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CCTI FORTIS HOLDINGS LIMITED

(中 建 富 通 集 團 有 限 公 司)

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

(Stock Code: 00138)

**(1) ANNOUNCEMENT OF THE ANNUAL RESULTS FOR
THE YEAR ENDED 31 DECEMBER 2023; AND
(2) RESUMPTION OF TRADING**

The Board is pleased to report the financial figures in this consolidated annual results of the Group for the year ended 31 December 2023 are largely consistent with the previously disclosed unaudited consolidated annual results of the Group for the year ended 31 December 2023 which was published on 28 March 2024. Nevertheless, certain financial figures were previously published in the unaudited consolidated annual results announcement on 28 March 2024 are different. Specific differences are disclosed in the section headed “*Material Differences between Annual Results in the Unaudited Annual Results Announcement and Annual Results in this Announcement*” in this announcement.

The Board is also pleased to present and announce the consolidated annual results of the Group for the year ended 31 December 2023, together with the comparative amount for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

HK\$ million	Notes	2023	2022
REVENUE	3, 4	765	812
Cost of sales		<u>(593)</u>	<u>(709)</u>
Gross profit		172	103
Other income and gains, net	4	40	183
Selling and distribution costs		(19)	(23)
Administrative expenses		(265)	(250)
Other expenses, net		(383)	(402)
Finance costs	5	(124)	(78)
Share of profits of associates		<u>4</u>	<u>–</u>
LOSS BEFORE TAX	6	(575)	(467)
Income tax	7	<u>–</u>	<u>–</u>
LOSS FOR THE YEAR		<u>(575)</u>	<u>(467)</u>
Attributable to:			
Owners of the parent		(577)	(465)
Non-controlling interests		<u>2</u>	<u>(2)</u>
		<u>(575)</u>	<u>(467)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted		<u>(HK\$0.43)</u>	<u>(HK\$0.53)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

HK\$ million	Notes	2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment	10	716	771
Investment properties		627	1,316
Goodwill		17	17
Investment in associates		9	–
Valuable collections held for investments		298	314
Other receivables		1	11
Deferred tax assets		–	1
Total non-current assets		<u>1,668</u>	<u>2,430</u>
Current assets			
Inventories		68	104
Stock of valuable collections held for sale		–*	–*
Trade receivables	11	43	166
Investment in a film		80	80
Prepayments and other receivables		160	332
Financial assets at fair value through profit or loss		5	6
Promissory note receivable		148	150
Pledged time deposits		20	38
Cash and cash equivalents		47	33
		<u>571</u>	<u>909</u>
Assets of disposal groups classified as held for sale		<u>602</u>	<u>–</u>
Total current assets		<u>1,173</u>	<u>909</u>
Total assets		<u>2,841</u>	<u>3,339</u>

* less than HK\$1 million

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2023

HK\$ million	Note	2023	2022
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital		160	87
Reserves		571	1,079
		731	1,166
Non-controlling interests		–	7
Total equity		731	1,173
Non-current liabilities			
Interest-bearing bank and other borrowings		783	1,145
Convertible bonds		93	–
Bonds		–	192
Deferred tax liabilities		–	22
Total non-current liabilities		876	1,359
Current liabilities			
Trade payables	12	40	66
Tax payable		–*	3
Other payables and accruals		428	333
Interest-bearing bank and other borrowings		654	405
Convertible bonds		29	–
		1,151	807
Liabilities directly associated with the assets classified as held for sale		83	–
Total current liabilities		1,234	807
Total liabilities		2,110	2,166
Total equity and liabilities		2,841	3,339
Net current (liabilities)/assets		(61)	102
Total assets less current liabilities		1,607	2,532

* less than HK\$1 million

Notes:

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, valuable collections held for investments, investment in a film and financial assets at fair value through profit or loss which have been measured at fair value. Disposal groups held for sale are stated at lower of their carrying amounts and fair values less cost to sell. These financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest million except when otherwise indicated.

1.2 BASIS OF PRESENTATION

Going concern basis

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

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

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

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

1.2 BASIS OF PRESENTATION (CONTINUED)

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

- (a) the Group is actively discussing with potential buyers to dispose the long term assets;
- (b) the Group is able to renew and roll over the revolving, trading and working capital loans with more favourable financial covenants upon or before the maturity dates;
- (c) the Group is actively discussing with financial advisor for potential capital transactions;
- (d) the Group will continue to improve the sales and collection of outstanding sales proceeds; and
- (e) the Group will continue to take active measures to control its administrative costs and manage its capital expenditure.

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

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (c) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (d) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

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

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

- (e) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. 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 investment and holding of properties;
- (b) the securities business segment representing the trading in securities and holding of securities, financial assets and treasury products;
- (c) Ferrari business segment representing the import and distribution of Ferrari cars and provision of after-sale services as official importer of Ferrari in Hong Kong and Macau;
- (d) Maserati business segment representing the import and distribution of Maserati cars and provision of after-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 disposal of subsidiaries, gain/loss on early redemption of bonds/convertible bonds, share of profits of associates, loss on disposal of an associate, and head office and corporate expenses are excluded from such measurement.

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

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

3. OPERATING SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2023

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

* less than HK\$1 million

3. OPERATING SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2023 (continued)

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

* Less than HK\$1 million

3. OPERATING SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2022

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

3. OPERATING SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2022 (continued)

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

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

HK\$ million	2023	2022
Hong Kong, Macau and Chinese Mainland	659	619
Rest of the world	<u>106</u>	<u>193</u>
	<u><u>765</u></u>	<u><u>812</u></u>

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

(b) Non-current assets

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

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

Information about major customers

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

4. REVENUE, OTHER INCOME AND GAINS, NET

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

HK\$ million	2023	2022
Revenue		
<i>Revenue from contracts with customers</i>		
Income from sales of valuable collections and logistics service	149	277
Income from Ferrari business	344	363
Income from Maserati business	126	49
Provision and leasing of stage audio, lighting equipment and engineering services	72	62
Income from other operations	66	50
	<u>757</u>	<u>801</u>
<i>Revenue from other sources</i>		
Gross rental income from investment properties, fixed payments	8	11
	<u>765</u>	<u>812</u>
Other income and gains, net		
Compensation income from litigation	–	93
Fair value gains on valuable collections held for investments, net	–	35
Gain on disposal of subsidiaries	19	8
Gain on early redemption of convertible bonds	–	11
Government grants*	–	6
Interest from promissory note receivable	8	2
Others	13	28
	<u>40</u>	<u>183</u>

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

4. REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2023

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

4. REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

Revenue from contracts with customers (Continued)

(a) Disaggregated revenue information (continued)

For the year ended 31 December 2022

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

4. REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

Revenue from contracts with customers (Continued)

(a) *Disaggregated revenue information (continued)*

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

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

(b) *Performance obligations*

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

Sale of Ferrari cars

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

Sale of Maserati cars

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

Sale of valuable collections

The performance obligation is satisfied upon delivery of the valuable 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.

4. REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

Revenue from contracts with customers (Continued)

(b) Performance obligations (continued)

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

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

Provision of advertising services under other operations

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

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

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

6. LOSS BEFORE TAX

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

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

7. INCOME TAX

No provision for Hong Kong profits tax has been made in respect of the years ended 31 December 2023 and 2022.

8. DIVIDENDS

The Board did not recommend the payment of a final dividend for the year 2023 (2022: Nil). The Board did not recommend and pay an interim dividend for 2023 (2022: Nil). No dividend for the whole year of 2023 was recommended (2022: Nil).

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

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

HK\$ million	2023	2022
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	(577)	(465)
Interest on convertible bonds	<u>12</u>	<u>5</u>
Loss attributable to ordinary equity holders of the parent before interest on convertible bonds	<u>(565)</u>	<u>(460)</u>
	Number of Shares	
	2023	2022
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	1,331,895,699	873,111,452
Effect of dilution – weighted average number of ordinary shares: Convertible bonds	<u>904,583,562</u>	<u>113,294,521</u>
Weighted average number of ordinary shares used in the diluted loss per share calculation	<u>2,236,479,261</u>	<u>986,405,973</u>

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

10. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2023, the Group acquired fixed assets and right-of-use assets of approximately HK\$62 million (2022: HK\$127 million) and disposed of fixed assets of HK\$6 million (2022: HK\$7 million).

11. TRADE RECEIVABLES

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	2023		2022	
	Balance	Percentage	Balance	Percentage
Within 180 days	32	74	43	26
181 to 365 days	2	5	7	4
1 to 2 years	2	5	4	3
Over 2 years	7	16	112	67
	<u>43</u>	<u>100</u>	<u>166</u>	<u>100</u>

The credit term given by the Group to its customers is generally one month. The credit term granted to the customers of trading securities is up to 365 days (2022: 365 days). Each customer has a maximum credit limit.

12. 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	2023		2022	
	Balance	Percentage	Balance	Percentage
Current to 30 days	14	35	30	45
31 to 60 days	11	28	5	8
61 to 90 days	1	2	3	5
Over 90 days	14	35	28	42
	<u>40</u>	<u>100</u>	<u>66</u>	<u>100</u>

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

13. EVENT AFTER THE REPORTING PERIOD

A partial principal amount of HK\$10,000,000 of 4.5% – 2024 CB was redeemed by the Company on 18 February 2024. After aforesaid partial redemption, the outstanding principal amount of 4.5% – 2024 CB was HK\$20,011,500 as at the date of this announcement.

CHAIRMAN'S STATEMENT

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

ANNUAL RESULTS

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

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

FINAL DIVIDEND

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

BUSINESS REVIEW

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

PROPERTY BUSINESS

Hong Kong Property Business

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

SECURITIES BUSINESS

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

BLACKBIRD GROUP

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

Ferrari Business

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

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

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

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

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

Maserati Business

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

Valuable Collections Trading and Investment Business

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

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

Car Logistics Business

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

CULTURAL ENTERTAINMENT BUSINESS

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

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

OUTLOOK

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

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

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

APPRECIATION

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

Mak Shiu Tong, Clement

Chairman

Hong Kong, 11 April 2024

FINANCIAL REVIEW

OVERVIEW OF 2023 ANNUAL FINANCIAL RESULTS

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

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

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

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

ANALYSIS BY BUSINESS SEGMENT

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

* less than HK\$1 million

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

Property investment and holding

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

Securities business

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

Ferrari business

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

Maserati business

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

Valuable collections and logistics business

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

Cultural entertainment business

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

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

Other operations

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

ANALYSIS BY GEOGRAPHICAL SEGMENT

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

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

CAPITAL STRUCTURE AND GEARING RATIO

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

CAPITAL COMMITMENTS

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

TREASURY MANAGEMENT

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

During the year ended 31 December 2023, the Group's receipts were mainly denominated in HK\$ and US\$. Payments were mainly made in HK\$ and US\$. Cash was generally placed in short-term deposits denominated in HK\$. In the year ended 31 December 2023, the Group's borrowings were mainly denominated in HK\$, and interest on the borrowings was principally determined on a floating rate basis.

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

DISPOSAL OF MATERIAL SUBSIDIARIES

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

SIGNIFICANT INVESTMENT

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

PLEDGE OF ASSETS

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

CONTINGENT LIABILITIES

As at 31 December 2023, the Group had the following contingent liabilities:

During 2017 and in or about August 2018, various property purchasers initiated legal proceedings against a subsidiary of the Company (the "**Relevant Subsidiary**") concerning alleged misrepresentations on the part of the Relevant Subsidiary in relation to certain properties sold by the Relevant Subsidiary. In September 2018, the Court ordered that all individual legal proceedings against the Relevant Subsidiary were consolidated into one legal proceedings. Based on the existing legal documents and advice of the legal advisor of the Company, the directors 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.

EMPLOYEES AND REMUNERATION POLICY

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

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

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

CORPORATE GOVERNANCE

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 applicable code provisions of the CG Code thorough the year ended 31 December 2023 except for the minor deviations from the following Code Provisions of the CG Code for the relevant periods:

- (a) Minor deviations occurred during the year ended 31 December 2023:

Code Provision C.2.1: 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; and

- (b) Minor deviations occurred during the period from 1 January 2023 to 30 June 2023:

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

In order to improve corporate governance of the Company and align with Code Provision B.2.2, among others, the bye-laws of the Company were amended and approved by the Shareholders at the Company's annual general meeting held on 30 June 2023. Since then, the Company has been complied with Code Provision B.2.2.

Detailed information on the above deviations and their respective considered reasons, as well as other information on the corporate governance practices of the Company, have been disclosed in the interim report of the Company for the six months ended 30 June 2023, and will be disclosed in the corporate governance report contained in the 2023 annual report of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

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

EVENT AFTER THE REPORTING PERIOD

The Company partially redeemed the 4.5% – 2024 CB in the principal amount of HK\$10,000,000 on 18 February 2024. After the aforesaid partial redemption, the outstanding principal amount of the 4.5% – 2024 CB was HK\$20,011,500 as at the date of this announcement. Details of which were stated in the announcements of the Company dated 28 July 2023 and 18 August 2023 and the Company's monthly return uploaded on the websites of the Company and the Stock Exchange on 5 March 2024.

Save as disclosed above, particulars of event after the reporting period have been stated in Note 13 of this announcement.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") since 2000 with specific written terms of reference formulated in accordance with the requirements of the Listing Rules. The Audit Committee consists of three members who are the INEDs, namely Mr. Lau Ho Kit, Ivan ("**Mr. Ivan Lau**"), Mr. Chen Li and Mr. Chow Siu Ngor ("**Mr. Chow**"). The Audit Committee is currently chaired by Mr. Ivan Lau, who is a qualified accountant and has extensive experience in accounting and financial matters.

The Audit Committee has reviewed and discussed the adopted accounting principles and practices and the auditing, internal control and financial reporting matters of the Group. The Audit Committee has also reviewed the consolidated financial statements of the Group for the financial year ended 31 December 2023. The Audit Committee held three meetings during the financial year ended 31 December 2023.

Further information of the Audit Committee will be disclosed in the corporate governance report contained in the 2023 annual report of the Company.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the “**Remuneration Committee**”) since 2005 with specific written terms of reference formulated in accordance with the requirements of the Listing Rules. The Remuneration Committee consists of five members comprising three INEDs, namely Mr. Chen Li, Mr. Chow, Mr. Ivan Lau, and two executive Directors namely Mr. Mak Shiu Tong, Clement (“**Mr. Mak**”) and Ms. Cheng Yuk Ching, Flora (“**Ms. Cheng**”). The Remuneration Committee is currently chaired by Mr. Chow. The Remuneration Committee held one meeting during the financial year ended 31 December 2023.

Further information of the Remuneration Committee will be disclosed in the corporate governance report contained in the 2023 annual report of the Company.

NOMINATION COMMITTEE

The Company has established a nomination committee (the “**Nomination Committee**”) since 2012 with specific written terms of reference in line with the Code Provisions under the CG Code. The Nomination Committee consists of five members comprising three INEDs, namely Mr. Chen Li, Mr. Chow and Mr. Ivan Lau and two executive Directors, namely Mr. Mak and Ms. Cheng. The Nomination Committee is currently chaired by Mr. Mak, who is the chairman of the Board. The Nomination Committee held one meeting during the financial year ended 31 December 2023.

Further information of the Nomination Committee will be disclosed in the corporate governance report contained in the 2023 annual report of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of three INEDs, namely Mr. Chen Li, Mr. Chow and Mr. Ivan Lau, has filed a written confirmation to the Company confirming his independence pursuant to Rule 3.13 of the Listing Rules and has undertaken to inform the Stock Exchange and the Company as soon as practicable if there is any subsequent change in circumstances which may affect his independence. As at the date of this announcement, all INEDs were considered to be independent and all INEDs are suitable to serve as an INED.

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 and at least an INED with appropriate professional qualifications or accounting or related financial management expertise and the number of INEDs representing at least one-third of the Board throughout the financial year ended 31 December 2023.

MATERIAL DIFFERENCES BETWEEN ANNUAL RESULTS IN THE UNAUDITED ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL RESULTS IN THIS ANNOUNCEMENT

Since the financial information contained in the unaudited results announcement has not been audited and has not been agreed with the Company's auditor as at the date of its publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to certain differences between the annual results in the unaudited results announcement and the annual results in this announcement. Set forth below are the principal details and reasons for the aforementioned material differences in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

Consolidated Statement of Profit or Loss (Extract)

For the year ended 31 December 2023

HK\$ million

	2023 (Disclosed in the Unaudited Results Announcement)	2023 (Disclosed in this announcement)	Change	Note
REVENUE	765	765	–	
Cost of sales	<u>(608)</u>	<u>(593)</u>	15	1
Gross profit	157	172	15	1
Other income and gains, net	55	40	(15)	1
Selling and distribution costs	(19)	(19)	–	
Administrative expenses	(265)	(265)	–	
Other expenses, net	(383)	(383)	–	
Finance costs	(124)	(124)	–	
Share of profits of associates	<u>4</u>	<u>4</u>	–	
LOSS BEFORE TAX	<u>(575)</u>	<u>(575)</u>		
Attributable to:				
Owners of the parent	(577)	(577)	–	
Non-controlling interests	<u>2</u>	<u>2</u>	–	
	<u>(575)</u>	<u>(575)</u>	–	

Note:

1. The change was resulted from a reclassification between “Cost of sales” and “Other income and gains, net”.

Save as disclosed in this announcement and the corresponding adjustments, percentages and ratios related to the above material differences, all other information contained in the Unaudited Results Announcement remain unchanged.

SCOPE OF WORK OF ERNST & YOUNG

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

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

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

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

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

MANAGEMENT ACTION PLANS TO BE IMPLEMENTED BY THE COMPANY

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

- (a) the Group is actively discussing with potential buyers to dispose the long term assets;
- (b) the Group is able to renew and roll over the revolving, trading and working capital loans with more favourable financial covenants upon or before the maturity dates;
- (c) the Group is actively discussing with financial advisor for potential capital transactions;
- (d) the Group will continue to improve the sales and collection of outstanding sales proceeds;
and
- (e) the Group will continue to take active measures to control its administrative costs and manage its capital expenditure.

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

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

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

PUBLICATION OF THE 2023 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement of the Company for the year ended 31 December 2023 is published on the website of the Company at www.cct-fortis.com/eng/investor/announcements.php and that of the Stock Exchange at www.hkexnews.hk. The annual report containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the websites of the Company and the Stock Exchange in due course.

RESUMPTION OF TRADING

At the request of the Company, trading in the Company's shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on Tuesday, 2 April 2024, pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Company's shares with effect from 09:00 a.m. on Friday, 12 April 2024.

BOARD OF DIRECTORS

As at the date of this announcement, the executive Directors are Mr. Mak Shiu Tong, Clement and Ms. Cheng Yuk Ching, Flora; and the INEDs are Mr. Chen Li, Mr. Chow Siu Ngor and Mr. Lau Ho Kit, Ivan.

By Order of the Board of
CCT FORTIS HOLDINGS LIMITED
Mak Shiu Tong, Clement
Chairman

Hong Kong, 11 April 2024

GLOSSARY OF TERMS

General Terms

“2024 Bond”	The 4.5% coupon bond with the aggregate principal amount of HK\$250,200,000 issued by the Company on 29 April 2022 to Treasure Goal. Partial of principal amount of the HK\$30,200,000 was redeemed by the Company on 16 November 2022 and the aggregate outstanding principal amount of the HK\$220,000,000 under the 2024 Bond was setting off by Treasure Goal (the subscriber of the 4.5% – 2025 CB) against the subscription price of HK\$220,000,000 of the 4.5% – 2025 CB issued by the Company on 20 January 2023
“5% – 2024 CB”	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
“4.5% – 2024 CB”	On 18 August 2023, 4.5% coupon convertible bonds with the aggregate principal amount of HK\$30,011,500 was issued by the Company to not less than six placees under general mandate; and the Company redeemed a partial principal amount of HK\$10,000,000 on 18 February 2024. The outstanding principal amount was HK\$20,011,500 as at the date of this announcement
“4.5% – 2025 CB”	The 4.5% coupon convertible bonds due on 31 December 2025 with the initial 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 4.5% – 2025 CB has been satisfied by setting off the aggregate outstanding principal amount of HK\$220,000,000 under the 2024 Bonds by Treasure Goal, being the subscriber of the 4.5% – 2025 CB under the subscription agreement dated 16 November 2022. The outstanding principal amount of 4.5% – 2025 CB was HK\$103,000,000 as at the date of this announcement
“Blackbird” or “Blackbird Group”	The Blackbird group established by the Company, which is engaged in the multi-faceted automotive business including the Ferrari business, Maserati importership, investment and trading of valuable collections, car logistics operations and other new business ventures

“Blackbird Concessionaires”	Blackbird Concessionaires Limited, a company incorporated in Hong Kong with limited liability, being a wholly-owned subsidiary of the Company under the Blackbird Group
“Blackbird Tridente”	Blackbird Tridente Company Limited, a company incorporated in Hong Kong with limited liability, being a wholly-owned subsidiary of the Company under the Blackbird Group
“Board”	The board of Directors
“Capital Force”	Capital Force International Limited, a company incorporated in the British Virgin Islands with limited liability, the shares in which are 51% owned by Mr. Mak and 49% owned by Mr. Mak Chun Kiu, a son of Mr. Mak, beneficially
“CG Code”	The Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Chairman”	The chairman of the Company
“China” or “PRC”	The People’s Republic of China
“Company”	CCT Fortis Holdings Limited (stock code: 00138), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	The director(s) of the Company
“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 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 the Appendix C3 to the Listing Rules
“Mr. Mak”	Mr. Mak Shiu Tong, Clement is the sole beneficial owner of Treasure Goal; and the Chairman, the chief executive officer, an executive Director and the controlling Shareholder of the Company, and holds 25,589,652 issued Shares and is deemed under Part XV of the SFO to be interested in 1,177,275,079 issued Shares, representing approximately an aggregate of approximately 74.97% of the total number of issued Shares as at the date of this announcement
“New Capital”	New Capital Industrial Limited, a company incorporated in the British Virgin Islands, the shares in which are 51% owned by Mr. Mak and 49% owned by Mr. Mak Chun Kiu, a son of Mr. Mak, beneficially
“N/A”	Not applicable
“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” or “USA”	The United States of America
“%”	Per cent

Financial Terms

“Gearing Ratio”	Total borrowings (representing bank and other borrowings, bonds/ convertible bonds and lease liabilities) divided by total capital employed (i.e. total Shareholders’ fund plus total borrowings)
“Loss Per Share”	Loss attributable to ordinary equity holders of the parent divided by weighted average number of ordinary shares in issue during the period
“Net Current Assets/(Liabilities)”	Current assets less current liabilities
“Operating profit/(loss)”	Operating profit/(loss) before interest, tax and unallocated income and expenses