraud or cast doubt on your integrity which would affect Mr. Chow’s suitability as a director of the Company. Mr. Chow is still suitable to serve as an independent non-executive Director.



## INDEPENDENT NON-EXECUTIVE DIRECTOR

**Mr. LAU Ho Kit, Ivan**, aged 64, 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: 00261) 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 43, 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 23 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.

**Mr. CHAN Muk Hing**, aged 68, is the founder and the managing director of AHM Engineering Company Limited (“**AHM**”) in which the Group acquired a 70% equity interest in March 2016. AHM is principally engaged in the leasing and installation of stage audio and lighting equipment and provision of technical services for concerts and other events in Hong Kong, the Mainland and other regions. Mr. Chan is primarily responsible for strategic development of the stage audio and lighting business and overseeing the overall business operations and the financial performance of the stage audio and lighting business. Mr. Chan has over 45 years of experience in leasing and installation of stage audio and lighting equipment and providing related solution consultancy services for live concerts and other events. Prior to founding AHM, Mr. Chan worked in several well-known culture media companies in the entertainment industry including Commercial Radio Hong Kong, Asia Television Limited and Tom Lee Music. He has extensive knowledge in audio equipment and solid experience in stage audio and lighting controlling operations, live concerts organising and related engineering solution.

**Mr. AU Ka Kam**, aged 65, is the founder and the managing director of Hip Hing Loong Stage Engineering Company Limited (“**HHL**”) in which the Group acquired a controlling interest in July 2016. HHL is principally engaged in the provision of stage mechanical engineering services for live pop concerts and other events in Hong Kong, the Mainland, Macau and South-east Asia. He is primarily responsible for strategic development of the stage metal construction and engineering business of HHL and overseeing the business operations and the financial performance of HHL. Mr. Au has over 35 years of experience in performance stage design, metal construction works and engineering services.



# financial review

## OVERVIEW OF 2022 FINANCIAL RESULTS

HK\$ million	2022	2021	% increase/ (decrease)
Revenue	812	731	11.1%
Gross Profit	103	121	(14.9%)
Loss for the year	(467)	(521)	(10.4%)
Attributable to:			
Owners of the parent	(465)	(517)	(10.1%)
Non-controlling interests	(2)	(4)	(50.0%)
	(467)	(521)	(10.4%)
Basic and diluted loss per share attributable to ordinary equity holders of the parent	(HK\$0.53)	(HK\$0.59)	(10.2%)
Dividend per share	Nil	Nil	N/A

The Group's revenue for 2022 of HK\$812 million was HK\$81 million or 11.1% higher than 2021, driven mainly by the incremental revenue stream contributed by Maserati business and the sale of valuable collection.

In the year under review, the Company recorded a net loss attributable to owners of the parent of HK\$465 million as compared with a net loss of HK\$517 million in the previous year. This notable reduction in loss was attributable to a gain of approximately HK\$93 million of legal proceedings in relation to the intended purchase of a commercial development project in Hong Kong and the car park development at the same premises initiated by the Group in 2013 which was offset in part by the effect of interest rate hikes. The abovementioned legal proceedings were settled in March 2022.

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



## ANALYSIS BY BUSINESS SEGMENT

HK\$ million	2022		2021		% increase/ (decrease)
	Amount	Relative %	Amount	Relative %	
Property investment and holding	11	1.4%	10	1.3%	10.0%
Securities business	–	–	–*	–	N/A
Ferrari business	363	44.7%	537	67.0%	(32.4%)
Maserati business	49	6.0%	17	2.1%	188.2%
Valuable collection and logistics business	277	34.1%	152	19.0%	82.2%
Cultural entertainment business	62	7.6%	45	5.6%	37.8%
Other operations	50	6.2%	40	5.0%	25.0%
	<b>812</b>	<b>100.0%</b>	801	100.0%	1.4%
Less: Inter-segment revenue	–		(70)		(100.0%)
<b>Total</b>	<b>812</b>		731		11.1%

\* Less than HK\$1 million

HK\$ million	Operating (loss)/profit		% increase/ (decrease)
	2022	2021 (restated)	
Property investment and holding	(119)	6	N/A
Securities business	(265)	(287)	(7.7%)
Ferrari business	8	6	33.3%
Maserati business	(7)	(6)	16.7%
Valuable collection and logistics business	(34)	(27)	25.9%
Cultural entertainment business	(9)	(82)	(89.0%)
Other operations	(31)	(30)	3.3%
<b>Total</b>	<b>(457)</b>	(420)	8.8%

### **Property investment and holding**

In 2022, the property investment business delivered revenue of HK\$11 million and recorded operating loss of HK\$119 million as opposed to operating profit of HK\$6 million in the previous year. The operating loss in 2022 was primarily attributable to unrealised fair value losses of HK\$126 million arising from fair value changes of our investment property portfolio as a result of decline of property market offsetting by the gain on disposal of a subsidiary holding investment property of HK\$8 million. On the other hand, unrealised fair value gains of HK\$6 million were recorded in the previous corresponding period.

### **Securities business**

In 2022, the securities business sold our 29.19% shareholding in GBA and no gain or loss was recorded on disposal of shareholdings in GBA. This segment recognised an operating loss of HK\$265 million as compared with operating loss of HK\$287 million in the previous year. The operating loss in 2022 and 2021 mainly represented non-cash credit losses. In 2022, there was provision for expected credit loss of HK\$268 million against receivable in respect of the disposal of unlisted equity investment and listed equity investment whereas, there was unrealised revaluation losses of HK\$287 million of our aforesaid shareholdings in GBA as a result of fair value change in 2021.

### **Ferrari business**

In 2022, the Ferrari business recorded a revenue of HK\$363 million, fell by 32.4% primarily from reduced sales of new cars due to less shipments of new cars as a result of the negative impacts of the COVID-19 pandemic. However, the Ferrari service center in Kwai Chung continued to perform well during the pandemic. The Ferrari business recorded an operating profit of HK\$8 million in 2022 as compared with an operating profit of HK\$6 million in 2021. The improvement of the segment's results was primarily due to cost savings.

### **Maserati business**

It is encouraging to see strong growth in Maserati business as its revenue surged from HK\$17 million in 2021 to HK\$49 million in 2022, increased by 188.2%, after grand opening of Maserati flagship showroom in Causeway Bay in May 2022. The Maserati business recorded an operating loss of HK\$7 million as a result of startup costs and higher marketing and promotional costs. It is believed that this new business will contribute significant revenue stream to the Group and open up for the Group a new avenue of income and profit growth in the coming years.

### **Valuable collection and logistics business**

Given the unprecedented times, valuable collection and logistics business incurred an operating loss of HK\$34 million in 2022 and an operating loss of HK\$27 million in 2021.



### Cultural entertainment business

This business segment recorded a revenue of HK\$62 million in 2022, represented 37.8% increase from HK\$45 million in 2021. Operating loss was HK\$9 million as compared with an operating loss of HK\$82 million in previous year. The decrease in operating loss was mainly attributable to cost savings. Moreover, there was no provision for impairment of goodwill and the expected credit loss against remaining consideration receivable in respect of the disposal of business in Macau was HK\$6 million in 2022 whereas the provisions were HK\$63 million and HK\$4 million respectively in 2021.

### Other operations

Other operations comprise 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 25.0% to HK\$50 million in 2022. This segment recorded an operating loss of HK\$31 million as compared with an operating loss of HK\$30 million in previous year.

### ANALYSIS BY GEOGRAPHICAL SEGMENT

HK\$ million	2022		2021		% increase/ (decrease)
	Amount	Relative %	Amount	Relative %	
Hong Kong, Macau and Mainland	<b>619</b>	<b>76.2%</b>	612	83.7%	1.1%
Rest of the world	<b>193</b>	<b>23.8%</b>	119	16.3%	62.2%
<b>Total</b>	<b>812</b>	<b>100.0%</b>	731	100.0%	11.1%

Approximately 76.2% of our total revenue was generated in Hong Kong, Macau and the Mainland, of which most of our revenue was generated in Hong Kong. The revenue from our major market regions was HK\$619 million, up HK\$7 million or 1.1% as compared with 2021, mainly due to increase of sales of Maserati cars to Hong Kong market. The revenue from rest of the world represented mainly sale of valuable collection to the overseas markets.



**CAPITAL STRUCTURE AND GEARING RATIO**

HK\$ million	2022		2021	
	Amount	Relative %	Amount	Relative %
Bank borrowings	<b>1,325</b>	<b>45.6%</b>	1,623	44.5%
Other borrowings	<b>113</b>	<b>3.9%</b>	117	3.2%
Lease liabilities	<b>112</b>	<b>3.8%</b>	42	1.2%
Bonds/convertible bonds	<b>192</b>	<b>6.6%</b>	243	6.6%
Total borrowings	<b>1,742</b>	<b>59.9%</b>	2,025	55.5%
Equity attributable to owners of the parent	<b>1,166</b>	<b>40.1%</b>	1,621	44.5%
Total capital employed	<b>2,908</b>	<b>100.0%</b>	3,646	100.0%

Equity attributable to owners of the parent as at 31 December 2022 was HK\$1,166 million, representing a decrease of HK\$455 million compared with HK\$1,621 million at the beginning of the year 2022. This change was primarily attributable to the net loss attributable to owners of the parent for 2022.

The Group's gearing ratio slightly increased from 55.5% as at 31 December 2021 to 59.9% as at 31 December 2022, driven mainly by the decrease in equity. The Group's gearing ratio continued to maintain at a relatively reasonable level in this difficult time.

Total outstanding borrowings were HK\$1,742 million (2021: HK\$2,025 million). Approximately 76.8% of these borrowings were of long-term nature, primarily representing mortgage loans on properties held by the Group.

As at 31 December 2022, 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\$405 million, HK\$950 million and HK\$387 million, respectively (2021: HK\$1,508 million\*, HK\$382 million and HK\$135 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

\* See elaboration in the section headed "LIQUIDITY AND FINANCIAL RESOURCES" of this annual report.



## LIQUIDITY AND FINANCIAL RESOURCES

HK\$ million	2022	2021
Current assets	909	1,303
Current liabilities	807	1,879
Net current assets/(liabilities)	102	(576)

The Group's net current assets as at 31 December 2022 was HK\$102 million, reflecting a high liquidity of the Group's assets. As at 31 December 2021, the Group's net current liabilities of HK\$576 million was primarily due to the reclassification of approximately HK\$1,051 million bank borrowings from non-current liabilities to current liabilities. The reclassification was resulted from non-compliance of a debt covenant related to the amount of shareholders' fund 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 31 December 2021. Subsequently, the bank revised the debt covenant, upon which the Group rectified the non-compliance. The bank borrowings of approximately HK\$1,051 million was reclassified back to non-current liabilities in early 2022 as a result of the rectification of the non-compliance.

The Group derives its working capital mainly from cash on hand, net cash generated from operating activities, and bank borrowings. The Board expects that the Group will rely on net cash from operating activities, additional borrowings (if required) and sale of non-core assets to meet demand of working capital and capital expenditure, if any.

## CAPITAL COMMITMENTS

As at 31 December 2022, capital commitment of the Group amounted to approximately HK\$5 million (2021: HK\$5 million). The Group intends to finance the capital commitment by the 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 2022, 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 2022, 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.



## ACQUISITION AND DISPOSAL OF MATERIAL SUBSIDIARIES AND ASSOCIATES

Save as disclosed in note 37 of “Disposal of Subsidiaries” to the financial statements of this annual report, there was no acquisition and disposal of material subsidiaries and associates during the year under review.

## SIGNIFICANT INVESTMENT

The Group did not hold any significant investment as at 31 December 2022.

## PLEDGE OF ASSETS

As at 31 December 2022, certain of the Group’s assets with a net book value of approximately HK\$1,917 million (2021: HK\$2,274 million) and time deposits of HK\$38 million (2021: HK\$40 million) were pledged to secure the Group’s bank loans.

## CONTINGENT LIABILITIES

As at 31 December 2022, the Group had 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 2022 was 325 (2021: 271). 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 2021 Scheme as an incentive to eligible participants. Share options may also be granted to eligible employees and persons of the Group under the 2021 Scheme. As at 31 December 2022, there were no outstanding share options issued by the Company (2021: Nil).



## REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the senior management of the Group by band and the respective number of employees for the year ended 31 December 2022 are set out below:

	<b>Number of employees</b>
Nil – HK\$1,000,000	2
HK\$3,000,001 – HK\$3,500,000	1
	<hr/> 3

## CONVERTIBLE BONDS

On 25 April 2022, Capital Force and New Capital transferred all of the 2024 Convertible Bonds to Treasure Goal, which is beneficially and ultimately owned by Mr. Mak. Subsequently, the Company redeemed all of the 2024 Convertible Bonds on 29 April 2022.

Save as above mentioned, during the year ended 31 December 2022, the Company early redeemed the 2024 Convertible Bonds and there was no outstanding as at 31 December 2022. Details of the 2024 Convertible Bonds are set out in note 30 to the financial statements of this annual report.

On 20 January 2023, the Company issued the 2025 Convertible Bonds to Treasure Goal with the aggregate principal amount of HK\$220 million at the current conversion price of HK\$0.16 conversion share. Details of the 2025 Convertible Bonds are set out in note 46 to the financial statements of this annual report, announcement of the Company dated 16 November 2022 and the circular of the Company dated 19 December 2022.



# 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 disclosed in the announcements of the Company dated 15 February 2022 and 16 March 2023, there was no 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 recognition 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 in 2021, we have quickly established very good relationship with our customers and Maserati is very happy with progress of our importership business.

The culture entertainment business segments are market leaders in their sectors and they have established strong reputation and good relationship with their customers and suppliers.



## **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. The Group has participated and provided support to various charity activities, mainly in Hong Kong. In 2022, the Group has made charitable donations of approximately HK\$30,000. 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 2022 will be published on the websites of the Stock Exchange and the Company within 3 months after the financial year ended 31 December 2022 of the Company, the publication date of the ESG Report should be at the same time as the publication of the annual report of the Company for the year ended 31 December 2022.



# 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

## PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited

## SOLICITORS

Sidley Austin

## 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

18/F., CCT Telecom Building

11 Wo Shing Street, Fotan

Shatin, New Territories

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](http://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 2022, except for the minor deviations from the following Code Provisions of the CG Code:

### 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 2022.

Mr. Mak Shiu Tong, Clement ("**Mr. Mak**") 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 current 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 considers that such a deviation is 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 the current bye-laws of the Company, 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 the Directors to retire in each AGM. The Board considers that the continuity of the Chairman and his leadership will be essential for the stability of the key management of the Group. On the other hand, the Board will ensure that all Directors save for the Chairman will rotate at least once every three years in order to comply with the Code Provision B.2.2.



## 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 existing 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 2022.

## 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 2022, the Board held 12 meetings.

The Board members have also attended the Shareholders' general meetings to answer questions from the Shareholders. During the financial year ended 31 December 2022, the Company held three Shareholders' general meetings. The attendance of each of the existing Directors at the Board meetings ("BM") (either in person or by phone) and at the Shareholders' general meetings ("GM") held in 2022 is set out as follows:

Name of the Directors	Number of meetings attended/ eligible to attend	
	BM	GM
<b>Executive Directors</b>		
Mak Shiu Tong, Clement	10/11	3/3
Cheng Yuk Ching, Flora	9/11	3/3
<b>Independent non-executive Directors</b>		
Chen Li	11/12	3/3
Chow Siu Ngor	12/12	3/3
Lau Ho Kit, Ivan (appointed on 8 June 2022)	6/6	1/1

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 directors' and officers' liability insurance to cover the Directors and the management of the Group against any legal liability arising from their performance of duties.



## THE BOARD *(continued)*

### Responsibilities, accountabilities and contributions *(continued)*

#### *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 existing Directors are set out in the section headed “Directors and Senior Management” of this annual report.

During the period from 1 January 2022 and up to the date of this annual report, there were the following changes on the composition of the Board and the board committees:

Name of Directors	Details of Change
Ms. Cheng Yuk Ching, Flora	— appointed as the deputy chairman of the Company, a member of each of the Remuneration Committee and the Nomination Committee with effect from 12 May 2022.
Mr. Lau Ho Kit, Ivan	— appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee with effect from 8 June 2022.
Mr. Tam Ngai Hung, Terry	— resigned as an executive Director, the deputy chairman of the Company and a member of each of the Remuneration Committee and the Nomination Committee with effect from 12 May 2022.
Mr. Tam King Ching, Kenny	— resigned as an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee with effect from 8 June 2022.

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. Details of the diversity are set out in the sub-section headed “Board Diversity Policy” under the section of “Nomination Committee” of this annual report.

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 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 2022.



**THE BOARD** *(continued)***Responsibilities, accountabilities and contributions** *(continued)**The Composition of the Board (continued)*

The Company has received annual confirmation of independence for the year ended 31 December 2022 from Mr. Chen Li, Mr. Chow Siu Ngor and Mr. Lau Ho Kit, Ivan (appointed on 8 June 2022) in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all existing INEDs are independent within the definition of the Listing Rules and all INEDs are suitable to serve as INEDs. 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, Mr. Lau Ho Kit, Ivan, has been 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 existing Directors, a summary of training received by the existing Directors for the year ended 31 December 2022 is as follows:

Name of the Directors	Type of continuous professional development	
	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 (appointed on 8 June 2022)	✓	✓

The training participated by the Directors in 2022 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 existing Directors are appointed for a specific term of not more than three years. Save for the Chairman and the managing Director (both roles currently being assumed by Mr. Mak Shiu Tong, Clement) who shall not be subject to retirement by rotation in each year, all the other Directors (including 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 (except the Chairman and the managing Director) 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.

Mr. Mak Shiu Tong, Clement currently assumes as the Chairman and the managing Director and shall not be subject to the retirement by rotation pursuant to the current bye-laws of the Company. The reasons for the deviation from the Code Provision B.2.2 under the CG Code 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](http://www.hkexnews.hk) and the website of the Company at [www.cct-fortis.com](http://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 and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.



**BOARD COMMITTEES** *(continued)***Remuneration Committee** *(continued)*

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.

During the financial year ended 31 December 2022, the Remuneration Committee held three meetings and its main work during 2022 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;
- (ii) reviewing and making recommendations to the Board on the remuneration package of the newly appointed INED, the Directors and senior management of the Group;
- (iii) reviewing the terms of appointment letter of the newly appointed INED; and
- (iv) reviewing and making recommendations to the Board on the amendments to the terms of reference of the Remuneration Committee regarding to impose addition function of reviewing/approving matters relating to share schemes under Chapter 17 of the Listing Rules to the Remuneration Committee.

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 existing members at the Remuneration Committee meetings in 2022 is set out as follows:

<b>Members of the Remuneration Committee</b>	<b>Number of meetings attended/ eligible to attend</b>
Chow Siu Ngor	3/3
Chen Li	3/3
Lau Ho Kit, Ivan (appointed on 8 June 2022)	2/2
Mak Shiu Tong, Clement	3/3
Cheng Yuk Ching, Flora (appointed on 12 May 2022)	2/3

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, 2021 Scheme has been established to provide incentives and rewards to eligible participants who include the Directors and senior management of the Group.



## BOARD COMMITTEES *(continued)*

### 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) to review 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.

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 2022, the Audit Committee held three meetings and its main work during 2022 included reviewing:

- (i) the 2021 annual report, including the Corporate Governance Report, the Directors' Report, the Financial Statements; and various corporate transactions as well as the 2021 annual results announcement;
- (ii) the 2022 interim report and 2022 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 existing members at the Audit Committee meetings in 2022 is set out as follows:

<b>Members of the Audit Committee</b>	<b>Number of meetings attended/ eligible to attend</b>
Lau Ho Kit, Ivan (appointed on 8 June 2022)	1/1
Chen Li	3/3
Chow Siu Ngor	3/3



**BOARD COMMITTEES** *(continued)***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 and 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.

During the financial year ended 31 December 2022, the Nomination Committee held two meetings and its main work during 2022 included:

- (i) reviewing the structure, size, composition, 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 (including a newly appointed INED);
- (v) making the recommendation to the Board on the appointment of a new INED; and
- (vi) making the recommendations to the Board on the nomination of Directors for re-election at the AGM.

The attendance record of the existing members at the Nomination Committee meetings in 2022 is set out as follows:

<b>Members of the Nomination Committee</b>	<b>Number of meeting attended/ eligible to attend</b>
Mak Shiu Tong, Clement	2/2
Cheng Yuk Ching, Flora (appointed on 12 May 2022)	2/2
Chen Li	2/2
Chow Siu Ngor	2/2
Lau Ho Kit, Ivan (appointed on 8 June 2022)	1/1



## **BOARD COMMITTEES** *(continued)*

### **Nomination Committee** *(continued)*

#### *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 at [www.cct-fortis.com/eng/investor/governance.php](http://www.cct-fortis.com/eng/investor/governance.php).

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

Mr. Lau Ho Kit, Ivan has been nominated to the Board as an INED in June 2022 in accordance with the Nomination Policy.

#### *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 2022 and as at the date of this annual report, the Board comprised five Directors, one of which is female; the Group has three senior management of the Group are male. As at the date of this annual report, approximately 87.5% of the Company’s senior workforce (including the Directors and senior management of the Group) is male and approximately 12.5% 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.



**BOARD COMMITTEES** *(continued)***Nomination Committee** *(continued)**Board Diversity Policy (continued)*

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

		<b>No. of Director(s)</b>
Age group:	46-60	1
	Over 60	4
Length of service (year):	Less than 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 2022, the Board held two meetings to develop and review the Company's policies and practices on corporate governance and to perform other corporate governance duties stated in the paragraph above. The attendance record of the existing members of the Board at the corporate governance meetings in 2022 is set out as follows:

<b>Directors</b>	<b>Number of meetings attended/ eligible to attend</b>
Mak Shiu Tong, Clement	2/2
Cheng Yuk Ching, Flora	0/2
Chen Li	2/2
Chow Siu Ngor	2/2
Lau Ho Kit, Ivan (appointed on 8 June 2022)	1/1



## AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company, Ernst & Young, for the year ended 31 December 2022 is set out as follows:

Services rendered	Fees paid/payable HK\$
Audit services	3,100,000
Non-audit services:	
Taxation	51,000
Others	300,000
Total	3,451,000

## 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. The Directors also 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, 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.

## 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 2022, the Board reviewed the effectiveness and adequacy of risk management and internal control systems of the Group for 2022 and considered them effective and adequate.



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

### 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.

### Top and emerging risks

The top and emerging risks framework helps enable the Group to identify current and forward-looking risk so that the Group may take actions that either prevents them, crystallising or limits their effect. 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 effect on the Group. The Group's top and emerging risks are summarised as follows:

- the coronavirus pandemic;
- trade war tensions between the US 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 2022.

## 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.

(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 18/F., CCT Telecom Building, 11 Wo Shing Street, Fotan, Shatin, New Territories, Hong Kong or by email to [cctinfo@cct.com.hk](mailto: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 Company's Hong Kong office or at the Company's branch share registrar in Hong Kong 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

### *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 2022 and as at the date of this annual report.

### *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 AGM held on 8 June 2022 and the special general meetings held on 17 January 2022 and 3 October 2022 to provide Shareholders with opportunities to understand the latest development of the Group and raise questions.

Details of the attendance of each current directors at general meetings of the Company in 2022 is listed under the section "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 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](http://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](http://www.cct-fortis.com/eng/investor/governance.php).



# report of the directors

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2022.

## 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 collection; and (iv) cultural entertainment business.

## BUSINESS REVIEW

A review of the business of the Group during the year ended 31 December 2022 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 45 and 46 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.

## RESULTS

The Group's loss for the year ended 31 December 2022 and the Group's financial position at that date are set out in the financial statements on pages 54 to 151 of this annual report.

## FINAL DIVIDEND

Given 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 2022 (2021 final dividend: Nil). The Company did not pay any interim dividend for 2022 (2021: 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 audited financial statements and restated/reclassified as appropriate, is set out on page 154 of this annual report. This summary does not form part of the audited financial statements.



## **PROPERTY, PLANT AND EQUIPMENT AND INVESTMENTS PROPERTIES**

Details of movements in the property, plant and equipment and 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 2022 are set out in note 33 to the financial statements of this annual report.

## **EQUITY-LINKED AGREEMENT**

On 16 November 2022, the Company as issuer and Treasure Goal International Limited as the subscriber entered into the conditional subscription agreement in relation to the subscription of the 2025 Convertible Bonds. The Company issued the 2025 Convertible Bonds on 20 January 2023 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 of HK\$220,000,000 and of which are redeemable at the option of the Company before the maturity date (i.e. 31 December 2025). Subject to the terms and conditions of such subscription agreement, 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 such subscription agreement). 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. As at the date of this annual report, there was no movement of the 2025 Convertible Bonds. Details of aforesaid transaction were disclosed in the Company's announcement dated 16 November 2022 and the circular of the Company dated 19 December 2022.

On 27 January 2016, the Company issued the 2024 Convertible Bonds with the aggregate principal amount of HK\$250,200,000. The 2024 Convertible Bonds are unsecured, carry interest at 5% per annum on the outstanding principal amount, have a term of eight years from the date of issue and are redeemable at the option of the Company before the maturity date. The Company redeemed all of the 2024 Convertible Bonds on 29 April 2022. The details and movements of the 2024 Convertible Bonds during the year and as at the date of this annual report may refer to note 30 to the financial statements of this annual report.

Other than 2025 Convertible Bonds and 2024 Convertible Bonds disclosed above and the 2021 Scheme disclosed in the section headed "Share Option Scheme of the Company" pages 40 to 43 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 SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities during the year ended 31 December 2022.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 48 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 2022, 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\$223 million, may be distributed in the form of fully paid bonus shares.

## CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totally HK\$30,000 (2021: HK\$100,000).

## 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 2022 is as follows:

	Percentage of the Group's total			
	Sales		Purchases	
	2022	2021	2022	2021
Largest customer	9%	4%		
Five largest customers in aggregate	26%	15%		
Largest supplier			28%	73%
Five largest suppliers in aggregate			45%	89%

None of the Directors 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

Tam Ngai Hung, Terry (resigned on 12 May 2022)

### **Independent non-executive Directors:**

Chen Li

Chow Siu Ngor

Lau Ho Kit, Ivan (appointed on 8 June 2022)

Tam King Ching, Kenny (resigned on 8 June 2022)

In accordance with the current bye-law 87 of the Company's bye-laws, Mr. Chow Siu Ngor will retire by rotation and, being eligible, offer himself for re-election at the forthcoming AGM.

In accordance with the current bye-law 86 of the Company's bye-laws, Mr. Lau Ho Kit, Ivan appointed by the Board to the Board shall hold the office only until the next following AGM and, being eligible, offer himself for re-election at the forthcoming AGM.

In accordance with the current bye-laws of the Company, save for the Chairman and the managing Director (both roles currently being assumed by Mr. Mak Shiu Tong, Clement), who is not subject to retirement by rotation nor taken into account in determining the number of Directors to retire, all Directors are subject to retirement by rotation and re-election at the AGM.

## **DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES**

Biographical details of the Directors and the senior management of the Group are set out on pages 7 to 8 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.



## CONNECTED TRANSACTION(S) AND CONTINUING CONNECTED TRANSACTIONS

### Subscription agreement with Treasure Goal

On 16 November 2022, the Company as issuer and Treasure Goal International Limited (“**Treasure Goal**”) as the subscriber entered into the conditional subscription agreement in relation to the subscription of the 2025 Convertible Bonds (the “**Subscription Agreement**”). Pursuant to the Subscription Agreement, the Company conditionally agrees to issue and the subscriber conditionally agrees to subscribe for the 2025 Convertible Bonds in the principal amount of HK\$220,000,000 and pay the subscription price of HK\$220,000,000 pursuant to the Subscription Agreement by setting off against the outstanding principal amount of the 2024 Bonds held by the subscriber at completion of the subscription of the 2025 Convertible Bonds.

The subscriber is beneficially and ultimately owned by Mr. Mak Shiu Tong, Clement, being the chairman, the chief executive officer, an executive Director and the controlling Shareholder of the Company, and is a connected person of the Company under Chapter 14A of the Listing Rules and therefore constituted non-exempted connected transaction for the Company under the Listing Rules.

Set out below is other terms under the Subscription Agreement:

- (a) Conversion price: The conversion price per conversion share shall be HK\$0.16, subject to adjustments.
- (b) Interest rate: 4.5% per annum (payable monthly)
- (c) Conversion shares: Based on the principal amount of the 2025 Convertible Bonds of HK\$220,000,000, the 2025 Convertible Bonds are convertible into 1,375,000,000 conversion shares at the initial conversion price of HK\$0.16 per conversion share (subject to adjustments)
- (d) Conversion period: The period commencing from the issue date of the 2025 Convertible Bonds (i.e. 20 January 2023) up to 30 December 2025 (i.e. the day immediately prior to and exclusive of the maturity date which is 31 December 2025)

Details of the above mentioned transaction were disclosed in the Company’s announcement dated 16 November 2022 and the circular of the Company dated 19 December 2022.

Save as disclosed above, during the year ended 31 December 2022, there were no transactions which need to be disclosed as connected transaction(s) and continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

### DIRECTORS’ INTERESTS IN CONTRACTS

Save as disclosed in section headed “Connected Transaction(s) and Continuing Connected Transactions” to this directors’ report and note 42 to the financial statements, there are no director’s interests in contracts which the Company or any of its subsidiaries entered into during the year.



## SHARE OPTION SCHEME OF THE COMPANY

### The 2021 Scheme

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 10% of the total number of issued Shares.



## SHARE OPTION SCHEME OF THE COMPANY *(continued)*

### The 2021 Scheme *(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** *(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** *(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 2022, 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 2022

#### Long Positions

Name of Directors	Capacity/ nature of interests	Number of Shares/underlying Shares			Approximate % of the total number of issued Shares*
		No. of Shares	No. of Shares convertible under the 2025 Convertible Bonds	Total interests	
<b>Executive Directors</b>					
Mak Shiu Tong, Clement ("Mr. Mak")	Beneficiary owner	25,589,652	–		
	Interests of controlled corporations	446,025,079 (Note 1)	1,375,000,000 (Note 2)	1,846,614,731	211.50%
Tam Ngai Hung, Terry (resigned on 12 May 2022)	Beneficiary owner	1,380,000	–	1,380,000	0.15%

\* The percentage was calculated based on 873,111,452 Shares in issue as at 31 December 2022.

#### Notes:

- The interests disclosed represented an aggregate of 446,025,079 Shares which were held by Capital Force, New Capital and Capital Winner as at 31 December 2022. 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 446,025,079 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.
- The interests disclosed represented 1,375,000,000 underlying Shares at the current conversion price of HK\$0.16 per conversion share (subject to adjustments pursuant to the agreement of the terms and conditions of the 2025 Convertible Bonds entered into between the Company and Treasure Goal International Limited on 16 November 2022) in respect of the 2025 Convertible Bonds issued by the Company to Treasure Goal International Limited. Treasure Goal International Limited is a private corporation of which is beneficially and ultimately owned by Mr. Mak. 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 International Limited under the terms 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 2022, none of the Directors nor the chief executive of the Company 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 (i) Part XV of the SFO or (ii) 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 2022, 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 2022

#### Long Positions

Name of substantial Shareholders	Capacity/ nature of interests	Number of Shares/underlying Shares			Approximate % of the total number of issued Shares*
		No. of Shares	No. of Shares convertible under the 2025 Convertible Bonds	Total interests	
Capital Force International Limited ("Capital Force") (Note 1)	Beneficiary owner	96,868,792	–	96,868,792	11.09%
New Capital Industrial Limited ("New Capital") (Note 1)	Beneficiary owner	171,357,615	–	171,357,615	19.63%
Capital Winner Investments Limited ("Capital Winner") (Note 1)	Beneficiary owner	177,798,672	–	177,798,672	20.36%
Treasure Goal International Limited ("Treasure Goal")	Beneficiary owner	–	1,375,000,000 (Note 2)	1,375,000,000	157.48%
Mr. Mak Chun Kiu	Interest of controlled corporations	446,025,079 (Notes 1 & 3)	–	446,025,079	51.08%

\* The percentage was calculated based on 873,111,452 Shares in issue as at 31 December 2022.



## **SUBSTANTIAL SHAREHOLDERS' INTERESTS** *(continued)*

### **Interests and short positions in the Shares and the underlying Shares as at 31 December 2022** *(continued)*

#### *Long Positions (continued)*

*Note:*

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. The interests disclosed represented 1,375,000,000 underlying 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) which were held by Treasure Goal. Treasure Goal is a private corporation, the shares in which are beneficially and ultimately owned by Mr. Mak. 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.
3. The interests disclosed represented an aggregate of 446,025,079 Shares which were held by Capital Force, New Capital and Capital Winner as at 31 December 2022. Mr. Mak Chun Kiu is deemed to be interested in 446,025,079 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 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 2022, 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 2022 to 31 December 2022, except for the minor deviations from Code Provisions C.2.1 and B.2.2 of the CG Code. 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.

## **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, and save for the Company's announcement dated 16 March 2023, 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 2022 and up to the date of this annual report, there were the following changes on the composition of the Board and the Board committees.

Name of Directors	Details of Changes
Cheng Yuk Ching, Flora	— appointed as the deputy chairman of the Company, a member of each of the Remuneration Committee and the Nomination Committee with effect from 12 May 2022.
Lau Ho Kit, Ivan	— appointed as an independent non-executive Director, the chairman and a member of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee with effect from 8 June 2022.
Tam Ngai Hung, Terry	— resigned as an executive Director, the deputy chairman of the Company and a member of each of the Remuneration Committee and the Nomination Committee with effect from 12 May 2022.
Tam King Ching, Kenny	— resigned as an independent non-executive Director, the chairman and a member of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee with effect from 8 June 2022.

## 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 2022.

## **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.

## **AUDITORS**

The financial statements for the year ended 31 December 2022 have been audited by Ernst & Young, who will retire at the forthcoming AGM. 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 46 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

29 March 2023



# independent auditor's report



## To the shareholders of CCT Fortis Holdings Limited

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

### OPINION

We have audited the consolidated financial statements of CCT Fortis Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 54 to 151, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other 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 a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibility for the audit of the consolidated financial statements* section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

### Key audit matter

### How our audit addressed the key audit matter

#### *Recoverability assessment of trade and other receivables*

At 31 December 2022, the Group had trade and other receivables with an aggregate carrying amount of HK\$373 million, representing approximately 11% of the total assets of the Group, of which HK\$279 million was secured by certain equity interests or assets provided by the debtors.

During the process of the expected credit loss ("ECL") assessment, management engaged external valuers to determine the fair value of collaterals.

Management uses the simplified approach and general approach to calculate ECLs for trade receivables and other receivables, respectively.

The Group made allowance for ECLs on trade and other receivables aggregating to HK\$295 million as at 31 December 2022.

Significant judgements and estimations are involved in determining the ECLs.

Disclosures of the recoverability assessment of trade and other receivables are included in notes 3, 21 and 23 to the financial statements.

As part of our audit procedures, we obtained an understanding of management's estimation process in evaluating the collectability and allowance for ECLs on the trade and other receivables, which involved obtaining an understanding of the methodologies and models used by the Group and reviewing and evaluating the data used in the Group's ECL impairment model, such as historical credit loss experience, ageing buckets, collateral and forward-looking information.

For the valuation of collateral, we considered the objectivity, independence and competency of the external valuers. We also evaluated the assumptions, methodologies and parameters adopted in the valuation, and examined the inputs used, including recent transaction prices and fair value of certain equity interests.



**KEY AUDIT MATTERS** *(continued)***Key audit matter****How our audit addressed the key audit matter***Valuation of valuable collection held for investment*

At 31 December 2022, the Group held valuable collection designated for investment purposes with carrying amount of HK\$314 million stated at fair value. The valuable collection held by the Group represented approximately 9% of the total assets of the Group. Significant management judgements and estimates are involved in determining the fair value of the valuable collection held for investment purposes. To assist in the determination of the fair value of the valuable collection held for investment purposes, management engaged an external valuer.

Disclosures of the valuable collection held for investment purposes are included in notes 3 and 18 to the financial statements.

As part of our audit procedures, we considered the objectivity, independence and competency of the external valuer. We assessed the valuation approach, key assumptions and the source of comparable information adopted in the valuation by the valuer. We also evaluated the inputs for the valuation including recent transaction prices and subsequent sales prices of the valuable collection.

**OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT**

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## **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 HKFRSs issued by the 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 objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

29 March 2023



# consolidated statement of profit or loss and other comprehensive income

Year ended 31 December 2022

HK\$ million	Notes	2022	2021
<b>REVENUE</b>	5	<b>812</b>	731
Cost of sales		<b>(709)</b>	(610)
Gross profit		<b>103</b>	121
Other income and gains, net	5	<b>183</b>	25
Selling and distribution costs		<b>(23)</b>	(20)
Administrative expenses		<b>(250)</b>	(227)
Other expenses, net		<b>(402)</b>	(355)
Finance costs	7	<b>(78)</b>	(64)
Share of loss of an associate		<b>-</b>	(1)
<b>LOSS BEFORE TAX</b>	6	<b>(467)</b>	(521)
Income tax	10	<b>-</b>	-
<b>LOSS FOR THE YEAR AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(467)</b>	(521)
Attributable to:			
– Owners of the parent		<b>(465)</b>	(517)
– Non-controlling interests		<b>(2)</b>	(4)
		<b>(467)</b>	(521)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	12		
Basic and diluted		<b>(HK\$0.53)</b>	(HK\$0.59)

# consolidated statement of financial position

31 December 2022

HK\$ million	Notes	2022	2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	771	732
Investment properties	14	1,316	1,651
Goodwill	15	17	17
Intangible asset	16	–	3
Investment in an associate	17	–	–
Valuable collection held for investment	18	314	340
Other receivables	23	11	1
Deferred tax assets	32	1	1
Total non-current assets		2,430	2,745
<b>Current assets</b>			
Inventories	19	104	78
Stock of valuable collection held for sale	20	–*	89
Trade receivables	21	166	247
Investment in a film	22	80	80
Prepayments and other receivables	23	332	456
Financial assets at fair value through profit or loss	24	6	256
Promissory note receivable	25	150	–
Pledged time deposits	26	38	40
Cash and cash equivalents	26	33	57
Total current assets		909	1,303
<b>Total assets</b>		<b>3,339</b>	<b>4,048</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	33	87	87
Reserves	35	1,079	1,534
		1,166	1,621
<b>Non-controlling interests</b>			
Total equity		1,173	1,630

\* Less than HK\$1 million



## consolidated statement of financial position (continued)

31 December 2022

HK\$ million	Notes	2022	2021
<b>Non-current liabilities</b>			
Interest-bearing bank and other borrowings	29	1,145	274
Convertible bonds	30	–	243
Bond	31	192	–
Deferred tax liabilities	32	22	22
Total non-current liabilities		1,359	539
<b>Current liabilities</b>			
Trade payables	27	66	46
Tax payable		3	3
Other payables and accruals	28	333	322
Interest-bearing bank and other borrowings	29	405	1,508
Total current liabilities		807	1,879
<b>Total liabilities</b>		<b>2,166</b>	<b>2,418</b>
<b>Total equity and liabilities</b>		<b>3,339</b>	<b>4,048</b>
<b>Net current assets/(liabilities)</b>		<b>102</b>	<b>(576)</b>
<b>Total assets less current liabilities</b>		<b>2,532</b>	<b>2,169</b>

**Mak Shiu Tong, Clement**  
Chairman

**Cheng Yuk Ching, Flora**  
Director



# consolidated statement of changes in equity

Year ended 31 December 2022

HK\$ million	Attributable to owners of the parent										Non-controlling interests	Total equity
	Issued capital	Share premium account	Capital reserve (note 35)	Distributable reserve	Equity component of convertible bonds (note 30)	Asset revaluation reserve	Exchange fluctuation reserve	Capital redemption reserve	Retained profits/(accumulated losses)	Total		
At 1 January 2021	87	223	741	841	22	44	28	24	128	2,138	13	2,151
Loss and total comprehensive loss for the year	-	-	-	-	-	-	-	-	(517)	(517)	(4)	(521)
At 31 December 2021 and 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 35)	-	-	10	-	(22)	-	-	-	22	10	-	10
At 31 December 2022	87	223*	751*	841*	-	44*	28*	24*	(832)*	1,166	7	1,173

\* These reserve accounts comprise the consolidated reserves of HK\$1,079 million (2021: HK\$1,534 million) in the consolidated statement of financial position.



# consolidated statement of cash flows

Year ended 31 December 2022

HK\$ million	Notes	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		<b>(467)</b>	(521)
Adjustments for:			
Finance costs	7	<b>78</b>	64
Share of loss of an associate		–	1
COVID-19-related rent concessions from lessors	5	–	–*
Depreciation	6	<b>81</b>	80
Amortisation of an intangible asset	6	<b>3</b>	7
Impairment of trade receivables	6	<b>93</b>	2
Impairment of other receivables	6	<b>183</b>	4
Impairment of goodwill	6	–	63
Fair value losses on financial assets at fair value through profit or loss	6	–	286
Fair value losses/(gains) on investment properties, net	6	<b>126</b>	(6)
Fair value gains on valuable collection held for investment, net	6	<b>(35)</b>	(3)
Gain on disposal of subsidiaries	6	<b>(8)</b>	(1)
Gain on disposal of items of property, plant and equipment	6	–	(2)
Gain on early redemption of convertible bonds	6	<b>(11)</b>	–
		<b>43</b>	(26)
Increase in inventories		<b>(26)</b>	(34)
Decrease in stock of valuable collection		<b>103</b>	–
Increase in trade receivables		<b>(12)</b>	(11)
(Increase)/decrease in prepayments, deposits and other receivables		<b>(61)</b>	35
Increase/(decrease) in trade payables		<b>20</b>	(12)
Increase in other payables and accruals		<b>8</b>	86
Cash generated from operations		<b>75</b>	38
Interest paid		<b>(74)</b>	(61)
Net cash flows from/(used in) operating activities		<b>1</b>	(23)

\* Less than HK\$1 million



HK\$ million	Notes	2022	2021
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(21)	(42)
Proceeds from disposal of items of property, plant and equipment		7	36
Proceed from disposal of a financial asset at fair value through profit or loss		100	3
Proceeds from disposal of an investment property		110	–
Proceeds from disposal of subsidiaries	37	127	5
Proceeds from disposal of valuable collection held for investment	18	18	–
Decrease in pledged time deposits		2	3
Net cash flows from investing activities		343	5
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank and other loans		453	378
Repayment of bank loans		(755)	(318)
Repayment of a bond		(30)	–
Principal portion of lease payments		(36)	(33)
Net cash flows (used in)/from financing activities		(368)	27
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		(24)	9
Cash and cash equivalents at beginning of year		57	48
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
		33	57
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	26	33	57



# notes to financial statements

31 December 2022

## 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 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; 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		Principal activities
			Direct	Indirect	
AHM Engineering Company Limited ("AHM")	Hong Kong	HK\$10,000 Ordinary	–	72	Stage audio and lighting operation
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 Classics Limited	Hong Kong	HK\$1,000 Ordinary	–	100	Trading of 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 dealer 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 Co. Limited	Hong Kong	HK\$1,000 Ordinary	–	100	Car logistics services
CCT Telecom Securities Limited	Hong Kong	HK\$1 Ordinary	–	100	Securities business



## 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		Principal activities
			Direct	Indirect	
Cyber Profit (HK) Limited	Hong Kong	HK\$2 Ordinary	–	100	Property investment and holding
Dragon Glory Limited	Hong Kong	HK\$1 Ordinary	–	100	Property investment and holding
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
Hip Hing Loong Stage Engineering Company Limited (“HHL”)	Hong Kong	HK\$1,000 Ordinary	–	73	Stage engineering operation
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

As at 31 December 2022, the Group had cash and cash equivalents and pledged time deposits with an aggregate carrying amount of HK\$71 million. As at the same date, the Group had outstanding interest-bearing bank and other borrowings and a bond with an aggregate carrying amount of HK\$1,742 million, comprising a current portion of HK\$405 million and a non-current portion of HK\$1,337 million.

The financial statements were prepared based on the assumption that the Group can be operated as a going concern and the Company's directors are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 31 December 2022, after taking into consideration the following:

- (i) the available banking facilities of the Group;
- (ii) the estimated cash flows of the Group for the next twelve months from the end of the reporting period; and
- (iii) the net proceeds from the disposal of certain properties held by the Group.

## 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, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, valuable collection held for investment, an investment in a film and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest million except when otherwise indicated.



## 2.2 BASIS OF PREPARATION *(continued)*

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2022. 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, directly or indirectly, 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 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 (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) 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 retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.



## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Example accompanying HKFRS 16, and HKAS 41

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

- (a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.



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

(d) Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> <sup>2</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>1</sup>
Amendments to HKFRS 17	<i>Insurance Contract</i> <sup>1,5</sup>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> <sup>6</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> <sup>2,4</sup>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>1</sup>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> <sup>1</sup>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

<sup>5</sup> As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

<sup>6</sup> An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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



### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) 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 between an investor and its associate or joint venture 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 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. 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 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to 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. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* 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 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.



### **2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS** *(continued)*

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. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 Income taxes so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Investments in an associate and a joint venture**

An associate is an entity in which the Group has a long term interest of generally not less than 20% the equity voting rights and over which it is in position to exercise 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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group has made an election to measure the investment in an associate held through a subsidiary with characteristics similar to an investment-related entity at fair value through profit or loss in accordance with HKFRS 9, and the remaining portion of the Group's investments in associates and investment in a joint venture not held through this subsidiary 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.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Investments in an associate and a joint venture** *(continued)*

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures 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 or joint venture, 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 or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

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 cases, 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.

### **Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Business combinations and goodwill** *(continued)*

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 net 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.

### **Fair value measurement**

The Group measures its investment properties, valuable collection held for investment, an 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.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Fair value measurement** *(continued)*

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 collection held for investment, inventories, deferred tax assets, financial assets, and investment properties), 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.

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.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 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.



## 2.4 SUMMARY OF SIGNIFICANT 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. 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	6%
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.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Investment properties**

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. 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 which is dealt with as a movement in the asset revaluation reserve. 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.

### **Valuable collection held for investment**

Valuable collection comprised 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 collection held for long-term investment 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 collection held for investment to stock held for sale, the deemed cost of the stock of valuable collection held for sale for subsequent accounting is its fair value at the date of change in use.

### **Stock of valuable collection held for sale**

Stock of valuable collection held for sale represented classic cars 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.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 the estimated selling prices less any estimated costs to be incurred to completion and disposal.

### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Licence is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 5 years.

### 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 any 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 is transferred 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.



## 2.4 SUMMARY OF SIGNIFICANT 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 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 assets to the lessee are accounted for as finance leases.



## 2.4 SUMMARY OF SIGNIFICANT 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.

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



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Investments and other financial assets** *(continued)*

#### *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.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.



## 2.4 SUMMARY OF SIGNIFICANT 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 the asset. 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.



## 2.4 SUMMARY OF SIGNIFICANT 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.

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

Debt investments at fair value through other comprehensive income and 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 and contract assets 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 and contract assets 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.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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, accruals and interest-bearing bank and other borrowings.

#### *Subsequent measurement*

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

#### *Financial liabilities at amortised cost (loans and borrowings)*

After initial recognition, interest-bearing loans and borrowings and bond 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 from issue of the securities 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 from issue of the securities to the liability and equity components when the instruments are first recognised.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **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.

### **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.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Income tax** *(continued)*

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

- when the deferred tax liability arises from goodwill or 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
- in respect of taxable temporary differences associated with investments in subsidiaries, 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
- in respect of deductible temporary differences associated with investments in subsidiaries, 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.

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.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

### 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.

(i) Sale of valuable collection

Revenue from the sale of valuable collection represented 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.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

#### Revenue from contracts with customers (continued)

(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.

### Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

### 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).



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Contract costs**

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

### **Other employee benefits**

#### *Pension schemes*

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.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a percentage of the payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. 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.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 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).

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 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 a separate component of equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.



### 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 collection held for investment 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., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the related sector, 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 21 and 23 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 2022 and 2021, no impairment has been recognised for properties classified as property, plant and equipment.

##### *Estimation of fair value of valuable collection held for investment*

Valuable collection held for investment 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 collection held for investment 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 dealership business segment representing the sale and distribution of Ferrari cars and provision of after-sales services as an official dealer for Ferrari in Hong Kong and Macau;
- (d) Maserati importership business segment representing the import and distribution of Maserati cars and provision of after-sale services as official importer of Maserati in Hong Kong and Macau;
- (e) Valuable collection 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 early redemption of convertible bonds, share of loss of an associate and head office and corporate expenses are excluded from such measurement.

During the year ended 31 December 2022, the segment information was redefined for better reflection of the latest development of the Group's operations, which was divided into seven segment as: property investment, securities business, Ferrari business, Maserati business, valuable collection and logistics, cultural entertainment and other operations. The segment information for the year ended 31 December 2021 was restated accordingly to conform to the current year's presentation.

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 2022

HK\$ million	Property investment and holding	Securities business	Ferrari business	Maserati business	Valuable collection and logistics	Cultural entertainment business	Other operations	Reconciliations	Total
<b>Segment revenue:</b>									
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									(37)
Compensation income from litigation									93
Gain on early redemption of convertible bonds									11
<b>Loss before tax</b>									(467)
Income tax									-
<b>Loss for the year</b>									(467)
<b>Other segment information:</b>									
Expenditure for non-current assets	-	-	82	30	2	1	12	-	127
Depreciation and amortisation	(8)	-	(40)	(12)	(3)	(9)	(12)	-	(84)
<b>Other material non-cash items:</b>									
Fair value loss on investment properties, net	(126)	-	-	-	-	-	-	-	(126)
Fair value gains on valuable collection held for investment	-	-	-	-	35	-	-	-	35
Impairment of trade receivables	-	(91)	-	-	-	-	(2)	-	(93)
Impairment of other receivables	-	(177)	-	-	-	(6)	-	-	(183)
<b>Segment assets</b>	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
<b>Segment liabilities</b>	865	199	362	101	73	43	94	-	1,737
Reconciled items:									
Corporate and other unallocated liabilities	-	-	-	-	-	-	-	429	429
<b>Total liabilities</b>	865	199	362	101	73	43	94	429	2,166

#### 4. OPERATING SEGMENT INFORMATION (continued)

For the year ended 31 December 2021

HK\$ million	Property investment and holding (restated)	Securities business (restated)	Ferrari business (restated)	Maserati business (restated)	Valuable collection and logistics (restated)	Cultural entertainment business (restated)	Other operations (restated)	Reconciliations (restated)	Total (restated)
<b>Segment revenue:</b>									
Sales to external customers (note 5)	10	-*	467	17	152	45	40	-	731
Intersegment revenue	-	-	70	-	-	-	-	(70)	-
	10	-*	537	17	152	45	40	(70)	731
Other revenue	-	-	4	-	2	1	6	-	13
	10	-*	541	17	154	46	46	(70)	744
Operating profit/(loss)	6	(287)	6	(6)	(27)	(82)	(30)	-	(420)
Finance costs (other than interest on lease liabilities)									(63)
Reconciled items:									
Corporate and other unallocated expenses									(37)
Share of loss of an associate									(1)
<b>Loss before tax</b>									(521)
Income tax									-
<b>Loss for the year</b>									(521)
<b>Other segment information:</b>									
Expenditure for non-current assets	-	-	20	5	4	6	29	-	64
Depreciation and amortisation	(8)	-	(47)	-	(4)	(12)	(16)	-	(87)
<b>Other material non-cash items:</b>									
Fair value gains on investment properties, net	6	-	-	-	-	-	-	-	6
Fair value gains on valuable collection held for investment, net	-	-	-	-	3	-	-	-	3
Gain on disposal of items in property, plant and equipment	-	-	-	-	-	2	-	-	2
Share of loss of an associate	-	-	-	-	-	-	-	(1)	(1)
Fair value (losses)/gains on financial assets at fair value through profit or loss, net	-	(287)	-	-	-	-	1	-	(286)
Gain on disposal of subsidiaries	-	-	-	-	-	1	-	-	1
Impairment of goodwill	-	-	-	-	-	(63)	-	-	(63)
Impairment of trade receivables	-	-	-	-	-	(2)	-	-	(2)
Impairment of other receivables	-	-	-	-	-	(4)	-	-	(4)
<b>Segment assets</b>	1,657	790	232	60	495	154	174	-	3,562
Reconciled items:									
Corporate and other unallocated assets	-	-	-	-	-	-	-	486	486
Total assets	1,657	790	232	60	495	154	174	486	4,048
<b>Segment liabilities</b>	956	315	406	40	69	55	96	-	1,937
Reconciled items:									
Corporate and other unallocated liabilities	-	-	-	-	-	-	-	481	481
Total liabilities	956	315	406	40	69	55	96	481	2,418

\* Less than HK\$1 million



#### 4. OPERATING SEGMENT INFORMATION *(continued)*

##### Geographical information

(a) *Revenue from external customers*

HK\$ million	2022	2021
Hong Kong, Macau and Mainland	619	612
Rest of the world	193	119
	812	731

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

(b) *Non-current assets*

HK\$ million	2022	2021
Hong Kong, Macau and Mainland	2,277	2,623
Rest of the world	141	120
	2,418	2,743

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 2022 and 2021, 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	2022	2021
<b>Revenue</b>		
<i>Revenue from contracts with customers</i>	<b>801</b>	721
<i>Revenue from other sources</i>		
Gross rental income from investment properties, fixed payments	<b>11</b>	10
	<b>812</b>	731
<b>Other income and gains, net</b>		
Fair value gains on valuable collection held for investment, net (note 18)	<b>35</b>	3
Fair value gains on investment properties, net (note 14)	–	6
Gain on disposal of items of property, plant and equipment	–	2
Gain on disposal of subsidiaries (note 37)	<b>8</b>	1
Compensation income from litigation	<b>93</b>	–
Gain on early redemption of convertible bonds (note 30)	<b>11</b>	–
Government grants <sup>#</sup>	<b>6</b>	–
COVID-19-related rent concessions from lessors	–	–*
Others	<b>30</b>	13
	<b>183</b>	25

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

\* Less than HK\$1 million



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

### Revenue from contracts with customers

(i) *Disaggregated revenue information*

For the year ended 31 December 2022

HK\$ million	Ferrari business	Maserati business	Valuable collection and logistics	Cultural entertainment business	Other operations	Total
<b>Type of goods or services</b>						
Sale of cars	282	29	238	–	–	549
Sale of other goods	–	–	–	–	4	4
Sale and leasing of stage audio, lighting equipment and engineering services	–	–	–	62	–	62
Provision of other services	81	20	39	–	46	186
Total revenue from contracts with customers	363	49	277	62	50	801
<b>Geographical markets</b>						
Hong Kong, Macau and 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
<b>Timing of revenue recognition</b>						
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)

For the year ended 31 December 2021

HK\$ million	Ferrari business (restated)	Maserati business (restated)	Valuable collection and logistics (restated)	Cultural entertainment business (restated)	Other operations (restated)	Total (restated)
<b>Type of goods or services</b>						
Sale of cars	395	4	119	–	–	518
Sale of other goods	–	–	–	2	1	3
Sale and leasing of stage audio, lighting equipment and engineering services	–	–	–	42	–	42
Provision of other services	72	13	33	1	39	158
Total revenue from contracts with customers	467	17	152	45	40	721
<b>Geographical markets</b>						
Hong Kong, Macau and Mainland	467	17	33	45	40	602
Rest of the world	–	–	119	–	–	119
Total revenue from contracts with customers	467	17	152	45	40	721
<b>Timing of revenue recognition</b>						
Goods transferred at a point in time	395	4	119	2	1	521
Services transferred over time	72	13	33	43	39	200
Total revenue from contracts with customers	467	17	152	45	40	721

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	2022	2021
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of Ferrari cars	114	132
Sale of Maserati cars	11	–



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

### Revenue from contracts with customers *(continued)*

#### *(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 collection

The performance obligation is satisfied upon delivery of the valuable collection 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.

##### 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	2022	2021
Cost of valuable collection sold		264	117
Cost of the Ferrari business		304	393
Cost of the Maserati business		41	11
Cost of automotive services provided		21	18
Cost of cultural entertainment business		51	38
Cost of other operations		22	26
Depreciation of property, plant and equipment (including right-of-use assets)	13	81	80
Amortisation of an intangible asset <sup>(2)</sup>	16	3	7
Auditors' remuneration		3	3
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		89	74
Pension scheme contributions <sup>(4)</sup>		3	3
		92	77
Foreign exchange differences, net <sup>(2)</sup>		3	–*
Gain on early redemption of convertible bonds <sup>(3)</sup>	30	(11)	–
Gain on disposal of items of property, plant and equipment <sup>(3)</sup>		–	(2)
Gain on disposal of subsidiaries <sup>(3)</sup>	37	(8)	(1)
Fair value losses/(gains) on investment properties, net <sup>(1)/(3)</sup>	14	126	(6)
Fair value gains on valuable collection held for investment, net <sup>(3)</sup>	18	(35)	(3)
Fair value losses on financial assets at fair value through profit or loss, net <sup>(1)</sup>	24	–	286
Impairment of trade receivables <sup>(1)</sup>	21	93	2
Impairment of other receivables <sup>(1)</sup>	23	183	4
Impairment of goodwill <sup>(1)</sup>	15	–	63

\* Less than HK\$1 million

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

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

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

<sup>(4)</sup> 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	2022	2021
Interest on bank and other loans and bond	72	48
Interest on convertible bonds	5	15
Interest on lease liabilities	1	1
Total interest expense on financial liabilities not at fair value through profit or loss	78	64

## 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	2022	2021
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	10	10
Discretionary bonuses	–	–
Pension scheme contributions	–*	–*
	10	10
	11	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
<b>2022</b>	
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
	<b>720</b>
<b>2021</b>	
Tam King Ching, Kenny	240
Chow Siu Ngor	240
Chen Li	240
	<b>720</b>

### (b) Executive directors and the chief executive

HK\$ million	Salaries, allowances and benefits in kind	Discre- tionary bonuses	Pension scheme contributions	Total remuneration
<b>2022</b>				
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
	<b>10</b>	–	–*	<b>10</b>

\* 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
2021				
Executive director and the chief executive:				
Mak Shiu Tong, Clement ("Mr. Mak")	8	–	–*	8
Executive directors:				
Tam Ngai Hung, Terry	2	–	–*	2
Cheng Yuk Ching, Flora	–*	–	–*	–*
	2	–	–*	2
	10	–	–*	10

\* Less than HK\$1 million

With effect from 1 July 2011, quarters have been provided to Mr. Mak free of charge and at the same time his remuneration receivable from the Company was reduced by HK\$200,000 per month. The amounts of Mr. Mak's remuneration for 2022 and 2021 have included the estimated values of the housing benefit provided to him for the year.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2021: Nil).

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2021: two) directors and one (2021: one) of them is also the chief executive, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2021: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

HK\$ million	2022	2021
Salaries, allowances and benefits in kind	11	8

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	
	2022	2021
HK\$1,500,001–HK\$2,000,000	1	–
HK\$2,000,001–HK\$2,500,000	1	1
HK\$2,500,001–HK\$3,000,000	–	1
HK\$3,000,001–HK\$3,500,000	2	1
	4	3

## 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 years ended 31 December 2022 and 2021.

HK\$ million	2022	2021
Current — Hong Kong		
Charge for the year	–	–
Current — Mainland China	–	–
Total tax credit 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:

### 2022

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

### 2021

HK\$ million	Hong Kong		Mainland China		Total	
	Amount	%	Amount	%	Amount	%
Loss before tax	(520.2)		(0.8)		(521.0)	
Tax at the statutory or appropriate tax rate	(85.9)	16.5	(0.2)	25.0	(86.1)	16.5
Income not subject to tax	(1.8)	0.3	–	–	(1.8)	0.3
Expenses not deductible for tax	61.5	(11.8)	–	–	61.5	(11.8)
Tax losses not recognised	26.6	(5.1)	0.2	(25.0)	26.8	(5.1)
Tax losses utilised from previous periods	(0.4)	0.1	–	–	(0.4)	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 2022 (2021: 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	2022	2021
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	<b>(465)</b>	(517)
Interest on convertible bonds	<b>5</b>	15
Loss attributable to ordinary equity holders of the parent before interest on convertible bonds	<b>(460)</b>	(502)
	Number of shares	
	2022	2021
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<b>873,111,452</b>	873,111,452
Effect of dilution — weighted average number of ordinary shares:		
Convertible bonds	<b>113,294,521</b>	347,500,000
Weighted average number of ordinary shares used in the diluted loss per share calculation	<b>986,405,973</b>	1,220,611,452

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\$465 million (2021: HK\$517 million) and the weighted average number of ordinary shares of 873,111,452 (2021: 873,111,452) in issue during the year. The aforesaid convertible bonds were early redeemed by the Company on 29 April 2022.



### 13. PROPERTY, PLANT AND EQUIPMENT AND LEASES

HK\$ million	Right-of-use assets (Note)	Owned assets					Total
		Buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	
<b>31 December 2022</b>							
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

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

HK\$ million	Owned assets						Total
	Right-of-use assets (Note)	Buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	
<b>31 December 2021</b>							
At 1 January 2021:							
Cost	505	429	8	99	33	25	1,099
Accumulated depreciation	(117)	(95)	(6)	(59)	(26)	(13)	(316)
Net carrying amount	388	334	2	40	7	12	783
At 1 January 2021, net of accumulated depreciation							
	388	334	2	40	7	12	783
Additions	21	9	1	1	4	27	63
Disposals	–	–	–	(14)	(1)	(19)	(34)
Depreciation provided during the year	(41)	(21)	(1)	(9)	(4)	(4)	(80)
At 31 December 2021, net of accumulated depreciation							
	368	322	2	18	6	16	732
At 31 December 2021:							
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 31 December 2022, 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\$569 million (2021: HK\$588 million) were pledged to secure bank loans granted to the Group (note 29(a)(ii)).



### 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 2021	47	329	8	4	388
Additions	19	-	-	2	21
Depreciation charge	(33)	(6)	(1)	(1)	(41)
As at 31 December 2021 and 1 January 2022	<b>33</b>	<b>323</b>	<b>7</b>	<b>5</b>	<b>368</b>
Additions	<b>105</b>	-	-	<b>1</b>	<b>106</b>
Depreciation charge	<b>(42)</b>	<b>(6)</b>	<b>(1)</b>	<b>(2)</b>	<b>(51)</b>
As at 31 December 2022	<b>96</b>	<b>317</b>	<b>6</b>	<b>4</b>	<b>423</b>

#### (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:

HK\$ million	Lease liabilities	
	2022	2021
Carrying amount at 1 January	42	54
New leases	106	21
Accretion of interest recognised during the year	1	1
COVID-19-related rent concessions from lessors	-	-*
Payments	(37)	(34)
Carrying amount at 31 December	<b>112</b>	<b>42</b>
Analysed into:		
Current portion	<b>49</b>	28
Non-current portion	<b>63</b>	14

\* Less than HK\$1 million

The maturity analysis of lease liabilities is disclosed in note 45 to the financial statements.

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

HK\$ million	2022	2021
Interest on lease liabilities	1	1
Depreciation charge of right-of-use assets	51	41
COVID-19-related rent concessions from lessors	-	(-)*
Total amount recognised in profit or loss	<b>52</b>	<b>42</b>

\* Less than HK\$1 million

#### (d) The total cash outflow for leases is disclosed in note 38(c) to the financial statements.



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

Note related to leases: *(continued)*

**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\$11 million (2021: HK\$10 million), details of which are included in note 5 to the financial statements.

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

HK\$ million	2022	2021
Within one year	7	10
After one year but within two years	6	9
After two years but within three years	2	2
After three years but within four years	-	-
	<b>15</b>	<b>21</b>

**14. INVESTMENT PROPERTIES**

HK\$ million	2022	2021
Carrying amount at 1 January	1,651	1,645
Disposal of subsidiaries (note 37)	(99)	-
Disposal of an investment property	(110)	-
Fair value (loss)/gain on investment properties, net	(126)	6
Carrying amount at 31 December	<b>1,316</b>	<b>1,651</b>

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 and 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 2022 and 2021 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 2022, the Group's investment properties with an aggregate carrying amount of HK\$1,316 million (2021: HK\$1,651 million) were pledged to secure bank loans granted to the Group (note 29 (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 2022 using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Recurring fair value measurement for:				
Commercial properties	–	–	502	502
Residential properties	–	–	797	797
Car parking spaces	–	–	17	17
	–	–	1,316	1,316

HK\$ million	Fair value measurement as at 31 December 2021 using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Recurring fair value measurement for:				
Commercial properties	–	–	810	810
Residential properties	–	–	823	823
Car parking spaces	–	–	18	18
	–	–	1,651	1,651

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 (2021: 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	<b>Car parking spaces</b>	<b>Commercial properties</b>	<b>Residential properties</b>
Carrying amount at 1 January 2021	19	817	809
Net (losses)/gains from fair value adjustments recognised in other income and gains, net in profit or loss	(1)	(7)	14
Carrying amount at 31 December 2021 and 1 January 2022	<b>18</b>	<b>810</b>	<b>823</b>
Disposal of subsidiaries	–	<b>(99)</b>	–
Disposal of an investment property	–	<b>(110)</b>	–
Net losses from fair value adjustments recognised in other expenses, net in profit or loss	<b>(1)</b>	<b>(99)</b>	<b>(26)</b>
Carrying amount at 31 December 2022	<b>17</b>	<b>502</b>	<b>797</b>

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	
			2022	2021
Commercial properties	Market approach	Adopted unit rate (per square foot)	<b>HK\$5,800 to HK\$36,000</b>	HK\$6,000 to HK\$52,000
Residential properties	Market approach	Adopted unit rate (per square foot)	<b>HK\$50,000 to HK\$73,000</b>	HK\$53,000 to HK\$75,000
Car parking spaces	Market approach	Adopted unit rate (per lot)	<b>HK\$2,400,000</b>	HK\$2,600,000

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 2021:	
Cost	89
Accumulated impairment	(9)
Net carrying amount	80
Cost at 1 January 2021, net of accumulated impairment	80
Impairment during the year (note 6)	(63)
At 31 December 2021	17
At 31 December 2021, 1 January 2022 and 31 December 2022:	
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 units for impairment testing:

- Car logistics cash-generating unit;
- Stage audio and lighting operation cash-generating unit (fully impaired during the year ended 31 December 2021); and
- Stage engineering operation cash-generating unit (fully impaired during the year ended 31 December 2021).

### 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 2022 was 12.1% (2021: 12.5%). The cash flow projections of the car logistics unit beyond the respective periods of financial budgets were extrapolated using a growth rate of 2% (2021: 2.5%), which did not exceed the long term average growth rate of the industry.



**15. GOODWILL** *(continued)***Impairment testing of goodwill** *(continued)**Stage audio and lighting operation cash-generating unit*

In the prior year, the recoverable amount of the stage audio and lighting operation 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 stage audio and lighting operations for 2021 was 11.0%. The cash flow projections of the stage audio and lighting operation unit beyond the respective periods of financial budgets were extrapolated using a growth rate of 2.5%, which did not exceed the long term average growth rate of the industry.

*Stage engineering operation cash-generating unit*

In the prior year, the recoverable amount of the stage engineering operation 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 stage engineering operations for 2021 was 11.0%. The cash flow projections of the stage engineering operation unit beyond the respective periods of financial budgets were extrapolated using a growth rate of 2.5%, which did not exceed the long term average growth rate of the industry.

Assumptions were used in the value-in-use calculation of the car logistics for 31 December 2022 and 2021, stage audio and lighting operation and stage engineering operation cash-generating units for 31 December 2021. 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 units conduct their businesses.

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

In prior year, based on the annual impairment test performed, impairment losses of HK\$38 million and HK\$25 million had been provided for the year ended 31 December 2021 in relation to the stage audio and lighting operation cash-generating unit and stage engineering operation cash-generating unit, as the recoverable amounts were reduced to HK\$25 million and HK\$6 million, respectively. The impairment losses arose as a result of the deteriorating operating environment in Hong Kong and Macau caused by the COVID-19 pandemic.



## 16. INTANGIBLE ASSET

HK\$ million	Licence
Cost as at 1 January 2021, net of accumulated amortisation	10
Amortisation provided during the year	(7)
Cost at 31 December 2021 and 1 January 2022, net of accumulated amortisation	<b>3</b>
Amortisation provided during the year	<b>(3)</b>
At 31 December 2022	-
At 31 December 2022:	
Cost	<b>33</b>
Accumulated amortisation	<b>(33)</b>
Net carrying amount	-
At 31 December 2021:	
Cost	33
Accumulated amortisation	(30)
Net carrying amount	3

## 17. INVESTMENT IN AN ASSOCIATE

- (i) Other than the investment in GBA Holdings Limited (“GBA Holdings”) as disclosed in note 17(ii) below, the Group has an investment in an associate, which is not considered to be a material associate as at 31 December 2022 and 2021, as detailed below:

HK\$ million	2022	2021
Share of net assets	<b>5</b>	5
Impairment	<b>(5)</b>	(5)
	-	-

The following table illustrates the financial information of the Group’s associate that is not individually material:

HK\$ million	2022	2021
Share of the associate’s loss for the year	-	1
Share of the associate’s total comprehensive loss	-	1
Aggregate carrying amount of the Group’s investment in an associate	-	-



## 17. INVESTMENT IN AN ASSOCIATE *(continued)*

- (ii) The Group's shareholdings in GBA Holdings, which was incorporated in Bermuda and whose principal place of business is in Hong Kong, were held through a wholly-owned subsidiary of the Company. The principal business of GBA Holdings is investment holding. GBA Holdings was a material associate of the Group. The principal activities of GBA Holdings and its subsidiaries (the "GBA Holdings Group") comprise the development and sale of properties and finance business.

As at 31 December 2021, the Group held 53,667,100,000 shares in GBA Holdings (representing approximately 29.19% of the issued share capital of GBA Holdings as at the year end) through an indirect wholly-owned subsidiary of a nature similar to venture capital. These shares of GBA Holdings held by the subsidiary had been classified as financial assets at fair value through profit or loss under current assets as the Group had intention to sell these shares of GBA Holdings as at 31 December 2021.

On 15 November 2021, the Group has entered into an agreement with an independent third party, Top Pioneer Holdings Limited ("Top Pioneer"), to sell these shares at a total consideration of HK\$250 million. This disposal was completed in October 2022. Further details are given in note 24 to the financial statements.

The following tables illustrate the summarised financial information in respect of GBA Holdings:

HK\$ million	2021
Current assets	688
Non-current assets	290
Current liabilities	(98)
Non-current liabilities	(1)
Net assets	<u>879</u>
Loss for the year	(60)
Other comprehensive income	13
Total comprehensive loss for the year	<u>(47)</u>
Carrying amount of the investment measured at fair value through profit or loss	<u>250</u>



## 18. VALUABLE COLLECTION HELD FOR INVESTMENT

HK\$ million	<b>2022</b>	2021
Valuable collection held for investment, at fair value	<b>314</b>	340

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

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

HK\$ million	Fair value measurement as at 31 December 2021 using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Recurring fair value measurement for:				
Valuable collection held for investment	–	–	340	340

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 (2021: Nil).

**18. VALUABLE COLLECTION HELD FOR INVESTMENT** *(continued)*

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

HK\$ million

Carrying amount at 1 January 2021	266
Additions	1
Transfer from inventories	70
Net gains from fair value adjustments recognised in other income and gains, net in profit or loss	3
Carrying amount at 31 December 2021 and 1 January 2022	<b>340</b>
Disposal	<b>(18)</b>
Transfer to stock of valuable collection held for sale	<b>(14)</b>
Disposal of subsidiaries (note 37)	<b>(29)</b>
Net gains from fair value adjustments recognised in other income and gains, net in profit or loss	<b>35</b>
Carrying amount at 31 December 2022	<b>314</b>

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

	Valuation technique	Significant unobservable input	Range or weighted average	
			2022	2021
Classic cars held for investment	Market approach	Transaction price (per unit)	<b>HK\$2 million to HK\$47 million</b>	HK\$2 million to HK\$47 million
Collectible precision devices held for investment	Market approach	Transaction price (per unit)	<b>HK\$36,000 to HK\$28 million</b>	HK\$40,000 to HK\$27 million

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

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



## 19. INVENTORIES

HK\$ million	2022	2021
Raw materials	18	20
Finished goods	5	2
Ferrari cars	37	38
Maserati cars	44	18
	<b>104</b>	<b>78</b>

At 31 December 2022, certain inventories of the Group with an aggregate net carrying amount of approximately HK\$32 million (2021: HK\$35 million) were pledged to secure bank loans granted to the Group (note 29(a)(iii)).

## 20. STOCK OF VALUABLE COLLECTION HELD FOR SALE

HK\$ million	2022	2021
Stock of valuable collection held for sale, at the lower of cost and net realisable value	–*	89

\* Less than HK\$1 million

## 21. TRADE RECEIVABLES

HK\$ million	2022	2021
Trade receivables	274	262
Impairment	(108)	(15)
	<b>166</b>	<b>247</b>

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 (2021: 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 2022, the Group had a certain concentration of credit risk as 57% (2021: 70%) and 71% (2021: 85%) 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\$1,394,000 (2021: HK\$1,027,000) 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\$218,000 (2021: HK\$217,000) due from Mr. Mak.



**21. TRADE RECEIVABLES** *(continued)*

As at 31 December 2022, an aggregate amount of HK\$110 million (2021: HK\$201 million), net of loss allowance, of the trade receivables was secured by a charge over a property or a motor vehicle. 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 these collaterals in the ECL analysis. As at 31 December 2022, in the opinion of the management, the probability of default applied to the secured trade receivables was 0% to 100% (2021: minimal) and the trade receivables were covered by the collaterals with an aggregate fair value of approximately HK\$110 million (2021: HK\$288 million) as at 31 December 2022. 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 collaterals (2021: the expected credit losses were considered to be minimal).

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.

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:

HK\$ million	2022		2021	
	Balance	Percentage	Balance	Percentage
Within 180 days	43	26	36	15
181 to 365 days	7	4	4	2
1 to 2 years	4	3	1	–
Over 2 years	112	67	206	83
	<b>166</b>	<b>100</b>	247	100

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

HK\$ million	2022	2021
At 1 January	15	13
Impairment losses recognised (note 6)	93	2
At 31 December	<b>108</b>	15

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.



## 21. 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 2022

HK\$ million	Past due				Total
	Current	Within 6 months	6 to 12 months	Over 12 months	
<b>Cultural entertainment business</b>					
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
<b>Classic cars, Ferrari business and Maserati business</b>					
Expected credit loss rate	4.8%	17.2%	39.1%	9.0%	12.2%
Gross carrying amount	13.3	9.2	2.4	4.0	28.9
Expected credit losses	0.6	1.6	0.9	0.4	3.5
<b>Magazine publication business</b>					
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
<b>Property investment</b>					
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	–	–	–	–	–
<b>Total</b>					
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	15.6	73.0
Expected credit losses	1.0	3.8	3.2	9.0	17.0



**21. TRADE RECEIVABLES** (continued)

As at 31 December 2021

HK\$ million	Current	Past due			Total
		Within 6 months	6 to 12 months	Over 12 months	
<b>Cultural entertainment business</b>					
Expected credit loss rate	1.0%	23.8%	30.7%	61.7%	35.5%
Gross carrying amount	6.8	4.5	0.1	10.8	22.2
Expected credit losses	0.1	1.1	–	6.7	7.9
<b>Classic cars, Ferrari business and Maserati business</b>					
Expected credit loss rate	3.3%	13.5%	39.2%	16.2%	12.5%
Gross carrying amount	10.2	6.3	2.5	5.7	24.7
Expected credit losses	0.3	0.9	1.0	0.9	3.1
<b>Magazine publication business</b>					
Expected credit loss rate	5.1%	20.9%	44.8%	64.6%	25.2%
Gross carrying amount	5.5	4.6	0.7	3.0	13.8
Expected credit losses	0.3	1.0	0.3	1.9	3.5
<b>Property investment</b>					
Expected credit loss rate	0.1%	0.1%	0.1%	0.1%	0.1%
Gross carrying amount	0.3	–	–	–	0.3
Expected credit losses	–*	–*	–*	–*	–*
<b>Total</b>					
Expected credit loss rate	0.1%–5.1%	0.1%–23.8%	0.1%–44.8%	0.1%–64.6%	0.1%–35.5%
Gross carrying amount	22.8	15.4	3.3	19.5	61.0
Expected credit losses	0.7	3.0	1.3	9.5	14.5

\* Less than HK\$0.1 million



## 22. INVESTMENT IN A FILM

HK\$ million	2022	2021
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 2022 and 2021. 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 2022 and 2021. The investment in this film was unsecured, had a minimum guaranteed return of 80% for the amount invested and had no fixed terms of repayment. The investment is governed by the relevant agreements entered into between the Group and other investors whereby the Group is entitled to benefits generated from the distribution of the related film.

## 23. PREPAYMENTS AND OTHER RECEIVABLES

HK\$ million	2022	2021
Prepayments	136	76
Other receivables	394	385
	530	461
Impairment losses recognised	(187)	(4)
	343	457
Current portion	(332)	(456)
Non-current portion	11	1

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

HK\$ million	2022	2021
At 1 January	4	–
Impairment losses recognised (note 6)	183	4
At 31 December	187	4

As at 31 December 2022, included in the Group's other receivables were amounts due from an independent third party of HK\$159 million (2021: HK\$336 million), net of loss allowance, which are secured by certain equity interests in a company incorporated in Mainland China, and shall be settled on or before 15 December 2023. The amount is 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 (2021: HK\$366 million) as at 31 December 2022, and hence, HK\$177 million was recognised as the expected credit losses in the current year. The expected credit losses was considered to be minimal as at 31 December 2021.



**23. PREPAYMENTS AND OTHER RECEIVABLES** *(continued)*

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 (2021: HK\$16 million), net of loss allowance, which is 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 has been extended in March 2022 to two months after the date of reopening of the business in Macau. The balance is related to the disposal of subsidiaries to the then non-controlling shareholder of Golden Wish during the year ended 31 December 2021 as detailed in note 37 to the financial statements.

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 2022, in the opinion of the Company's directors, the probability of default applied ranged from minimal to 100% (2021: minimal to 100%) and the loss given default was estimated to be ranged from 52% to 62% (2021: Nil to 20%).

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

**24. 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	<b>Listed equity investment, at fair value (note a)</b>	<b>Other assets, at fair value (note b)</b>	<b>Total</b>
As at 1 January 2021	537	8	545
Net losses from fair value adjustments recognised in other expenses in profit or loss	(287)	1	(286)
Disposal	–	(3)	(3)
As at 31 December 2021 and 1 January 2022	<b>250</b>	<b>6</b>	<b>256</b>
Disposal	<b>(250)</b>	<b>–</b>	<b>(250)</b>
As at 31 December 2022	<b>–</b>	<b>6</b>	<b>6</b>



## 24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes:

- (a) In the prior year, the listed equity investment included the 53,667,100,000 shares in GBA Holdings, which was held by the Group for trading and was classified as financial asset at fair value through profit or loss under current assets. These shares were measured at fair value using market approach based on price-to-book multiple ratio of comparable companies with similar risks as at 31 December 2021. As at 31 December 2021, the fair value of the listed shares of GBA Holdings held by the Group was HK\$250 million.

As further disclosed in note 17(ii) to the financial statements, the Group has entered into an agreement to sell the shares to Top Pioneer in November 2021.

The fair value of this listed equity investment has been estimated on 31 December 2021 by Roma Appraisals Limited, using the market approach which was classified as level 3 fair value measurement hierarchy. The directors of the Company determine comparable public companies (peers) based on industry and leverage, and calculate an appropriate price multiple, which is price to book value ("P/B") multiple, for each comparable company identified. The multiple is calculated by dividing the market price per share by net asset value per share of the comparable company. The directors of the Company are of the opinion that the estimated fair value of HK\$250 million resulting from the valuation technique is reasonable and better reflects the fair value of the listed equity investment as at 31 December 2021.

Below is a summary of the valuation technique used and the key inputs to the valuation of the listed equity investment together with a quantitative sensitivity analysis as at 31 December 2021:

Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Valuation multiples	Average P/B multiple of peers	0.92x–1.02x	5% increase/decrease in multiple would result in increase/decrease in fair value by HK\$8,815,000

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

HK\$ million	2022	2021
Listed equity investment, at fair value		
At 1 January	250	–
Transfer into Level 3	–	537
Total fair value losses recognised in the statement of profit or loss included in other expenses, net	–	(287)
Disposal	(250)	–
At 31 December	–	250

As at 31 December 2021, the fair value of the investment was determined based on P/B multiple of comparable companies with similar risks which were significant unobservable inputs, therefore the investment was transferred from Level 1 to Level 3.

During the year ended 31 December 2022, the financial asset at fair value through profit or loss was disposed to 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 25 to the financial statements. The transaction was completed in October 2022.

- (b) The other assets at 31 December 2022 and 2021 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.

## 25. PROMISSORY NOTE RECEIVABLE

As at 31 December 2022, the promissory note receivable bears interest at the rate of 5% per annum and is repayable within one year, which is covered by share charges and a personal guarantee. The balance is related to the disposal of the financial asset at fair value through profit or loss to Top Pioneer during the year as detailed in note 24(a) to the financial statements.

As at 31 December 2022, in the opinion of the Company's directors, the loss allowance was assessed to be minimal.



**26. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS**

HK\$ million	2022	2021
Cash and bank balances	33	57
Time deposits	38	40
	71	97
Less: Time deposits pledged for bank loans included in current portion (note 29(a)(iv))	(38)	(40)
Cash and cash equivalents	33	57

At the end of the reporting period, the cash and cash equivalents and pledged time deposits of the Group denominated in Renminbi (“RMB”) amounted to HK\$19 million (2021: 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.

**27. 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:

HK\$ million	2022		2021	
	Balance	Percentage	Balance	Percentage
Current to 30 days	30	45	13	28
31 to 60 days	5	8	11	24
61 to 90 days	3	5	12	26
Over 90 days	28	42	10	22
	66	100	46	100

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



## 28. OTHER PAYABLES AND ACCRUALS

HK\$ million	Notes	2022	2021
Contract liabilities	(a)	248	252
Other payables	(b)	62	52
Accruals		23	18
		<b>333</b>	<b>322</b>

Notes:

(a) Details of contract liabilities as at 31 December 2022 and 2021 are as follows:

HK\$ million	31 December 2022	31 December 2021	1 January 2021
<i>Short-term advances received from customers</i>			
Sale of Ferrari cars	164	180	189
Sale of Maserati cars	39	11	–
Sale of valuable collection	43	55	–
Sale and leasing of stage audio and lighting equipment and provision of stage technical and engineering services	–*	3	6
Provision of advertising services	2	3	3
Total contract liabilities	<b>248</b>	<b>252</b>	<b>198</b>

\* Less than HK\$1 million

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

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.

The increase in contract liabilities in 2021 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 increase in short-term advances received from customers in relation to the sale of Maserati cars and valuable collection.

(b) Other payables includes a balance of HK\$12,823,000 (2021: HK\$11,300,000) due to an immediate family member of Mr. Mak and a balance of HK\$23,200,000 (2021: HK\$2,000,000) due to Mr. Mak, which are unsecured, interest-free and has no fixed terms of repayment. Remaining balances are non-interest-bearing and have an average term of three months.



## 29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2022			31 December 2021		
	Effective interest rate (%)	Maturity	HK\$ million	Effective interest rate (%)	Maturity	HK\$ million
<b>Current</b>						
Lease liabilities (note 13(b))	1.90–6.00	2023	49	1.90–6.00	2022	28
Bank loans — secured	1.15–2.90	2023 or on demand	243	1.15–2.90	2022 or on demand	1,433
Other loan — secured	3.17–4.75	2023	32	3.17–4.75	2022	35
Other loan — unsecured	7.00–10.00	2023	81	10.00	2022	12
			<b>405</b>			<b>1,508</b>
<b>Non-current</b>						
Lease liabilities (note 13(b))	1.90–4.31	2026	63	1.90–6.00	2023–2025	14
Bank loans — secured	1.90–2.90	2023–2041	1,082	1.90–2.75	2023–2042	190
Other loan — unsecured	–	–	–	7.00	2023	70
			<b>1,145</b>			<b>274</b>
			<b>1,550</b>			<b>1,782</b>

HK\$ million	2022	2021
Analysed into:		
Bank loans repayable:		
Within one year or on demand	243	1,433
In the second year	181	19
In the third to fifth years, inclusive	514	36
Beyond five years	387	135
	<b>1,325</b>	<b>1,623</b>
Other borrowings repayable:		
Within one year or on demand	162	75
In the second year	44	80
In the third to fifth years, inclusive	19	4
	<b>225</b>	<b>159</b>
	<b>1,550</b>	<b>1,782</b>



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

- (a) As at 31 December 2022, 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\$569 million (2021: HK\$588 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\$1,316 million (2021: HK\$1,651 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\$32 million (2021: HK\$35 million) (note 19); and
  - (iv) pledge of certain time deposits of the Group with an aggregate amount of HK\$38 million (2021: HK\$40 million) (note 26).
- (b) All bank and other borrowings of the Group were denominated in Hong Kong dollars as at 31 December 2022 and 2021.
- (c) Approximately HK\$1,051 million bank borrowings repayable over one year were classified as current liabilities as at 31 December 2021 in accordance with the relevant accounting standards. The classification was resulted from non-compliance of a debt covenant related to the amount of shareholders' fund under certain facilities agreements 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. Subsequent to the end of the reporting period in 2021, the bank had revised the debt covenant, upon which the Group had rectified the non-compliance and reclassified the balances to non-current liabilities.
- (d) Approximately HK\$157 million bank borrowings classified as within one year or repayable on demand in current liabilities as at 31 December 2021 were not complied with a debt covenant related to the amount of shareholders' fund under certain facilities agreements 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 within one year or repayable on demand as at 31 December 2021, the non-compliance did not have any significant impact on the financial statements of the Group.



### 30. CONVERTIBLE BONDS

On 30 March 2016, the Company issued the 5% coupon convertible bonds (the “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”). Details of the 2024 Convertible Bonds are set out as follows:

On 30 March 2016, pursuant to the sale and purchase agreement dated 27 January 2016 (as amended by the supplemental agreement dated 17 February 2016) entered into between Mr. Mak, the chairman and controlling shareholder of the Company, as vendor and the Company as purchaser in respect of the acquisition from Mr. Mak of the entire issued share capital of the companies which hold the properties situated at House 38 and House 39, No. 56 Repulse Bay Road, Repulse Bay, Hong Kong, the Company issued the 2024 Convertible Bonds with an aggregate principal amount of HK\$250,200,000, of which bonds with principal amounts of HK\$180,000,000 and HK\$70,200,000 were issued to Capital Force and New Capital, respectively, as consideration for the acquisition. The maturity date of the 2024 Convertible Bonds will fall on the eighth anniversary of the date of issue of the 2024 Convertible Bonds, which will fall due on 30 March 2024. The 2024 Convertible Bonds are convertible at the option of the bondholders into ordinary shares at the initial conversion price of HK\$0.90 per conversion share (subject to adjustments pursuant to the terms and conditions of the 2024 Convertible Bonds). The 2024 Convertible Bonds shall be redeemable at the option of the Company at any time on or before 30 March 2024. The 2024 Convertible Bonds are unsecured, and carry interest at 5% per annum on the outstanding principal amount. Interest is payable monthly.

The 2024 Convertible Bonds were split into liability and equity components upon initial recognition by recognising the liability component at fair value and attributing to the equity component the residual amount. The fair value of the liability component of these convertible bonds was estimated at the issuance date using cash flows discounted at a rate based on an effective interest rate of 6.57%. The residual amount was assigned as the equity component and was included in shareholders’ equity. The fair value of the 2024 Convertible Bonds was determined as of the date of issue by reference to the valuations performed by an independent firm of professionally qualified valuers, Greater China Appraisal Limited. The liability component and equity component of HK\$22 million are remeasured at amortised cost and not remeasured, respectively, subsequent to the initial recognition.

The conversion price of the 2024 Convertible Bonds was adjusted from HK\$0.90 to HK\$0.87, from HK\$0.87 to HK\$0.84, from HK\$0.84 to HK\$0.78, from HK\$0.78 to HK\$0.75, and then from HK\$0.75 to HK\$0.72 per conversion share on 1 June 2016, 15 September 2016, 18 September 2017, 5 June 2018, and 19 September 2018, respectively, pursuant to the terms and conditions of the 2024 Convertible Bonds.

During the year ended 31 December 2022, the Group has early redeemed the 2024 Convertible Bonds by issuing a new bond as further detailed in note 31 to the financial statements and the difference between the carrying amount and the fair value of 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.

The movements in 2024 Convertible Bonds during the year are as follows:

HK\$ million	2022	2021
Liability component at 1 January	243	240
Interest expense	5	15
Interest paid	(5)	(12)
Early redemption of convertible bonds	(243)	–
Liability component at 31 December	–	243



### 31. BOND

HK\$ million	2022	2021
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 will 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 is unsecured, and bears interest at 4.5% per annum on the outstanding principal amount. The interest is 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 35 to the finance statements.

### 32. 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 2021, 31 December 2021, 1 January 2022 and 31 December 2022	22

#### Deferred tax assets

HK\$ million	Loss available for offsetting against future taxable profits
Gross deferred tax assets at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	1

At 31 December 2022, the Group had tax losses of HK\$1,442 million (2021: HK\$1,257 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.



**33. SHARE CAPITAL****Shares**

HK\$ million	2022	2021
Authorised: 2,000,000,000 (2021: 2,000,000,000) ordinary shares of HK\$0.10 each	200	200
Issued and fully paid: 873,111,452 (2021: 873,111,452) ordinary shares of HK\$0.10 each	87	87

**Share options**

Details of the Company's share option scheme are detailed in note 34 to the financial statements.

**34. 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.



### 34. SHARE OPTION SCHEME *(continued)*

#### Share option scheme of the Company *(continued)*

##### *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).

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”).



### 34. SHARE OPTION SCHEME *(continued)*

#### Share option scheme of the Company *(continued)*

##### *The 2021 Scheme (continued)*

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.

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).



#### **34. SHARE OPTION SCHEME** *(continued)*

##### **Share option scheme of the Company** *(continued)*

###### *The 2021 Scheme (continued)*

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 2022 and 2021, 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 10% of the total number of issued Shares. No share option was granted, exercised or cancelled under the 2021 Scheme during the year.

#### **35. 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 57 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.



### 36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

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

	2022	2021
Percentage of equity interest held by non-controlling interests:		
AHM	28%	28%
HHL	27%	27%
HK\$ million	2022	2021
Loss for the year attributable to non-controlling interests:		
AHM	–*	(3)
HHL	(2)	(1)
Accumulated balances of non-controlling interests at the reporting date:		
AHM	7	7
HHL	–*	2

\* Less than HK\$1 million

The following tables illustrate the summarised financial information of the above subsidiaries. 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
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



**36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS** *(continued)*

2021	AHM HK\$ million	HHL HK\$ million
Revenue	36	12
Total expenses, net	46	15
Loss for the year	(10)	(3)
Total comprehensive loss for the year	(10)	(3)
Current assets	67	10
Non-current assets	26	11
Current liabilities	61	10
Non-current liabilities	6	2
Net cash flows from/(used in) operating activities	8	(6)
Net cash flows used in investing activities	-	-
Net cash flows (used in)/from financing activities	(8)	5
Net decrease in cash and cash equivalents	-	(1)

**37. DISPOSAL OF SUBSIDIARIES**

HK\$ million	2022	2021
Net assets disposed of:		
Property, plant and equipment	-	12
Investment properties	99	-
Valuable collection held for investment	29	-
Goodwill	-	14
Trade receivables	-	15
Prepayment and other receivables	-	20
Trade payables	-	(25)
Other payables and accruals	(1)	(11)
Interest-bearing bank and other borrowings	-	(1)
	<b>127</b>	24
Discounting time value of the consideration	-	5
Gain on disposal of subsidiaries (note 6)	8	1
	<b>135</b>	30
Satisfied by:		
Cash consideration per sale and purchase agreements	<b>135</b>	30



**37. DISPOSAL OF SUBSIDIARIES** *(continued)*

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

HK\$ million	2022	2021
Cash consideration per sale and purchase agreements	135	30
Discounting time value of the consideration	-	(5)
Consideration receivable included in other receivables as at year end	(8)	(20)
Net cash inflow of cash and cash equivalents in respect of the disposal of subsidiaries	127	5

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, 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, for a cash consideration of HK\$28 million.

During the year ended 31 December 2021, the Group disposed a subsidiary engaging in the stage audio and lighting operation business to a then non-controlling shareholder with a consideration of HK\$30 million.

**38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS****(a) Major non-cash transaction**

During the year, in addition to the redemption of convertible bonds as further detailed in note 30 to the financial statements, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$106 million (2021: HK\$21 million) and HK\$106 million (2021: HK\$21 million), respectively, in respect of lease arrangements for office premises, other equipment and motor vehicles.

**(b) Changes in liabilities arising from financing activities****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 or payable classified as operating cash flow	(72)	(1)	(5)
At 31 December 2022	1,630	112	-



### 38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

#### (b) Changes in liabilities arising from financing activities (continued)

2021

HK\$ million	Bank and other loans	Lease liabilities	Convertible bonds
At 1 January 2021	1,680	54	240
New leases	–	21	–
Changes from financing cash flows	60	(33)	–
Interest expense	48	1	15
Interest paid classified as operating cash flows	(48)	(1)	(12)
COVID-19-related rent concessions from lessors	–	–*	–
At 31 December 2021	1,740	42	243

\* Less than HK\$1 million

#### (c) Total cash outflows for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

HK\$ million	2022	2021
Within operating activities	1	1
Within financing activities	36	33
	<b>37</b>	<b>34</b>

### 39. 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 (2021: Nil).



#### 40. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank and other loans are included in note 29(a) to the financial statements.

#### 41. COMMITMENTS

As at 31 December 2022, capital commitment of the Group amounted to approximately HK\$5 million (2021: HK\$5 million). The Group intends to finance the capital commitment by the internal resources.

#### 42. 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	2022	2021
Interest expense on the 2024 Convertible Bonds	(i)	5.1	15.4
Interest expense on the 2024 Bond	(ii)	7.2	–
Purchase of inventories	(iii)	2.3	–
Rental income	(iv)	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 2024 Convertible Bonds) and the cash consideration of approximately HK\$29 million. Details of the 2024 Convertible Bonds are set out in note 30 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, total interest of HK\$5 million (2021: HK\$15 million) was incurred by the Company on the 2024 Convertible Bonds to Capital Force and New Capital.
- (ii) On 29 April 2022, the Company issued the 2024 Bond as further detailed in note 31 to the financial statements. The aforesaid transaction constituted exempt connected transaction for the Company under the Listing Rules.
- (iii) The amount represented purchase of certain items of inventories from a private company controlled by a key management personal and an immediate family member of Mr. Mak. The aforesaid transaction constituted exempt connected transaction for the Company under the Listing Rules.
- (iv) 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	2022	2021
Short term employee benefits	13	18

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.



### 43. 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:

2022

HK\$ million

#### Financial asset

	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
	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
	1,870

**43. FINANCIAL INSTRUMENTS BY CATEGORY** *(continued)*

2021

HK\$ million

**Financial assets**

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
Trade receivables	–	247	247
Investment in a film	80	–	80
Financial assets included in prepayments and other receivables	–	443	443
Financial assets at fair value through profit or loss	256	–	256
Pledged time deposits	–	40	40
Cash and cash equivalents	–	57	57
	336	787	1,123

**Financial liabilities**

	Financial liabilities at amortised cost
Trade payables	46
Other payables and accruals	59
Interest-bearing bank and other borrowings	1,782
Convertible bonds	243
	2,130



#### 44. 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\$1,400 million (2021: HK\$277 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 2022 and 2021 was assessed to be insignificant.

As at 31 December 2021, the fair value of the liability portion of the convertible bonds of HK\$243 million 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 listed equity investment is valued by using market approach based on price-to-book multiple of comparable companies with similar risks as at 31 December 2021.

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.



**44. 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**

HK\$ million	Quoted prices in active markets (Level 1)	Fair value measurement using		Total
		Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>Assets measured at fair value as at 31 December 2022:</b>				
Financial assets at fair value through profit or loss				
– Other assets, at fair value	6	–	–	6
<b>Assets measured at fair value as at 31 December 2021:</b>				
Financial assets at fair value through profit or loss				
– Listed equity investment, at fair value	–	–	250	250
– Other assets, at fair value	6	–	–	6
	6	–	250	256

As at 31 December 2021, the fair value of the listed equity investment was determined based on price-to-book multiple of comparable companies with similar risks which were significant unobservable inputs, therefore the investment was transferred from Level 1 to Level 3 as at 31 December 2021.

The Group did not have any financial liabilities measured at fair value as at 31 December 2022 (2021: Nil).

During the year ended 31 December 2022, 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 (2021: the listed equity investment transferred from Level 1 to Level 3).



#### 45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank and other borrowings 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, liquidity risk and equity price risk. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

##### 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 Group operates at a low gearing ratio and as the market interest rates are stable and are maintained at a relatively low level, the Group's interest rate risk is not significant.

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
<b>2022</b>		
HK\$	<b>100</b>	<b>14</b>
HK\$	<b>(100)</b>	<b>(14)</b>
<b>2021</b>		
HK\$	100	17
HK\$	(100)	(17)

#### 45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

##### **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 RMB against the Hong Kong dollar of 12.9% (2021: 3.22%) 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\$2.2 million (2021: HK\$0.7 million) in 2022.

##### **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 21 and 23 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 the independent third parties, details of which are described in notes 21 and 23 to the financial statements.



#### 45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

##### Credit risk (continued)

##### 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.

As at 31 December 2022	12-month ECLs		Lifetime ECLs		Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
HK\$ million						
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
	109	–	356		274	739

As at 31 December 2021	12-month ECLs		Lifetime ECLs		Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
HK\$ million						
Trade receivables*	–	–	–		262	262
Financial assets included in prepayments and other receivables						
– Normal**	365	–	–		–	365
– Doubtful**	–	–	20		–	20
Pledged deposits	40	–	–		–	40
Cash and cash equivalents	57	–	–		–	57
	462	–	20		262	744

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 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".



**45. 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 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 and accruals	62	–	–	–	62
Lease liabilities	49	44	19	–	112
Interest-bearing bank and other borrowings and bond	374	415	515	387	1,691
	551	459	534	387	1,931

**As at 31 December 2021**

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	46	–	–	–	46
Other payables and accruals	59	–	–	–	59
Convertible bonds	15	15	250	–	280
Lease liabilities	26	6	2	–	34
Interest-bearing bank and other borrowings	1,533	101	42	138	1,814
	1,679	122	294	138	2,233



#### 45. 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 2022 and 2021.

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 and 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	<b>31 December 2022</b>	31 December 2021
Interest-bearing bank and other borrowings	<b>1,550</b>	1,782
Bond/convertible bonds	<b>192</b>	243
Total borrowings	<b>1,742</b>	2,025
Total capital	<b>1,166</b>	1,621
Total capital and borrowings	<b>2,908</b>	3,646
Gearing ratio	<b>59.9%</b>	55.5%



#### 46. EVENT AFTER THE REPORTING PERIOD

On 20 January 2023, the Group issued a convertible bond (“2025 Convertible Bonds”) due on 31 December 2025 with an aggregate principal amount of HK\$220 million to Treasure Goal International Limited, a company owned by Mr. Mak. The 2025 Convertible Bonds bears interest at 4.5% per annum and the interest is monthly payable.

The holder of the 2025 Convertible Bonds has the right to convert all or any portion of the 2025 Convertible Bonds into shares of the Company at the conversion price of HK\$0.16 per conversion share. The conversion rights can be exercised at any time from the issue date of the convertible bond up to 30 December 2025.

The subscription price of the 2025 Convertible Bonds has been used by setting off against the outstanding principal amount of the 2024 Bond, with a view to improving the Company’s equity position, gearing ratio and ensuring compliance with the relevant requirement under the relevant bank facility agreement, and allowing the Company to retain its financial resources for a longer period of time and representing an opportunity to enhance the working capital of the Company.

#### 47. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and represented to conform to the current year’s presentation.

The presentation of the segment information was redefined during the year as further details in note 4 to the financial statements. Accordingly, the comparative segment information for the year ended 31 December 2021 has been restated to conform to the current year’s presentation and disclosures.



#### 48. 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	2022	2021
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investments in subsidiaries	1,907	1,940
<b>Current assets</b>		
Due from subsidiaries	329	548
Prepayments and other receivables	1	8
Cash and cash equivalents	3	9
Total current assets	333	565
<b>Total assets</b>	<b>2,240</b>	<b>2,505</b>
<b>EQUITY AND LIABILITIES</b>		
Issued capital	87	87
Reserves	924	1,055
<b>Total equity</b>	<b>1,011</b>	<b>1,142</b>
<b>Non-current liabilities</b>		
Convertible bonds	–	243
Bond	192	–
Interest-bearing bank and other borrowings	–	70
Total non-current liabilities	192	313
<b>Current liabilities</b>		
Other payables and accruals	32	4
Due to subsidiaries	924	932
Interest-bearing bank and other borrowings	81	114
Total current liabilities	1,037	1,050
<b>Total liabilities</b>	<b>1,229</b>	<b>1,363</b>
<b>Total equity and liabilities</b>	<b>2,240</b>	<b>2,505</b>
<b>Net current liabilities</b>	<b>(704)</b>	<b>(485)</b>
<b>Total assets less current liabilities</b>	<b>1,203</b>	<b>1,455</b>

**48. 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 2021	24	223	741	841	22	(518)	1,333
Loss and total comprehensive loss for the year	–	–	–	–	–	(278)	(278)
At 31 December 2021 and 1 January 2022	<b>24</b>	<b>223</b>	<b>741</b>	<b>841</b>	<b>22</b>	<b>(796)</b>	<b>1,055</b>
Loss and total comprehensive loss for the year	–	–	–	–	–	(141)	(141)
Early redemption of convertible bonds	–	–	10	–	(22)	22	10
At 31 December 2022	<b>24</b>	<b>223</b>	<b>751</b>	<b>841</b>	<b>–</b>	<b>(915)</b>	<b>924</b>

\* 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 convertible bonds during the year ended 31 December 2022.

**49. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 29 March 2023.



## other information

### PARTICULARS OF THE GROUP'S INVESTMENT PROPERTIES AS AT 31 DECEMBER 2022

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 2022**

<b>Location</b>	<b>Lot number</b>	<b>Use</b>	<b>Tenure</b>	<b>Attributable interest of the Group</b>
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 audited financial statements and re-presented as appropriate, is set out below.

### RESULTS

HK\$ million	2022	Year ended 31 December			
		2021	2020	2019 (Restated)	2018 (Restated)
<b>CONTINUING OPERATIONS</b>					
<b>REVENUE</b>	<b>812</b>	731	505	1,006	747
<b>(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>(467)</b>	(521)	(698)	(180)	29
Income tax credit	–	–	5	50	10
<b>(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>(467)</b>	(521)	(693)	(130)	39
<b>DISCONTINUED OPERATION</b>					
Loss for the year from a discontinued operation	–	–	(3)	(11)	(4)
<b>(LOSS)/PROFIT FOR THE YEAR</b>	<b>(467)</b>	(521)	(696)	(141)	35
(Loss)/profit attributable to:					
Owners of the parent	<b>(465)</b>	(517)	(689)	(141)	34
Non-controlling interests	<b>(2)</b>	(4)	(7)	–	1
	<b>(467)</b>	(521)	(696)	(141)	35

### ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

HK\$ million	2022	As at 31 December			
		2021	2020	2019	2018
<b>TOTAL ASSETS</b>	<b>3,339</b>	4,048	4,481	5,450	5,251
<b>TOTAL LIABILITIES</b>	<b>(2,166)</b>	(2,418)	(2,330)	(2,616)	(2,265)
	<b>1,173</b>	1,630	2,151	2,834	2,986
<b>EQUITY:</b>					
Equity attributable to owners of the parent	<b>1,166</b>	1,621	2,138	2,814	2,963
Non-controlling interests	<b>7</b>	9	13	20	23
	<b>1,173</b>	1,630	2,151	2,834	2,986



# glossary of terms

## GENERAL TERMS

“2011 Scheme”	The previous share option scheme adopted by the Company on 27 May 2011 and expired on 26 May 2021, with no share options having ever been granted under the 2011 Scheme.
“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 of which a part of principal amount of the HK\$30,200,000 has been redeemed by the Company 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 to Treasure Goal on 20 January 2023
“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
“2025 Convertible Bonds”	The 4.5% coupon convertible bonds due on 31 December 2025 with the aggregate principal amount of HK\$220,000,000 at the conversion price of HK\$0.16 per conversion share (subject to adjustments) issued by the Company on 20 January 2023 to Treasure Goal, the subscription price of the 2025 Convertible Bonds of HK\$220,000,000 has been satisfied by setting off the aggregate outstanding principal amount of HK\$220,000,000 under the 2024 Bonds held by Treasure Goal, being the subscriber of the 2025 Convertible Bonds under the subscription agreement entered into between the Company and Treasure Goal dated 16 November 2022. Details of which were stated on the announcement of the Company dated 16 November 2022 and the circular of the Company dated 19 December 2022
“AGM”	The annual general meeting of the Company
“Audit Committee”	The audit committee of the Company
“Blackbird Concessionaires”	Blackbird Concessionaires Limited, a company incorporated in Hong Kong with limited liability, which is wholly-owned subsidiary of the Company under the Blackbird Group
“Blackbird” or “Blackbird Group”	The Blackbird group established by the Company, which is engaged in the multi-faceted automotive business including the Ferrari dealership, Maserati importership, investment and trading of classic cars, car logistics operations, investment in collectible precision devices and other new business ventures
“Blackbird Tridente”	Blackbird Tridente Company Limited, a company incorporated in Hong Kong with limited liability, which is 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 51% owned by Mr. Mak and 49% owned 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 14 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 from time to time
“ESG Report”	environmental, social and governance report as contained in Appendix 27 to the Listing Rules
“GBA”	GBA Holdings Limited (stock code: 00261), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“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 10 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 51% owned by Mr. Mak and 49% owned 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 year
“Net Current Assets/(Liabilities)”	Current assets less current liabilities
“Operating profit/(loss)”	Operating profit/(loss) before interest, tax and unallocated income and expenses

