CCT FORTIS

中建富通集團有限公司

Stock Code : 138

2019

contents

chairman's statement

On behalf of the Board, I report the annual results of the Group for the year ended 31 December 2019.

DETERIORATING OPERATING ENVIRONMENT

In 2019, the Group faced one of the most of difficult times in its 28 years of history. The operating environment of the Group has been deteriorating as a result of the combined effect of a number of global and local economic, political and health events which are beyond the Company's control. These events include:

(a) the protracted trade war between the USA and the PRC;
(b) the global economic slowdown;
(c) the social unrest in Hong Kong; and
(d) the recent outbreak of the novel coronavirus.

These events have given rise to negative impact on the economy of China as well as Hong Kong, where our principal businesses are located.

RESULTS

Given the deteriorating operating environment, the Group recorded a net loss attributable to owners of the parent of HK$141 million as opposed to a net profit of HK$34 million in 2018. This year's loss arose mainly as a result of two non-cash items representing the net unrealised loss of HK$92 million arising from the change in fair values of the Group's property portfolio, and less fair value gain of the Company's collectible assets portfolio with fair value gain of only HK$2 million in 2019 as compared with fair value gain of HK$24 million in 2018.

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 2019 (2018 final dividend: nil). The Company did not pay any interim dividend for 2019 (2018 interim dividend: HK$0.035 per Share).

BUSINESS REVIEW

The Group's businesses comprise principally: (i) property development, trading and investment; (ii) securities business; (iii) Blackbird's multi-faceted automotive business; (iv) investment in collectible precision devices; (v) cultural entertainment business; and (vi) industrial product business.

PROPERTY BUSINESS

Following the rally of the property market in the previous few years, property prices continued to rise modestly in the first half of the year under review. However, this upward trend reversed and property prices began to move downward in the second half, led mainly by the escalated trade war between the USA and China and the social unrest in Hong Kong. The downturn of the property market became more notable in the first quarter of 2020 after the coronavirus outbreak since the start of the current year. Nevertheless, we maintain our confidence in the long term prospects of the Hong Kong property market. We expect the property market will rebound as when the virus is contained.

Property development and trading

Our trading property portfolio comprises the two consecutive floors at No. 8 Russell Street, Causeway Bay ("**Russell Street Properties**"). During the year under review, we rented out one floor and tried to seek new tenant for the other floor.

The retail market, especially in the tourist areas like Causeway Bay, was adversely affected by the social unrest in Hong Kong. As a result, the Russell Street Properties recorded an impairment loss of HK$42 million, due to fair value changes in 2019.

Property investment and holding

Our portfolio of investment properties is diversified and comprises luxury residential properties, offices, retail properties and shops, industrial properties and car parks. With our excellence in vision and insight in the property market, we have acquired a good combination of investment properties, the value of which has appreciated substantially over the years.

We realised that property prices had risen too fast and too high in the past few years. Therefore, we grasped the buoyant market in the first half of 2019 and disposed of our previous office property at 31/F., Fortis Tower at a consideration of HK$159 million. The transaction was completed on 31 July 2019 and a gain of HK$83 million was realised from the disposal. After the disposal, property prices began to go down and transaction volume shrank. This again reflects that we have good vision in griping the right timing and opportunities of buying and selling properties.

In 2019, the property investment and holding segment delivered an operating profit of HK$32 million (2018: operating profit of HK$83 million), attributable mainly to the aforesaid realised gain of HK$83 million (2018: realised gain of HK$1 million), offset in part by the unrealised fair value losses of HK$50 million (2018: fair value gains of HK$79 million) as a result of revaluation of our investment properties at year end.

Mainland Property Business

The Belt and Road Initiative (the "**Initiative**"), which is a significant development strategy launched by the Chinese Government with the intention of promoting economic co-operation among countries along the proposed Belt and Road routes. We believe Xinjiang, positioned as the "Silk Road Economic Belt Core Area" has promising growth potentials under the Initiative. We invested in the Xinjiang property project with a view to take advantages of the preferential policies and the growth potentials under the Initiative that may benefit Xinjiang. The performance of the Xinjiang project was relatively steady. However, the outbreak of the coronavirus after the year end has disrupted the operations of the Xinjiang project to certain extent and its performance in 2020 may be negatively affected.

SECURITIES BUSINESS

In 2019, the Hong Kong stock market remained volatile. The stock market moved upward in the first four months of 2019. The Hang Seng Index reached the highest closing point of the year of 30,157 points on 9 April. Since then, the stock market reversed its upward trend and the share index turned downward. The market volatility rose as the trade tensions between the USA and China escalated. Towards the year end in 2019, the stock index rebounded as the world's two economic superpowers reached phase one trade deal. The Hang Seng Index closed at 28,189 points on 31 December. As a result of the coronavirus outbreak, the global stock market tumbled in the first quarter of 2020 as investors were panic amid this global health crisis and sold shares to reduce their risks in the capital market.

In 2019, the Company's financial assets at fair value through profit or loss represented mainly listed shares of GBA Holdings, whose share price was steady and maintained at HK$0.01 during the year under review. The GBA Holdings Group is principally engaged in trading and sale of telecom, electronic and child products, property development and finance business. It is noted that the GBA Holdings Group has a strong financial position and it pursues proactively initiatives seeking to enhance its growth and improve its profitability. As such, we consider that the long-term prospects of the GBA Holdings Group look promising. Therefore, in September 2019, we acquired 25.2 billion shares of GBA Holdings at HK$0.01 per share and increased our total holdings of GBA Holdings to approximately 53.7 billion shares as at 31 December 2019 (2018: 28.5 billion shares), representing approximately 29.19% (2018: 15.48%) of the total number of issued shares of GBA Holdings at the year end date. The fair value of such securities as at 31 December 2019 was approximately HK$537 million (2018: HK$285 million) calculated at the closing price HK$0.01 per share (2018: HK$0.01 per share) of GBA Holdings as at year end date, representing approximately 9.85% (2018: 5.43%) of the total assets of the Group at the year end date. We look for value appreciation and intend to hold these shares for trading purposes.

During the year under review, the Company did not sell any shares of GBA Holdings and did not receive any dividend or income from the trading securities. As such, our securities business recorded an operating loss of HK$3 million, due to operating expenses of this segment.

BLACKBIRD GROUP

The Blackbird Group, under the leadership of its chief executive officer, Mr. TK Mak, is principally engaged in (i) the official dealership of Ferrari in Hong Kong and Macau, including the repair and servicing business; (ii) a classic car trading and investment business; and (iii) a car logistics business. The management is very pleased with the continuing development of the Blackbird Group's multi-faceted automotive operations.

Ferrari Dealership Business

June 2019 marked the second year anniversary of Blackbird Concessionaires' appointment as Hong Kong and Macau's official Ferrari dealership. During the year under review, Ferrari's new model launch programme was unprecedented and Blackbird was pleased to present three more new models. These were the Special Series 488 Pista Spider, the F8 Tributo, being the replacement of Ferrari's traditional mid-engined two-seater sports car known as the 488 GTB, and a new flagship hybrid model, the SF90 Stradale. Launch events were arranged in January in Macau and June and November in Hong Kong respectively. Furthermore, Ferrari chose to launch the new F8 Spider and 812 GTS convertibles during a special event at the factory in Maranello, Italy in September, as well as their new GT car, the Roma, during a VIP event in Rome in November. As a result of these activities, we received very strong and solid support from our customers and achieved many new car sales orders within a short period of time after each event.

Deliveries of new cars remained strong throughout the year with the majority of 488 Pista and Pista Spiders being produced during 2019. In addition, the first of the Limited Series Ferrari Monzas arrived in Hong Kong in December.

Our Ferrari after-sales centre in Kwai Chung, which occupies about 70,000 square feet and became operational in July 2018, performed very well during the year. This new 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 has been very well received and strongly supported by customers.

Classic Car Trading and Investment Business

During the year ended 31 December 2019, we sold a number of classic and high value modern cars. In 2019, the classic car market continued to be affected by the global economic slowdown and the increasing trade tensions between the USA and China. However, the management is cautiously optimistic regarding the long-term outlook of the classic car market.

Car Logistics Business

The Company's logistics business has performed well during the year with a good operating margin. Continuing its expansion programme, new contracts were achieved with a number of significant automotive clients in Hong Kong, with further opportunities under discussion. In addition, work continued in support of local importers, distributors, dealers, roadside assistance and insurance companies, racing organisations and private owners.

INVESTMENT IN COLLECTIBLE PRECISION DEVICES

2019 was an important year for the Watch Manual division, particularly for the consultancy and content side of the business, witnessing the launch of the print publication to much acclaim, as well as a collaboration with DFS Group, on their media strategy. Most significant was the relationship established with Phillips auction house, culminating in the extremely successful SPORTS thematic auction held in Hong Kong in May. In this themed auction sales in partnership with Blackbird Group, Phillips achieved 100% of lots sold. In addition to the appointment of Mr. TK Mak, our founder and CEO of the Blackbird Group, in the watch advisory board of the Phillips auction house, it further recognised our position in luxury watch industry and have generated considerable international exposure for the Blackbird Group, in addition to providing revenue and profits for the Watch Manual division.

Overall transactions of collectible precision devices were reduced versus 2018, due to mature market conditions making arbitrage opportunities less frequent, and a lack of important pieces entering the marketplace. Growth across the collectible precision devices portfolio was steady in 2019.

CULTURAL ENTERTAINMENT BUSINESS

Our cultural entertainment business comprise film operations, stage audio, lighting and engineering operations and artist management operation.

Film operations

Production of the large scale crime thriller film entitled "Sons of the Neon Night"(風林火山), in which we have invested together with Beijing J.Q. Media & Culture Company Limited (北京嘉映文化傳媒有限公司) and Shaw Brothers Picture International Limited (邵氏兄弟國際影業有限公司) has been completed and the film is ready to release. It is expected that this all-star film will be premiered in one of the international film festivals in 2020 and will be publicly released after the world premiere. In view of its strong casts and the high quality of production, it is expected that this film will achieve high box office receipts.

Stage audio, lighting and engineering operations

In the first six months of 2019, our stage services segment was engaged in more live pop concerts and events as compared with the previous year. However, the social unrest in Hong Kong which started in June and continued throughout the second half caused disruption to the live entertainment events in Hong Kong. As a result, numerous pop concerts, performance, cultural and sport events were cancelled or postponed and this gave rise to negative impact on the performance of this segment in the reporting year.

The overall profit margin of our stage service operations was lower in 2019, as a result of the increase in operating costs due to expectation from audience, organisers and artists for higher quality of visual and audio performance in live concerts. To combat the cost challenges, management has restructured our production team and has implemented effective cost control procedures in order to improve our profitability.

During the year under review, in order to maintain our competitive advantages and our service quality, we invested in additional advanced lighting and audio equipment, and engineering equipment to upgrade our production gears.

Artist Management

During the year under review, the female singer under our management continued to win various Chinese-pop music awards in Hong Kong. She has become one of the most popular pop divas in Hong Kong. In 2019, she was engaged in numerous commercial events and live pop concerts. We are delighted at the tremendous success of her own live concert which was held at the Hong Kong Coliseum in October 2019. The concert received excellent responses from the audience, with positive comments and acclaim from the media and critics. The event also contributed profit to the Group.

INDUSTRIAL GROUP

The industrial group is engaged in the manufacture of plastic components business and the trading of child products. During 2019, business of the industrial group was adversely affected by the prolonged trade war between the USA and China, global economic slowdown and keen competition. As a result, this segment recorded revenue of only HK$91 million, decreased by HK$81 million or 47% from 2018. Given the adverse operating environment, the segment's loss increased by HK$2 million to HK$6 million in the year under review.

OUTLOOK

We consider that the outbreak of the novel coronavirus poses the greatest threats and challenges to the world economy in 2020. This highly infectious virus has quickly spread around the world. The number of infected cases and dead toll around the world continue to rise. The World Health Organisation declared the coronavirus outbreak a pandemic on 11 March 2020. It is uncertain when this dangerous disease will be contained. This global health crisis has caused serious disruption for people and various types of economic and social activities in the world. It is also concerned that the negative impact on global economy is rising. Governments of many affected countries in the world have introduced measures trying to contain this virus and economic policies are implemented to limit the negative impact created by the virus on their economy.

The coronavirus outbreak may give rise to negative impact to our business operations and financial position. We have put in place various measures to respond to the current situation. We are closely monitoring the future development of this global health crisis and will strive to combat these unprecedent challenges as the situation evolves. Given the current adverse situation, we have strived to conserve our cashflow and further strengthen our cost control in order to combat the current and future challenges. With a resilient management, we consider that once the coronavirus is contained, our core businesses will rebound. We will 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, various landlords and suppliers for their continued encouragement and strong support to the Company throughout these unprecedented times.

Mak Shiu Tong, Clement
Chairman

Hong Kong, 30 March 2020

directors and senior management

EXECUTIVE DIRECTORS

Mr. MAK Shiu Tong, Clement, aged 66, is the controlling shareholder of the Company and has acted as the Chairman, the CEO and the 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 43 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 China, finance business and vehicle business. In his many years in the businesses, he has demonstrated a keen understanding in the diversified businesses in which the Group is engaged. Mr. Mak is also the chairman, the chief executive officer and an executive director of GBA Holdings, whose shares are listed on the Main Board of the Stock Exchange. Mr. Mak holds a Diploma in Electrical Engineering.

Mr. TAM Ngai Hung, Terry, aged 66, has been the Executive Director and the Group Finance Director since March 2001. He has been appointed as the Deputy Chairman of the Company since December 2005. He is a member of each of the Remuneration Committee and the Nomination Committee. He is also a director and company secretary of certain subsidiaries of the Company. Mr. Tam is primarily responsible for the corporate finance, accounting and company secretarial functions of the Group. He has more than 42 years of experience in finance and accounting management, and management experience in diversified businesses. He also possesses substantial knowledge in corporate finance matters, mergers and acquisitions and company secretarial matters. He previously held a number of senior positions in several listed companies before he joined the Company. Mr. Tam is also an executive director of GBA Holdings. Mr. Tam is a fellow of the Association of Chartered Certified Accountants and an associate of both the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and The Institute of Chartered Secretaries and Administrators.

Ms. CHENG Yuk Ching, Flora, aged 66, has been the Executive Director since February 1998. Ms. Cheng is also a director of certain subsidiaries of the Company. She assists the CEO in overseeing the day-to-day management of the principal businesses of the Group. Ms. Cheng has over 40 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 is also an executive director and the deputy chairman of GBA Holdings. Ms. Cheng holds a Diploma in Business Administration.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TAM King Ching, Kenny, aged 70, has been an INED since December 1999. He is the chairman and a member of the Audit Committee, and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Tam also serves as an independent non-executive director of certain listed companies on the Main Board of the Stock Exchange, namely GBA Holdings, BeijingWest Industries International Limited (stock code: 02339), Hong Kong Shanghai Alliance Holdings Limited (stock code: 01001), Kingmaker Footwear Holdings Limited (stock code: 01170), Shougang Concord Grand (Group) Limited (stock code: 00730), Starlite Holdings Limited (stock code: 00403), West China Cement Limited (stock code: 02233) and Wisdom Education International Holdings Company Limited (stock code: 06068). Mr. Tam is also a council member of The Society of Chinese Accountants and Auditors. Mr. Tam is a practising Certified Public Accountant in Hong Kong. He holds a Bachelor's Degree in Commerce and is a fellow member of the HKICPA and a member of the Chartered Professional Accountants of Ontario, Canada.

Mr. CHEN Li, aged 55, 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. Mr. Chen was previously an executive director of Sinofortune Financial Holdings Limited (formerly known as "First China Financial Network Holdings Limited") (stock code: 08123), a company listed on the GEM of the Stock Exchange, until his resignation in July 2016. 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 64, 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 is also an independent non-executive director of GBA Holdings and REXLot Holdings Limited (stock code: 00555), the shares of which are listed on the Main Board of the Stock Exchange. 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.

SENIOR MANAGEMENT

Mr. MAK Chun Kiu, TK, aged 40, 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 Mainland China and Taiwan. With over 20 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. John Brian NEWMAN, aged 51, is the Chief Operating Officer of the Blackbird Group. He has 30 years of senior management experience with blue chip sports and luxury car manufacturers, importers and retailers and was a director of a successful motor racing team in Europe. Experienced in sales, marketing, distribution, dealer development, media communications and customer relationship management, he has been with the Company since 2014. He holds a Diploma in Business and Finance, is a qualified pilot and has worked in the motor industry in both the UK and Asia.

Mr. CHEUNG Chi Wah, Patrick, aged 49, joined the Group in October 1999 and rejoined the Group in October 2015. He resigned again from the Company in March 2020 for his personal development. He held the position of Financial Controller and was primarily responsible for the accounting and financial management and business development matters of the Group. Besides his services with the Group, he worked in a leading international accounting firm for about 5 years and held a senior management position in another listed company for 5 years. He has over 24 years of professional experience in corporate finance, financial management, accounting and auditing. He holds an Honours Degree in Accountancy from The Hong Kong Polytechnic University and a Master Degree in Information and Technology Management from The Chinese University of Hong Kong. He is an associate of the HKICPA.

Mr. CHAN Muk Hing, aged 65, 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 China 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 42 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 62, 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 China, 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 32 years of experience in performance stage design, metal construction works and engineering services.

financial review

OVERVIEW OF 2019 FINANCIAL RESULTS

HK$ million	2019	2018	% increase/ (decrease)
Revenue	**1,097**	919	19.4%
Gross Profit	**178**	149	19.5%
G. P. Ratio	**16.2%**	16.2%	–
(Loss)/profit for the year	**(141)**	35	N/A
(Loss)/profit attributable to:			
Owners of the parent	**(141)**	34	N/A
Non-controlling interests	**–**	1	(100.0%)
	(141)	35	N/A
Return on Equity	**N/A**	1.1%	
(Loss)/earnings per share attributable to ordinary equity holders of the parent			
— Basic	**(HK$0.16)**	HK$0.04	N/A
— Diluted	**(HK$0.16)**	HK$0.04	N/A
Dividend per share	**Nil**	HK$0.035	N/A

Despite an adverse business environment, the Group's revenue continued to rise and amounted to HK$1,097 million in 2019, increased by HK$178 million or 19.4%. The Group achieved its second straight year of double-digit percentage growth in revenue, thanks to the fast growth of Blackbird's Ferrari dealership, whose revenue surged 137.6% to reach HK$613 million in 2019. The Group's gross profit was HK$178 million, increased by 19.5%, in line with growth of its revenue. The G.P. Ratio was 16.2%, same as the previous year.

Loss attributable to owners of the parent was HK$141 million as opposed to a net profit of HK$34 million for 2018. This year's loss was led by the deteriorating operating environment. The reported loss arose mainly as a result of the unrealised losses of HK$92 million in total arising from the fair value changes of our property portfolio and less unrealised gain from revaluation of our collectible assets portfolio, which recorded unrealised fair value gains of only HK$2 million in the current year under review as compared with the fair value gains of HK$24 million in the previous year.

Non-controlling interests represented share of results of the minority shareholders in the stage audio, lighting and engineering operations.

The basic loss per share for 2019 was HK$0.16, whereas the basic earnings per share of 2018 was HK$0.04.

There was no return on equity ("**ROE**") as the Company reported a net loss in 2019. The ROE for 2018 was 1.1%, representing profit attributable to owners of parent over average shareholder's equity.

ANALYSIS BY BUSINESS SEGMENT

Revenue

HK$ million	2019 Amount	2019 Relative %	2018 Amount	2018 Relative %	% increase/ (decrease)
Property development and trading	**3**	**0.3%**	3	0.3%	–
Property investment and holding	**12**	**1.1%**	13	1.4%	(7.7%)
Securities business	**–**	**–**	6	0.7%	(100.0%)
Ferrari dealership	**613**	**55.9%**	258	28.1%	137.6%
Classic car trading and logistics business	**104**	**9.5%**	196	21.3%	(46.9%)
Stage audio, lighting and engineering operations	**192**	**17.5%**	193	21.0%	(0.5%)
Industrial group	**91**	**8.3%**	172	18.7%	(47.1%)
Other operations	**82**	**7.4%**	78	8.5%	5.1%
Total	**1,097**	**100.0%**	919	100.0%	19.4%

Operating (loss)/profit

HK$ million	2019	2018	% increase/ (decrease)
Property development and trading	**(40)**	5	N/A
Property investment and holding	**32**	83	(61.4%)
Securities business	**(3)**	(1)	200%
Ferrari dealership	**16**	(28)	N/A
Classic car trading and logistics business	**2**	6	(66.7%)
Film operations	**(7)**	(20)	(65.0%)
Stage audio, lighting and engineering operations	**3**	12	(75.0%)
Industrial group	**(6)**	(4)	50.0%
Other operations	**(53)**	(43)	23.3%
Total	**(56)**	10	N/A

Property development and trading

The property development and trading segment reported revenue of HK$3 million, which represented rental income. This segment recorded operating loss of HK$40 million as opposed to an operating profit of HK$5 million in the last equivalent year. This year's loss was mainly attributable to an impairment loss arising from revaluation of our trading properties at year end.

Property investment and holding

Our property investment continued to generate steady rental revenue of HK$12 million, decreased by HK$1 million from last equivalent year, due mainly to certain rental adjustment to support our tenants during the current difficult situation. Operating profit of this segment was HK$32 million, represented mainly the realised gain of HK$83 million derived from disposal of 31/F., Fortis Tower and rental income of HK$12 million, offset in part by the unrealised fair value losses of HK$50 million on our investment properties and less the segment's operating expenses. The operating profit of HK$83 million for the last corresponding year was attributable to the combined effect of the unrealised fair value gains of HK$79 million and the rental income of HK$13 million, less the segment's operating expenses for the previous year.

Securities business

During the year under review, our securities business did not have any revenue as we did not dispose of any securities and did not receive any dividend or other income during the year. This segment recorded an operating loss of HK$3 million, due to operating expenses of this segment.

Ferrari Dealership

It is encouraging to see strong growth in the Ferrari dealership business in its second year of operations. Revenue surged from HK$258 million in 2018 to HK$613 million in 2019, represented an increase of 137.6%. The Ferrari dealership recorded an operating profit of HK$16 million as opposed to an operating loss of HK$28 million in the last corresponding year. We are happy to see that the dealership started to contribute profit. It is expected that this business will continue to achieve satisfactory growth in revenue and profit in the years to come.

Classic car trading and logistics business

Classic car trading and logistics segment recorded operating profit of HK$2 million (2018: HK$6 million) against revenue of HK$104 million (2018: HK$196 million). The decrease in this segment's revenue and operating profit was primarily due to less sales of classic cars during the year as a result of economic slowdown.

Film operations

The film operations did not record any revenue in 2019 and 2018. The film operations incurred an operating loss of HK$7 million (2018: HK$20 million), represented mainly the administrative expenses and operating loss of this segment.

Stage audio, lighting and engineering operations

Despite a deteriorating business environment in the second half of 2019, the live performance services operations recorded revenue of HK$192 million, with no significant change from 2018. However, this segment's operating profit of HK$3 million in 2019 was HK$9 million or 75.0% lower as compared with 2018, due to higher operating costs and cancellation and postponement of various pop concerts and other performance events in the second half, as a result of the social unrest in Hong Kong.

Industrial Group

The revenue of the industrial group was HK$91 million, decreased by HK$81 million or 47.1% as compared with the previous year. This decrease was caused by prolonged trade war between the USA and China, global economic slowdown and keen competition. As a result of fall in revenue, the industrial group recorded an operating loss of HK$6 million as compared with an operating loss of HK$4 million in 2018.

Other operations

Other operations include the classic car service center, the multimedia operations, investment in collectible precision devices and other new ventures which are in the development and start-up stage, or those operations which are not significant to be classified as a business segment. These operations recorded revenue of HK$82 million (2018: HK$78 million) and incurred an operating loss of HK$53 million (2018: HK$43 million), caused mainly by start-up and development costs and operating expenses.

ANALYSIS BY GEOGRAPHICAL SEGMENT

	Revenue				
	2019		2018		% increase/
HK$ million	**Amount**	**Relative %**	Amount	Relative %	(decrease)
Hong Kong, Mainland China and Macau	**992**	**90.4%**	673	73.2%	47.4%
North America and other countries	**73**	**6.7%**	105	11.5%	(30.5%)
Europe	**32**	**2.9%**	141	15.3%	(77.3%)
Total	**1,097**	**100.0%**	919	100.0%	19.4%

About 90.4% of the Group's total revenue was generated in Hong Kong, Mainland China and Macau, in which the Group's core businesses are located. The revenue from our major market regions was HK$992 million, increased by HK$319 million or 47.4% as compared with 2018. This increase was primarily attributable to growth of the Ferrari dealership. The revenue from North America and Europe represented mainly sale of child products and classic cars, respectively. Sales of products to these regions decreased due mainly to the intensifying trade tensions between the USA and China and slowing global economy.

CAPITAL STRUCTURE AND GEARING RATIO

	2019		2018	
HK$ million	**Amount**	**Relative %**	Amount	Relative %
Bank borrowings	**1,600**	**35.1%**	1,492	32.7%
Other borrowings	**53**	**1.2%**	100	2.2%
Lease liabilities/finance lease payable	**87**	**1.9%**	6	0.1%
Total borrowings	**1,740**	**38.2%**	1,598	35.0%
Equity attributable to owners of the parent	**2,814**	**61.8%**	2,963	65.0%
Total capital employed	**4,554**	**100.0%**	4,561	100.0%

Equity attributable to owners of the parent as at 31 December 2019 stood at HK$2,814 million, representing a decrease of HK$149 million compared with HK$2,963 million at the beginning of the year. This change was primarily attributable to the net loss attributable to owners of the parent for 2019.

The Group's gearing ratio marginally increased from 35.0% as at 31 December 2018 to 38.2% as at 31 December 2019, driven mainly by the combined effect of net increase in bank borrowings and the decrease in equity. The Group's gearing ratio continued to maintain at low level, reflecting a healthy financial position of the Group.

Total outstanding bank and other borrowings were HK$1,740 million (2018: HK$1,598 million). Approximately 81.8% of these bank and other borrowings were of long-term nature, primarily representing mortgage loans on properties held by the Group.

As at 31 December 2019, the maturity profile of the bank and other borrowings of the Group falling due within one year, in the second to the fifth year and beyond five years amounted to HK$317 million, HK$1,022 million and HK$401 million, respectively (2018: HK$236 million, HK$799 million and HK$563 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

LIQUIDITY AND FINANCIAL RESOURCES

HK$ million	**2019**	2018
Current assets	**2,089**	1,824
Current liabilities	**929**	642
Current ratio	**224.9%**	284.1%

The Group's current ratio as at 31 December 2019 was 224.9% (2018: 284.1%), reflecting very high liquidity of the Group's assets and a solid financial position.

The Group's cash balance at year end was HK$71 million, decreased by HK$56 million as compared with HK$127 million one year earlier. This decrease was largely attributable to the application of funds for operating activities and working capital during the year. In view of the Group's current cash position and the banking facilities available, the Group continued to maintain a sound financial position and has sufficient resources to finance its operations and its future expansion plan.

CAPITAL COMMITMENTS

As at 31 December 2019, capital commitment of the Group amounted to approximately HK$6 million (2018: nil). 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 2019, the Group's receipts were mainly denominated in HK$ and US$. Payments were mainly made in HK$, US$ and RMB. Cash was generally placed in short-term deposits denominated in HK$ and RMB. In 2019, 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. The Group does not have any significant interest rate risk at present as the interest rates currently remain at low level.

Our current exposure to foreign exchange risk is not significant. We will continue to monitor the currency exposure but we have no intention to enter into any high-risk exchange derivatives.

ACQUISITION AND DISPOSAL OF MATERIAL SUBSIDIARIES AND ASSOCIATES

The Group did not acquire or dispose of any material subsidiaries and associates during the year under review.

SIGNIFICANT INVESTMENT

Save as the shares of GBA Holdings held by the Company for trading purpose, as elaborated in further details in the section headed "BUSINESS REVIEW — SECURITIES BUSINESS" of this annual report, the Group did not hold any significant investment as at 31 December 2019.

PLEDGE OF ASSETS

As at 31 December 2019, certain of the Group's assets with a net book value of approximately HK$2,377 million (2018: HK$2,563 million) and time deposits of HK$78 million (2018: HK$35 million) which were pledged to secure the Group's bank loans.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had following contingent liabilities:

(a) corporate guarantees with aggregate amount of approximately HK$30 million (2018: HK$53 million) given by the Company to guarantee banking facilities of certain members of the GBA Holdings Group, of which approximately HK$8 million of the banking facilities were utilised by the GBA Holdings Group (2018: HK$18 million); and

(b) 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 2019 was 320 (2018: 467). 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. Share options may also be granted to eligible employees and persons of the Group. At 31 December 2019, there were no outstanding share options issued by the Company (2018: 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 2019 are set out below:

	Number of employees
HK$1,000,001 – HK$1,500,000	3
HK$1,500,001 – HK$2,000,000	–
HK$2,000,001 – HK$2,500,000	–
HK$2,500,001 – HK$3,000,000	2
	5

CONVERTIBLE BONDS

During the year ended 31 December 2019, there was no movement of the 2024 Convertible Bonds and an aggregate principal amount of HK$250.2 million was outstanding as at 31 December 2018 and 31 December 2019. Details of the 2024 Convertible Bonds are set out in note 32 to the financial statements of this annual report.

The following table sets out the shareholding structure of the Company: (i) as at 31 December 2019, and (ii) for illustrative purpose only, the structure immediately after the issue of the 347,500,000 Shares upon full conversion of all the outstanding 2024 Convertible Bonds with principal amount of HK$250.2 million at the current conversion price of HK$0.72 per conversion share, assuming that there is no other change to the share capital of the Company from 31 December 2019 to the date of allotment and issue of the conversion shares:

	As at 31 December 2019		Immediately after conversion of all the outstanding 2024 Convertible Bonds and issue of the conversion shares	
Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Capital Force	**96,868,792**	**11.09**	**346,868,792**	**28.42**
New Capital	**171,357,615**	**19.63**	**268,857,615**	**22.03**
Capital Winner	**177,798,672**	**20.36**	**177,798,672**	**14.57**
Mr. Mak	**25,589,652**	**2.93**	**25,589,652**	**2.09**
Sub-total for Mr. Mak and his close associates	**471,614,731**	**54.01**	**819,114,731**	**67.11**
Public shareholders	**401,496,721**	**45.99**	**401,496,721**	**32.89**
Total	**873,111,452**	**100.00**	**1,220,611,452**	**100.00**

The outstanding 2024 Convertible Bonds had an anti-dilutive effect on the earnings per share of the Group for the year ended 31 December 2019, the calculation of which is set out in note 12 to the financial statements of this annual report.

As bondholder(s) has no right to demand redemption or prepayment of the 2024 Convertible Bonds before the maturity date and the bonds have a relatively long maturity and as such, the outstanding 2024 Convertible Bonds are unlikely to have any immediate negative impact on the financial and liquidity position of the Group. Furthermore, there is likelihood that part or whole of the 2024 Convertible Bonds may be converted into Shares before maturity. In view of the long maturity date of the 2024 Convertible Bonds, the Company will have enough time to arrange financing for repayment of any outstanding bonds on maturity.

The analysis of the Company's share price at which it would be equally financially advantages for the bondholder(s) to convert or redeem the 2024 Convertible Bonds based on their implied rate of return at a range of dates in the future:

Suggested conversion date	**Company's share price**	**Implied rate of return of bondholder**
		%
30 June 2020	HK$0.72	5.11
31 December 2020	HK$0.72	5.11

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, products and services 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. During the year, there was no significant non-compliance of any laws, regulations or rules that have a significant impact on the Group and its operations.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Group has committed to 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, our key personnel have been working in 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 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.

The stage audio, lighting and engineering businesses are market leaders in their sectors and they have established strong reputation and good relationship with their customers and suppliers.

We have established a high reputation in the film industry, and have established a very good relationship with various famous and popular artists as well as film distributors and investors in the regions.

With many years of manufacturing experience, our component factory has a long history of working relationship with its major suppliers. We work closely with them in order to ensure that the component products will meet with customers' requirements at the competitive prices.

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. Hong Kong employees are encouraged to join external training in job-related courses, seminars and programmes. A comprehensive training programme is in place for new workers in China. In addition, training courses and seminars are organised for different grades of employees from time to time.

Our factory has provided various sport and recreational facilities for enjoyment of employees during their leisure time. A staff club has been established, which organise various recreational and social activities from time to time for the staff and workers.

WORKPLACE QUALITY

The Group has placed significant resources in providing a safe, healthy, clean and comfortable workplace for our employees, both in Hong Kong and in China. Also, a safety committee has been established in our factory to maintain and monitor safety of the production facilities and the quarters and living areas of workers.

CONTRIBUTION TO THE COMMUNITY

The Company has contributed its efforts and resources to support the community in which it operates for many years. The Group has donated schools in China and has participated and provided support to various charity activities, both in Hong Kong and China. In 2019, the Group made charitable donations of approximately HK$230,000. 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.

A corporate social responsibility report will be published on the Stock Exchange's website and the Company's website within three months after publication of the Company's annual report.

corporate information

COMPANY NAME
CCT Fortis Holdings Limited

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

Independent Non-executive Directors
Tam King Ching, Kenny
Chen Li
Chow Siu Ngor

Audit Committee
Tam King Ching, Kenny *(chairman)*
Chen Li
Chow Siu Ngor

Remuneration Committee
Chow Siu Ngor *(chairman)*
Tam King Ching, Kenny
Chen Li
Mak Shiu Tong, Clement
Tam Ngai Hung, Terry

Nomination Committee
Mak Shiu Tong, Clement *(chairman)*
Tam Ngai Hung, Terry
Tam King Ching, Kenny
Chen Li
Chow Siu Ngor

COMPANY SECRETARY
Sze Suet Ling

PRINCIPAL BANKERS
Nanyang Commercial Bank, Limited
Hang Seng Bank Limited

SOLICITORS
Sidley Austin

AUDITORS
Ernst & Young, Certified Public Accountants

FINANCIAL YEAR END
31 December

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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
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

TELEPHONE NUMBER
+852 2102 8138

FAX NUMBER
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COMPANY WEBSITE
www.cct-fortis.com

STOCK CODE
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corporate governance report

CORPORATE GOVERNANCE PRACTICES

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

In the opinion of the Directors, the Company had applied the principles set out in the CG Code and had complied with all the Code Provisions under the CG Code throughout the financial year ended 31 December 2019, except for the minor deviations from the following Code Provisions of the CG Code:

Code Provision A.2.1

Code Provision A.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 A.2.1 during the financial year ended 31 December 2019.

Mr. Mak Shiu Tong, Clement currently assumes the roles of both the Chairman and the CEO. Mr. Mak is an executive of high caliber with a wide range of skills and diversified business expertise. He has substantial experience, strong leadership and a firmly established reputation in the diversified business that is essential to fulfilling the role of the Chairman. At the same time, Mr. Mak has the 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 three 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 the 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 A.4.2

Code Provision A.4.2 provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Pursuant to the 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 shall be taken into account in determining the number of Directors to retire in each year. 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 A.4.2.

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 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 2019.

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 2019, the Board held 7 meetings.

The Board members have also attended the Shareholders' general meeting to answer questions from the Shareholders. During the financial year ended 31 December 2019, the Company held one Shareholders' general meeting. The attendance of each of the Directors at the Board meetings ("**BM**") (either in person or by phone) and at the Shareholders' general meeting ("**GM**") held in 2019 is set out as follows:

	Number of meetings attended/ eligible to attend	
Name of the Directors	**BM**	**GM**
Executive Directors		
Mak Shiu Tong, Clement	6/6	1/1
Tam Ngai Hung, Terry	6/6	0/1
Cheng Yuk Ching, Flora	5/6	0/1
Independent non-executive Directors		
Tam King Ching, Kenny	7/7	1/1
Chen Li	6/7	1/1
Chow Siu Ngor	7/7	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 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 three Executive Directors, namely Mr. Mak Shiu Tong, Clement, Mr. Tam Ngai Hung, Terry and Ms. Cheng Yuk Ching, Flora and three INEDs of the Company, namely Mr. Tam King Ching, Kenny, Mr. Chen Li and Mr. Chow Siu Ngor. The biographical details of all Directors are set out in the section headed "Directors and Senior Management" of this annual report.

During the period from 1 January 2019 and up to the date of this annual report, there was no change on the composition of the Board.

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

Directors give sufficient time and attention to the Group's affairs. The Company also requires the Directors to disclose to the Company annually and in a timely manner for any change regarding the number and the nature of offices held in public companies or organizations 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 2019.

The Company has received annual confirmation of independence for the year ended 31 December 2019 from Mr. Tam King Ching, Kenny, Mr. Chen Li and Mr. Chow Siu Ngor in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the INEDs of the Company are independent within the definition of the Listing Rules. Directors for more than nine years and that they all meet the specific independence guideline as set out in Rule 3.13 of the Listing Rules.

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

Directors' continuing professional development

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

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

THE BOARD *(continued)*

Responsibilities, accountabilities and contributions *(continued)*

Directors' continuing professional development (continued)

According to the records provided by the Directors, a summary of training received by the Directors for the year ended 31 December 2019 is as follows:

	Type of continuous professional development	
Name of the Directors	Receiving updates and briefings from the Company/self-study	Attending seminar(s)/ conference and/or forums organised by external parties
Mak Shiu Tong, Clement	✓	
Tam Ngai Hung, Terry	✓	✓
Cheng Yuk Ching, Flora	✓	
Tam King Ching, Kenny	✓	✓
Chen Li	✓	
Chow Siu Ngor	✓	✓

The training participated by the Directors in 2019 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 A.2.1 under the CG Code are set out in the section headed "Corporate Governance Practices" above. Mr. Mak is responsible for the leadership of the Board, corporate planning and strategic direction of the Group and takes a leading role in managing the businesses of the Group.

TERMS OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

All the Directors are appointed for a specific term of not more than three years. Save for the Chairman and the managing Director (both roles currently being assumed by Mr. Mak) 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 of the Company in accordance with the bye-laws of the Company.

TERMS OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

Re-election and retirement of the Directors

The 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 of the Company; 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 of the Company and shall be eligible for re-election at that meeting.

Mr. Mak currently assumes as the Chairman and the managing Directors and shall not be subject to the retirement by rotation pursuant to the bye-laws of the Company. The reasons for the deviation from the Code Provision A.4.2 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 and the website of the Company at www.cct-fortis.com in the sub-section of "Corporate Governance" under the section of "Investor Information".

Remuneration Committee

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

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

The Remuneration Committee consists of five members who are three INEDs, namely Mr. Chow Siu Ngor ("**Mr. Chow**"), Mr. Tam King Ching, Kenny and Mr. Chen Li and two Executive Directors, namely Mr. Mak Shiu Tong, Clement and Mr. Tam Ngai Hung, Terry. The Remuneration Committee is currently chaired by Mr. Chow.

BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

During the financial year ended 31 December 2019, the Remuneration Committee held two meetings and its main work during 2019 included:

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

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

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

The attendance record of the member at the meetings of the Remuneration Committee in 2019 is set out as follows:

Members of the Remuneration Committee	Number of meetings attended/held
Chow Siu Ngor	2/2
Tam King Ching, Kenny	2/2
Chen Li	2/2
Mak Shiu Tong, Clement	2/2
Tam Ngai Hung, Terry	2/2

The Group provides competitive remuneration packages to the Directors and senior management. The emoluments of Directors 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, approved share option scheme has been established to provide incentives and rewards to eligible participants who include the Directors and senior management.

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 as well as to maintain an appropriate relationship with the external and internal auditors of the Company.

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.

BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

The Audit Committee consists of three members who are three INEDs, namely Mr. Tam King Ching, Kenny ("**Mr. Kenny Tam**"), Mr. Chen Li and Mr. Chow Siu Ngor. The Audit Committee is currently chaired by Mr. Kenny Tam, 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 2019, the Audit Committee held three meetings and its main work during 2019 included reviewing:

(i) the 2018 annual report, including the Corporate Governance Report, the Directors' Report, the Financial Statements, continuing connected transactions and the annual results announcement as well as the major transaction announcements;

(ii) the 2019 interim report and interim results announcement;

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

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

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

The attendance record of the members at the meetings of the Audit Committee in 2019 is set out as follows:

Members of the Audit Committee	Number of meetings attended/held
Tam King Ching, Kenny	3/3
Chen Li	3/3
Chow Siu Ngor	3/3

Nomination Committee

The Company has established the Nomination Committee since 2012 with specific written terms of reference in line with the Code Provisions under the CG Code. The main responsibilities of the Nomination Committee include, inter alia, (i) reviewing the structure, size and composition (including the skills 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. Tam King Ching, Kenny, Mr. Chen Li and Mr. Chow Siu Ngor and two Executive Directors, namely Mr. Mak Shiu Tong, Clement ("**Mr. Mak**") and Mr. Tam Ngai Hung, Terry. The Nomination Committee is currently chaired by Mr. Mak.

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 "Right to put forward proposals at general meetings".

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

During the financial year ended 31 December 2019, the Nomination Committee held one meeting and its main work during 2019 included:

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

(ii) reviewing the Board Diversity Policy;

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

(iv) assessing the independence of the INEDs of the Company; and

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

The attendance record of the members at the meeting of the Nomination Committee in 2019 is set out as follows:

Members of the Nomination Committee	Number of meeting attended/held
Mak Shiu Tong, Clement	1/1
Tam Ngai Hung, Terry	1/1
Tam King Ching, Kenny	1/1
Chen Li	0/1
Chow Siu Ngor	1/1

BOARD COMMITTEES *(continued)*

Nomination Committee (*continued*)

Board Diversity Policy

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

As at the date of this annual report, the Board comprises six Directors, one of which is female and three of which are independent non-executive Directors and 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; (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 2019, 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 members of the Board at the corporate governance meetings in 2019 is set out as follows:

Name of the Directors	Number of meetings attended/held
Mak Shiu Tong, Clement	2/2
Tam Ngai Hung, Terry	2/2
Cheng Yuk Ching, Flora	1/2
Tam King Ching, Kenny	2/2
Chen Li	1/2
Chow Siu Ngor	2/2

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company, Ernst & Young, for the year ended 31 December 2019 is set out as follows:

Services rendered	Fees paid/payable HK$ million
Audit services	3.3
Non-audit services:	
Tax compliance services	–#
Total	3.3

less than HK$1 million

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 2019, the Board reviewed the effectiveness and adequacy of risk management and internal control systems of the Group for 2019 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 controls 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 risks 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:

— outbreak of the novel coronavirus;
— trade war between the USA and China;
— 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 2019.

SHAREHOLDERS' RIGHTS

Right 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.

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board and all such enquiries can be 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.

Right to put forward proposals at general meetings

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

INVESTOR RELATIONS

There was no change in the Company's constitutional documents during the year ended 31 December 2019.

DIVIDEND POLICY

Pursuant to Code Provision E.1.5 of the CG Code, the Company should have a policy on payment of dividends.

The Company has adopted a 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 bye-laws of the Company.

report of the directors

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company is investment holding. Its subsidiaries' businesses comprise principally: (i) property development, trading and investment; (ii) securities business; (iii) Blackbird's multi-faceted automotive business; (iv) investment in collectible precision devices; (v) cultural entertainment business; and (vi) industrial product business.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2019 is set out on pages 2 to 7 and pages 11 to 18 of this annual report.

RESULTS

The Group's loss for the year ended 31 December 2019 and the Group's financial position at that date are set out in the financial statements on pages 59 to 166 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 2019 (2018 final dividend: nil). The Company did not pay any interim dividend for 2019 (2018 interim dividend: HK$0.035 per Share).

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 169 of this annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and the investment properties of the Company and 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 2019 are set out in note 35 to the financial statements of this annual report.

EQUITY-LINKED AGREEMENT

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. Subject to the terms and conditions of the 2024 Convertible Bonds, holder(s) of the 2024 Convertible Bonds has a right to convert the convertible bonds into the Shares at current conversion price of HK$0.72 per conversion share (subject to adjustments pursuant to the terms and conditions of the convertible bonds). New Shares will be allotted and issued upon conversion of the 2024 Convertible Bonds, created as fully paid and will rank pari passu with all existing shares of the Company. During the year, there was no movement of the 2024 Convertible Bonds.

Other than the 2024 Convertible Bonds disclosed above and the share option schemes disclosed in the section sub-headed "Share Option Scheme of the Group" on pages 39 to 46 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 Bermuda, which oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES

Save for the repurchase of Shares as mentioned below, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed Shares during the year ended 31 December 2019.

During the year ended 31 December 2019, the Company repurchased a total of 2,270,000 Shares through the Stock Exchange for an aggregate consideration of HK$1,701,080. Those Shares repurchased were subsequently cancelled on 11 April 2019. Details of the repurchase of Shares are as follows:

Date	No. of Shares repurchased	Highest price paid per Share (HK$)	Lowest price paid per Share (HK$)	Aggregate consideration (HK$)
1 April 2019	1,820,000	0.78	0.73	1,363,280.00
2 April 2019	380,000	0.77	0.74	285,700.00
3 April 2019	70,000	0.75	0.73	52,100.00
	2,270,000			1,701,080.00

RESERVES

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

DISTRIBUTABLE RESERVES

At 31 December 2019, 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 to HK$223 million.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totally HK$0.2 million (2018: HK$1 million).

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 2019 is as follows:

	Percentage of the Group's total			
	Sales		Purchases	
	2019	2018	**2019**	2018
Largest customer	**5%**	11%		
Five largest customers in aggregate	**12%**	31%		
Largest supplier			**55%**	20%
Five largest suppliers in aggregate			**60%**	40%

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

DIRECTORS

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

Executive Directors:
Mak Shiu Tong, Clement
Tam Ngai Hung, Terry
Cheng Yuk Ching, Flora

Independent non-executive Directors:
Tam King Ching, Kenny
Chen Li
Chow Siu Ngor

In accordance with the bye-laws of the Company, Mr. Tam King Ching, Kenny and Mr. Chen Li will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

In accordance with the 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 8 to 10 of this annual report.

DIRECTORS' REMUNERATION

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Details of director's interests in contracts which the Company or any of its subsidiaries entered into during the year are set out in section headed "Continuing Connected Transactions" to this directors' report.

SHARE OPTION SCHEMES OF THE GROUP

Share Option Scheme of the Company

At the AGM held on 27 May 2011, the Shareholders approved the adoption of the 2011 Scheme which has become effective since 30 May 2011. This is the date on which the Listing Committee granted approval for the listing of, and permission to deal in, any Shares on the Stock Exchange, which may fall to be allotted and issued by the Company pursuant to the exercise of the share options in accordance with the terms and conditions of the 2011 Scheme. Unless otherwise cancelled or amended, the 2011 Scheme will be valid for a period of 10 years from the date of its adoption (i.e. 27 May 2011) and effective until 26 May 2021.

The purpose of the 2011 Scheme is to enable the Company to grant share options to the eligible participants, as incentives and/or rewards for their contribution to the Group and/or any entity in which any member of the Group holds any equity interest ("**Invested Entity**") or the holding company of the Company (if applicable).

Eligible participants of the 2011 Scheme of the Company include:

(a) any director or proposed director (whether executive or non-executive and whether independent or not), 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 any member of the Group, any Invested Entity or the holding company of the Company (if applicable);

(b) any supplier or provider of goods and/or services, professional, consultant, agent, contractor, adviser, customer, partner, business associate or shareholder of any member of the Group, any Invested Entity or the holding company of the Company (if applicable), or any holder of any securities issued or proposed to be issued by any member of the Group, any Invested Entity or the holding company of the Company (if applicable), who, in the sole discretion of the Board, will contribute or has contributed to the Group, the Invested Entity or the holding company of the Company (if applicable); and

(c) any person whom the Board in its sole discretion considers, will contribute or has contributed to any members of the Group, the Invested Entity or the holding company of the Company (if applicable) (as the case may be).

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share Option Scheme of the Company *(continued)*

Pursuant to the 2011 Scheme, the maximum number of Shares which may be issued upon exercise of all share options to be granted under the 2011 Scheme and any other share option scheme(s) of the Company must not exceed 10% of the total number of Shares in issue as at the date of adoption of the 2011 Scheme. Shares which would have been issuable pursuant to the share options which have lapsed or cancelled in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit. Notwithstanding the foregoing, Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2011 Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the total number of Shares in issue from time to time. No share option shall be granted under any scheme(s) 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 2011 Scheme. The total number of share options available for grant under the 2011 Scheme is 60,614,490 and the total number of Shares which may be issued upon grant and exercise of all such share options is 60,614,490, which represents 6.94% of the total number of issued Shares as at the date of this annual report.

The total number of Shares issued and which may fall to be issued upon exercise of the share options granted under the 2011 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 the 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 at 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.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to the approval in advance by the INEDs, excluding the INED(s) who is/are the grantee(s) of the share options. In addition, any share option granted to a substantial shareholder or an INED, or to any of their respective associates, in excess of 0.1% of the total number of Shares in issue as at the date of grant or with an aggregate value (based on the closing price of the Shares as at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to the issue of a circular by the Company and the approval of the Shareholders in advance at a general meeting.

The offer of a grant of the share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than 10 years from the date of grant of the share options. There is no specific requirement under the 2011 Scheme that a share option must be held for any minimum period before it can be exercised, but the terms of the 2011 Scheme provide that the Board has the discretion to impose a minimum period at the time of grant of any particular share option.

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share Option Scheme of the Company *(continued)*

The exercise price of the share options is determinable by the Board, but may not be less than the highest of:

(i) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading 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);

(ii) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and

(iii) 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 2019 and as at the date of this annual report, there was no share option outstanding under the 2011 Scheme. No share option was granted, exercised, cancelled or has lapsed under the 2011 Scheme during the year ended 31 December 2019 and up to the date of this annual report.

Share Option Scheme of the associated company — GBA HOLDINGS

At the annual general meeting of GBA Holdings held on 27 May 2011, its shareholders approved the adoption of the GBA 2011 Scheme. The adoption of the GBA 2011 Scheme was also approved on 27 May 2011 by the Shareholders, as the Company was the then ultimate holding company of GBA Holdings. The GBA 2011 Scheme then became effective on 30 May 2011. This is the date on which the Listing Committee granted approval for the listing of, and permission to deal in, any shares of GBA Holdings (the "**GBA Shares**") on the Stock Exchange, which may fall to be allotted and issued by GBA Holdings pursuant to the exercise of the share options in accordance with the terms and conditions of the GBA 2011 Scheme. Unless otherwise cancelled or amended, the GBA 2011 Scheme will be valid for a period of 10 years from the date of its adoption (i.e. 27 May 2011) and effective until 26 May 2021.

The purpose of the GBA 2011 Scheme is to enable GBA Holdings to grant share options to the eligible participants, as incentives and/or rewards for their contribution to the GBA Holdings Group and/or any entity in which any member of the GBA Holdings Group holds any equity interest ("**GBA Invested Entity**") or the holding company of GBA Holdings (if applicable).

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share Option Scheme of the associated company — GBA HOLDINGS *(continued)*

Eligible participants of the GBA 2011 Scheme include:

(a) any director or proposed director (whether executive or non-executive and whether independent or not), 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 any member of the GBA Holdings Group, any GBA Invested Entity or the holding company of GBA Holdings (if applicable);

(b) any supplier or provider of goods and/or services, professional, consultant, agent, contractor, adviser, customer, partner, business associate or shareholder of any member of the GBA Holdings Group, any GBA Invested Entity or the holding company of GBA Holdings (if applicable), or any holder of any securities issued or proposed to be issued by any member of the GBA Holdings Group, any GBA Invested Entity or the holding company of GBA Holdings (if applicable), who, in the sole discretion of the board of directors of GBA Holdings, will contribute or has contributed to the GBA Holdings Group, the GBA Invested Entity or the holding company of GBA Holdings (if applicable); and

(c) any person whom the board of directors of GBA Holdings in its sole discretion considers, will contribute or has contributed to any members of the GBA Holdings Group, the GBA Invested Entity or the holding company of GBA Holdings (if applicable) (as the case may be).

Pursuant to the GBA 2011 Scheme, the maximum number of GBA Shares which may be issued upon exercise of all share options to be granted under the GBA 2011 Scheme and any other share option scheme(s) of GBA Holdings must not exceed 10% of the total number of GBA Shares in issue as at the date of adoption of the GBA 2011 Scheme and any subsequent refreshment of the limit which may be approved by its shareholders at a general meeting of GBA Holdings in accordance with the Listing Rules. Shares which would have been issuable pursuant to the share options which have lapsed or cancelled in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit. Notwithstanding the foregoing, GBA Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the GBA 2011 Scheme and any other share option scheme(s) of GBA Holdings at any time shall not exceed 30% of the total number of GBA Shares in issue from time to time. No share option shall be granted under any scheme(s) of GBA Holdings or any of its subsidiaries if this will result in the 30% limit being exceeded.

As at the date of this annual report, the maximum number of GBA Shares which may be issued upon exercise of all outstanding share options granted under the GBA 2011 Scheme is 16,134,993,990 GBA Shares which represented approximately 8.78% of the total number of issued GBA Shares as at the date of this annual report.

The total number of GBA Shares issued and which may fall to be issued upon exercise of the share options granted under the GBA 2011 Scheme and any other share option scheme(s) of GBA Holdings (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 GBA Shares in issue as at the date of grant. Any further grant of the share options in excess of this 1% limit shall be subject to the issue of a circular by GBA Holdings (and so long as GBA Holdings remains a subsidiary of another company which is listed on the Stock Exchange, also by its listed holding company) and the approval of its shareholders (and so long as GBA Holdings remains a subsidiary of another company which is listed on the Stock Exchange, also to be approved by the shareholders of that listed holding company) at 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.

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share Option Scheme of the associated company — GBA HOLDINGS *(continued)*

Share options granted to a director, chief executive or substantial shareholder of GBA Holdings, or to any of their respective associates, are subject to the approval in advance by the independent non-executive directors of GBA Holdings (and so long as GBA Holdings remains a subsidiary of another company which is listed on the Stock Exchange, also to be approved by the independent non-executive directors of that listed holding company), excluding the independent non-executive director(s) of GBA Holdings and its listed holding company who is/are the grantee(s) of the share options. In addition, any share option granted to a substantial shareholder or an independent non-executive director of GBA Holdings, or to any of their respective associates, in excess of 0.1% of the total number of GBA Shares in issue as at the date of grant or with an aggregate value (based on the closing price of the GBA Shares as at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to the issue of a circular by GBA Holdings (and so long as GBA Holdings remains a subsidiary of another company which is listed on the Stock Exchange, also by its listed holding company) and the approval of its shareholders (and so long as GBA Holdings remains a subsidiary of another company which is listed on the Stock Exchange, also to be approved by the shareholders of that listed holding company) in advance at a general meeting.

The offer of a grant of the share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the board of directors of GBA Holdings, and commences on a specified date and ends on a date which is not later than (i) 10 years from the date of grant of the share options, or (ii) the expiry date of the GBA 2011 Scheme, whichever is earlier. There is no specific requirement under the GBA 2011 Scheme that a share option must be held for any minimum period before it can be exercised, but the terms of the GBA 2011 Scheme provide that the board of directors of GBA Holdings has the discretion to impose a minimum period at the time of grant of any particular share option.

The exercise price of share options granted by GBA Holdings is determinable by the board of directors of GBA Holdings, but may not be less than the highest of:

(i) the closing price of the GBA Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading 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);

(ii) the average closing price of the GBA Shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and

(iii) the nominal value of a GBA Share.

GBA Holdings' share options do not confer rights on the holders to dividends or to vote at the general meetings of GBA Holdings.

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share Option Scheme of the associated company — GBA HOLDINGS *(continued)*

During the year ended 31 December 2019, the movements on the share options under the GBA 2011 Scheme were as follows:

				Number of share options of GBA Holdings				
Name and positions of grantees in GBA Holdings	**Date of grant**	**Exercise period**	**Exercise price per GBA Share** HK$	**Outstanding as at 1 January 2019**	**Granted during the year**	**Exercised during the year**	**Cancelled/ Lapsed during the year**	**Outstanding as at 31 December 2019**
Executive directors								
Mak Shiu Tong, Clement	18/1/2017	18/1/2017–17/1/2027	0.011	1,300,000,000	–	–	–	1,300,000,000
	25/1/2018	25/1/2018–24/1/2028	0.010	1,320,000,000	–	–	–	1,320,000,000
							Sub-total	*2,620,000,000*
Cheng Yuk Ching, Flora	18/1/2017	18/1/2017–17/1/2027	0.011	825,000,000	–	–	–	825,000,000
	25/1/2018	25/1/2018–24/1/2028	0.010	1,320,000,000	–	–	–	1,320,000,000
	25/1/2019	25/1/2019–24/1/2029	0.010	–	1,300,000,000	–	–	1,300,000,000
							Sub-total	*3,445,000,000*
Tam Ngai Hung, Terry	18/1/2017	18/1/2017–17/1/2027	0.011	825,000,000	–	–	–	825,000,000
	25/1/2018	25/1/2018–24/1/2028	0.010	1,320,000,000	–	–	–	1,320,000,000
	25/1/2019	25/1/2019–24/1/2029	0.010	–	1,300,000,000	–	–	1,300,000,000
							Sub-total	*3,445,000,000*
Xu Jinhuan (resigned on 20/3/2019)	25/1/2019	25/1/2019–24/1/2029	0.010	–	1,300,000,000	–	–	1,300,000,000
					3,900,000,000 (Note)			
Independent non-executive directors								
Chow Siu Ngor	17/1/2014	17/1/2014–16/1/2024	0.010	5,000,000	–	–	–	5,000,000
	18/1/2017	18/1/2017–17/1/2027	0.011	10,000,000	–	–	–	10,000,000
	25/1/2018	25/1/2018–24/1/2028	0.010	10,000,000	–	–	–	10,000,000
	25/1/2019	25/1/2019–24/1/2029	0.010	–	10,000,000	–	–	10,000,000
							Sub-total	*35,000,000*
Lau Ho Kit, Ivan	17/1/2014	17/1/2014–16/1/2024	0.010	5,000,000	–	–	–	5,000,000
	18/1/2017	18/1/2017–17/1/2027	0.011	10,000,000	–	–	–	10,000,000
	25/1/2018	25/1/2018–24/1/2028	0.010	10,000,000	–	–	–	10,000,000
	25/1/2019	25/1/2019–24/1/2029	0.010	–	10,000,000	–	–	10,000,000
							Sub-total	*35,000,000*
Tam King Ching, Kenny	17/1/2014	17/1/2014–16/1/2024	0.010	5,000,000	–	–	–	5,000,000
	18/1/2017	18/1/2017–17/1/2027	0.011	10,000,000	–	–	–	10,000,000
	25/1/2018	25/1/2018–24/1/2028	0.010	10,000,000	–	–	–	10,000,000
	25/1/2019	25/1/2019–24/1/2029	0.010	–	10,000,000	–	–	10,000,000
					30,000,000 (Note)		*Sub-total*	*35,000,000*
Sub-total for the directors				6,985,000,000	3,930,000,000 (Note)	–	–	10,915,000,000
Employees	25/1/2018	25/1/2018–24/1/2028	0.010	1,320,000,000	–	–	–	1,320,000,000
	25/1/2019	25/1/2019–24/1/2029	0.010	–	2,600,000,000 (Note)	6,010	–	2,599,993,990
Other participants	18/1/2017	18/1/2017–17/1/2027	0.011	350,000,000	–	–	350,000,000	–
	25/1/2019	25/1/2019–24/1/2029	0.010	–	1,300,000,000 (Note)	–	–	1,300,000,000
Total				8,655,000,000	7,830,000,000 (Note)	6,010	350,000,000	16,134,993,990

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share Option Scheme of the associated company — GBA HOLDINGS *(continued)*

Note:

An aggregate of 7,830,000,000 share options were granted on 25 January 2019, which has a total fair value of HK$24,490,000 as at the date of grant. These share options were granted to the following categories of participants:

(a) an aggregate of 3,930,000,000 share options granted to the directors of GBA Holdings with fair value of HK$10,994,000, of which 3,900,000,000 share options were granted to the executive directors of GBA Holdings with fair value of approximately HK$10,910,000 and 30,000,000 share options were granted to the independent non-executive directors of GBA Holdings with fair value of approximately HK$84,000;

(b) 2,600,000,000 share options granted to employees with fair value of HK$8,988,000; and

(c) 1,300,000,000 share options granted to other participants with fair value of HK$4,498,000.

Save as disclosed above, no share options was granted, exercised, cancelled or has lapsed under the GBA 2011 Scheme during the year ended 31 December 2019.

As refer to above share options movement table of GBA Holdings, on 25 January 2019 (the "**2019 Grant Date**"), a total of 7,830,000,000 share options were granted under the GBA 2011 Scheme with an exercise price of HK$0.01 per GBA Share. Basis of determining the exercise price of HK$0.01 per GBA Share was not less than the highest of: (i) the closing price of HK$0.01 per GBA Share as stated in the daily quotation sheet issued by the Stock Exchange on the 2019 Grant Date; and (ii) the average closing price of HK$0.01 per GBA Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the 2019 Grant Date.

The closing price of the GBA Shares immediately before the 2019 Grant Date, as quoted in the Stock Exchange's daily quotation sheet, was HK$0.01 per GBA Share.

The total fair value of the equity-settled share options granted on 25 January 2019 was HK$24,490,000 which was estimated as at the date of grant, using the binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

	Date of Grant 25 January 2019
Dividend yield	0.00%
Expected volatility	81.04%
Historical volatility	81.04%
Risk-free interest rate	2.47%
Expected life of share options	10 years

The expected life of the share options is based on GBA Holdings' management expectation and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the share options granted was incorporated into the measurement of fair value. GBA Holdings recognised a total share-based expense of HK$24,490,000 for the year ended 31 December 2019 in relation to share options granted on 25 January 2019.

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share Option Scheme of the associated company — GBA HOLDINGS *(continued)*

As at the date of this annual report, there were 16,134,993,990 share options in aggregate outstanding under the GBA 2011 Scheme, and the total number of GBA Shares to be issued upon exercise of the share option is 16,134,993,990 which represented approximately 8.8% of the total number of issued GBA Shares as at the date of this annual report. The exercise in full of the outstanding share options in GBA Holdings would result in the issue of 16,134,993,990 additional ordinary shares and an additional share capital and share premium (before issue expense) of HK$161,350,000 and HK$70,602,000, respectively, in GBA Holdings.

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

As at 31 December 2019, 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 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 2019

(A) THE COMPANY

Long Positions

Name of Directors	Capacity/ nature of interests	Number of the Shares/underlying Shares: No. of Shares	No. of 2024 Convertible Bonds	Total interests	Approximate % of the total number of issued Shares*
Executive Directors					
Mak Shiu Tong, Clement ("**Mr. Mak**")	Beneficial owner	25,589,652	–		
	Interests of controlled corporations	446,025,079 (Note 1)	347,500,000 (Note 2)	819,114,731	93.81%
Tam Ngai Hung, Terry	Beneficial 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 2019.

Notes:

1. 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 2019. All companies are private corporations wholly-owned by 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.

2. The interest disclosed represented 347,500,000 underlying Shares, as at 31 December 2019, at the existing conversion price of HK$0.72 per conversion share (subject to adjustments pursuant to the terms and conditions of the convertible bonds) in respect of the 2024 Convertible Bonds issued by the Company to Capital Force and New Capital; and out of such 347,500,000 underlying Shares, of which 250,000,000 underlying Shares were held by Capital Force and 97,500,000 underlying Shares were held by New Capital. 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 Capital Force and New Capital.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES *(continued)*

Interests and short positions in the Shares and the underlying Shares as at 31 December 2019 *(continued)*

(B) ASSOCIATED CORPORATION — GBA Holdings

Long Positions

Name of Directors	Capacity/ nature of interests	Number of GBA Shares/underlying shares: No. of GBA Shares	No. of GBA share options	Total interests	Approximate % of the total number of issued shares of GBA Holdings*
Executive Directors					
Mak Shiu Tong, Clement ("**Mr. Mak**")	Interests of controlled corporations	53,667,100,000 (Note A)	–		
	Beneficial owner	–	2,620,000,000 (Notes B & C)	56,287,100,000	30.61%
Tam Ngai Hung, Terry	Beneficial owner	10,000,000	3,445,000,000 (Notes B & D)	3,455,000,000	1.87%
Cheng Yuk Ching, Flora	Beneficial owner	–	3,445,000,000 (Notes B & D)	3,445,000,000	1.87%
Independent non-executive Directors					
Tam King Ching, Kenny	Beneficial owner	–	35,000,000 (Notes B & E)	35,000,000	0.01%
Chen Li	Beneficial owner	10,000,000	–	10,000,000	0.01%
Chow Siu Ngor	Beneficial owner	–	35,000,000 (Notes B & E)	35,000,000	0.01%

* The percentage was calculated based on 183,846,100,000 GBA Shares in issue as at 31 December 2019.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES *(continued)*

Interests and short positions in the Shares and the underlying Shares as at 31 December 2019 *(continued)*

Notes:

A. The interests disclosed represented 53,667,100,000 shares, held indirectly by the Company through its two indirect wholly-owned subsidiaries of which 28,467,100,000 shares were held by CCT Telecom Securities Limited and 25,200,000,000 shares were held by Ever Sino Group Limited. Mr. Mak was deemed to be interested in the aforesaid 53,667,100,000 shares under the SFO as he was entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of the Company through his interest in the shareholding of approximately 54.01% of the total number of issued Shares as at 31 December 2019.

B. These represented underlying shares of the outstanding share options granted to the directors of GBA Holdings pursuant to the GBA 2011 Scheme as at 31 December 2019.

C. The 2,620,000,000 share options interested by Mr. Mak as at 31 December 2019 represented (i) the share options granted to Mr. Mak on 18 January 2017 to subscribe for 1,300,000,000 shares at the exercise price of HK$0.011 per share, exercisable during the exercisable period from 18 January 2017 to 17 January 2027; and (ii) the share options granted to Mr. Mak on 25 January 2018 to subscribe for 1,320,000,000 shares at the exercise price of HK$0.01 per share, exercisable during the exercisable period from 25 January 2018 to 24 January 2028.

D. The 3,445,000,000 share options interested by each of Mr. Tam Ngai Hung, Terry and Ms. Cheng Yuk Ching, Flora as at 31 December 2019 represented (i) the share options granted to each of these two executive directors of GBA Holdings on 18 January 2017 to subscribe for 825,000,000 shares at the exercise price of HK$0.011 per share, exercisable during the exercisable period from 18 January 2017 to 17 January 2027; (ii) the share options granted to each of these two executive directors of GBA Holdings on 25 January 2018 to subscribe for 1,320,000,000 shares at the exercise price of HK$0.01 per share, exercisable during the exercisable period from 25 January 2018 to 24 January 2028; and (iii) the share options granted to each of these two executive directors of GBA Holdings on 25 January 2019 to subscribe for 1,300,000,000 shares at the exercise price of HK$0.01 per share, exercisable during the exercisable period from 25 January 2019 to 24 January 2029.

E. The 35,000,000 share options interested by each of Mr. Tam King Ching, Kenny and Mr. Chow Siu Ngor as at 31 December 2019 represented (i) the share options granted to each of these two independent non-executive directors of GBA Holdings on 17 January 2014 to subscribe for 5,000,000 shares at the exercise price of HK$0.01 per share, exercisable during the exercisable period from 17 January 2014 to 16 January 2024; (ii) the share options granted to each of these two independent non-executive directors of GBA Holdings on 18 January 2017 to subscribe for 10,000,000 shares at the exercise price of HK$0.011 per share, exercisable during the exercisable period from 18 January 2017 to 17 January 2027; (iii) the share options granted to each of these two independent non-executive directors of GBA Holdings on 25 January 2018 to subscribe for 10,000,000 shares at the exercise price of HK$0.01 per share, exercisable during the exercisable period from 25 January 2018 to 24 January 2028; and (iv) the share options granted to each of these two independent non-executive directors of GBA Holdings on 25 January 2019 to subscribe for 10,000,000 shares at the exercise price of HK$0.01 per share, exercisable during the exercisable period from 25 January 2019 to 24 January 2029.

Save as disclosed above, as at 31 December 2019, none of the Directors and the chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the sections headed "Share Option Schemes of the Group" 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 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 2019, the following persons (not being the Directors or 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 2019

Long Positions

		Number of the Shares/underlying Shares			
Name of substantial Shareholders	**Capacity/ nature of interests**	**No. of Shares**	**No. of 2024 Convertible Bonds**	**Total interests**	**Approximate % of the total number of issued Shares***
Capital Force International Limited ("**Capital Force**") (Note)	Beneficial owner	96,868,792	250,000,000	346,868,792	39.72%
New Capital Industrial Limited ("**New Capital**") (Note)	Beneficial owner	171,357,615	97,500,000	268,857,615	30.79%
Capital Winner Investments Limited ("**Capital Winner**") (Note)	Beneficial owner	177,798,672	–	177,798,672	20.36%

* The percentage was calculated based on 873,111,452 Shares in issue as at 31 December 2019.

Note: Capital Force, New Capital and Capital Winner are private corporations, the shares in which are wholly-owned by Mr. Mak beneficially.

Save for Mr. Mak who is a director and the beneficial owner of all the issued share capital of Capital Force, New Capital and Capital Winner, 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, the Directors and the chief executive of the Company are not aware that there is any party who, as at 31 December 2019, had an interest or short position 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.

CONTINUING CONNECTED TRANSACTIONS

During the two years ended 31 December 2019 and 2018, the Group conducted the following transactions with Mr. Mak, who is a connected person of the Company as Mr. Mak is an Executive Director and the controlling shareholder of the Company, which constituted non-exempt continuing connected transactions for the Company under the Listing Rules:

	Year ended 31 December	
HK$ million	**2019**	2018
Continuing connected transactions:		
Rental income on investment properties (Note)	**6**	6

Note: On 30 March 2016, the Group entered into two tenancy agreements with Mr. Mak to lease the properties situated at House 38 and House 39, No. 56 Repulse Bay Road to Mr. Mak for a term from 30 March 2016 to 31 December 2017 for a monthly rental (inclusive of management fee and government rent and rates) of HK$270,000 and HK$260,000, respectively. The tenancy agreements were renewed on 6 December 2017 by new tenancy agreements dated 6 December 2017 (the "**2017 Tenancy Agreements**") for another term of three years from 1 January 2018 to 31 December 2020 with the same rental and similar terms and conditions as the previous tenancy agreements. The rental was determined based on market rental. The rental transactions under the 2017 Tenancy Agreements (the "**Rental Transactions**") constituted non-exempt continuing connected transactions for the Company under the Listing Rules, details of which have been set out in the Company's announcement dated 6 December 2017. During the year ended 31 December 2019, the amount of the Rental Transactions was approximately HK$6 million.

In relation to the Rental Transactions which constitute continuing connected transaction for the Company, the INEDs have reviewed and confirmed that:

(a) the amount of the Rental Transactions for the year ended 31 December 2019 as did not exceed the approved cap amount of HK$7.0 million;

(b) the Rental Transactions for the year ended 31 December 2019 were entered into in the ordinary and usual course of businesses of the Group;

(c) the Rental Transactions were conducted on normal commercial terms or better; and

(d) the Rental Transactions were conducted in accordance with the terms of the agreements governing such transactions, which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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 2019 to 31 December 2019, except for the minor deviations from Code Provisions A.2.1 and A.4.2 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, 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 2019 and up to the date of this annual report, there was no change on the composition of the Board.

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 number of issued Shares 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 2019.

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 2019 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

Details of the event after the reporting period are set out in note 48 to the financial statements of this annual report.

ON BEHALF OF THE BOARD OF
CCT FORTIS HOLDINGS LIMITED

Mak Shiu Tong, Clement
Chairman
Hong Kong

30 March 2020

independent auditor's report

EY 安永

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

OPINION

We have audited the consolidated financial statements of CCT Fortis Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 59 to 166, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including 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 2019, 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 ("HKSAs") 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 judgment, 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 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 2019, the Group had trade and other receivables with an aggregate amount of HK$800 million, represented approximately 15% of the total assets of the Group, of which HK$590 million was secured by certain equity interests or assets of the debtors. The Group made allowance for expected credit losses ("ECLs") of trade and other receivables aggregating to HK$11 million as at 31 December 2019. Management uses the simplified approach and general approach to calculate ECLs for trade receivables and other receivables, respectively. Significant judgements and estimations are involved in determining the ECL. When collateral exists, management engaged an external valuer to determine the fair value of collateral provided by the counterparty. Disclosures of the recoverability assessment of trade and other receivables are included in notes 3, 24 and 26 to the consolidated 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 of the trade and other receivables, which involved obtaining an understanding of the methodologies and models used by the Group and reviewing and checking 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 valuer. We also evaluated the assumptions, methodologies and parameters adopted in the valuation, and examined the inputs used.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Net realisable value review on stock of properties held for sale	
At 31 December 2019, the Group held stock of properties held for sale with a carrying amount of HK$237 million which was stated at the lower of cost and net realisable value. Significant judgements and estimations are involved in determining the net realisable value of these properties. To assist with the determination of the recoverable amount for the properties and whether an impairment provision was required, management engaged an external valuer to determine the fair value of properties. Disclosures of the impairment assessment of stock of properties held for sale are included in notes 3 and 21 to the consolidated financial statements.	As part of our audit procedures, we considered the objectivity, independence and competency of the external valuer. In addition, we evaluated the assumptions, methodologies and parameters adopted in the valuation, and examined the inputs used, including the unit rate per square foot and the gross floor area.
Valuation of investment properties	
At 31 December 2019, the Group held investment properties with a carrying amount of HK$1,482 million stated at fair value. The investment properties represented approximately 27% of the total assets of the Group. Significant judgements and estimations are involved in determining the fair value of the investment properties. To assist with the determination of the fair value, management engaged an external valuer. Disclosures of investment properties are included in notes 3 and 14 to the consolidated financial statements.	As part of our audit procedures, we considered the objectivity, independence and competency of the external valuer. In addition, we evaluated the assumptions, methodologies and parameters adopted in the valuation, and examined the inputs used, including the unit rate per square foot and the gross floor area.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of classic cars and collectible precision devices held for investment purposes and impairment review of classic cars held for sale	
At 31 December 2019, the Group held classic cars and collectible precision devices designated for investment purposes with carrying amounts of HK$107 million and HK$171 million, respectively, stated at fair value, and classic cars held for sale with a carrying amount of HK$89 million stated at the lower of cost and net realisable value. The classic cars and collectible precision devices held by the Group represented approximately 4% and 3% of the total assets of the Group, respectively. Significant management judgements and estimates are involved in determining the fair value of the classic cars and collectible precision devices held for investment purposes and the net realisable value of the classic cars held for sale. To assist in the determination of the fair value of the classic cars and collectible precision devices held for investment purposes and the net realisable value of the classic cars held for sale, management engaged an external valuer. Disclosures of the classic cars held for investment purposes, collectible precision devices held for investment purposes and the classic cars held for sale are included in notes 3, 18, 19 and 22 to the consolidated 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 the recent acquisition prices and subsequent sales prices of the classic cars.

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 HKSAs 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 HKSAs, we exercise professional judgment 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 management.

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, related safeguards.

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 Lok Man Ho.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

30 March 2020

consolidated statement of profit or loss

Year ended 31 December 2019

HK$ million	Notes	2019	2018
REVENUE	5	**1,097**	919
Cost of sales		**(919)**	(770)
Gross profit		**178**	149
Other income and gains, net	5	**104**	273
Selling and distribution costs		**(15)**	(25)
Administrative expenses		**(269)**	(270)
Other expenses		**(105)**	(27)
Finance costs	7	**(94)**	(78)
Share of profits of a joint venture		**12**	4
Share of losses of an associate	17	**(2)**	(1)
(LOSS)/PROFIT BEFORE TAX	6	**(191)**	25
Income tax credit	10	**50**	10
(LOSS)/PROFIT FOR THE YEAR		**(141)**	35
Attributable to:			
Owners of the parent		**(141)**	34
Non-controlling interests		**–**	1
		(141)	35
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**(HK$0.16)**	HK$0.04
Diluted		**(HK$0.16)**	HK$0.04

consolidated statement of comprehensive income

Year ended 31 December 2019

HK$ million	2019	2018
(LOSS)/PROFIT FOR THE YEAR	**(141)**	35
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investment designated at fair value through other comprehensive income:		
Changes in fair value (non-recycling)	**–**	(346)
Exchange differences:		
Exchange differences on translation of foreign operations	**(6)**	–
Other comprehensive loss for the year	**(6)**	(346)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(147)**	(311)
Attributable to:		
Owners of the parent	**(147)**	(313)
Non-controlling interests	**–**	2
	(147)	(311)

consolidated statement of financial position

31 December 2019

HK$ million	Notes	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	13	**870**	895
Investment properties	14	**1,482**	1,532
Goodwill	15	**103**	103
Intangible assets	16	**17**	24
Interest in a joint venture	23	**607**	601
Interest in an associate	17	**2**	9
Classic cars held for investment	18	**107**	107
Collectible precision devices held for investment	19	**171**	153
Other receivables and other assets	26	**2**	3
Total non-current assets		**3,361**	3,427
Current assets			
Inventories	20	**164**	93
Stock of properties held for sale	21	**237**	279
Stock of classic cars held for sale	22	**89**	89
Trade receivables	24	**283**	309
Investment in films	25	**86**	56
Prepayments, other receivables and other assets	26	**536**	543
Financial assets at fair value through profit or loss	27	**545**	293
Pledged time deposits	28	**78**	35
Cash and cash equivalents	28	**71**	127
Total current assets		**2,089**	1,824
Total assets		**5,450**	5,251
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital	35	**87**	88
Reserves	37	**2,727**	2,875
		2,814	2,963
Non-controlling interests		**20**	23
Total equity		**2,834**	2,986

consolidated statement of financial position (continued)

31 December 2019

HK$ million	Notes	2019	2018
Non-current liabilities			
Interest-bearing bank and other borrowings	31	**1,423**	1,362
Convertible bonds	32	**237**	235
Deferred tax liabilities	34	**27**	26
Total non-current liabilities		**1,687**	1,623
Current liabilities			
Trade payables	29	**63**	77
Tax payable		**3**	56
Other payables and accruals	30	**546**	273
Interest-bearing bank and other borrowings	31	**317**	236
Total current liabilities		**929**	642
Total liabilities		**2,616**	2,265
Total equity and liabilities		**5,450**	5,251
Net current assets		**1,160**	1,182
Total assets less current liabilities		**4,521**	4,609

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

consolidated statement of changes in equity

Year ended 31 December 2019

HK$ million	Notes	Attributable to owners of the parent												
		Issued capital	Share premium account (note 37)	Capital reserve	Distributable reserve	Equity component of convertible bonds (note 32)	Asset revaluation reserve	Fair value reserve (non-recycling)	Exchange fluctuation reserve	Capital redemption reserve	Retained profits	Total	Non-controlling interests	Total equity
As 1 January 2018		88	224*	741*	902*	22*	36*	33	29*	24*	1,237*	3,336	19	3,355
Profit for the year														
Other comprehensive income for the year:		–	–	–	–	–	–	–	–	–	34	34	1	35
Change in fair value of equity investment at fair value through other comprehensive income		–	–	–	–	–	–	(346)	–	–	–	(346)	–	(346)
Total comprehensive income for the year		–	–	–	–	–	–	(346)	–	–	34	(312)	1	(311)
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	3	3
Transfer of investment valuation reserve and fair value reserve upon the disposal of equity investments at fair value through other comprehensive income		–	–	–	–	–	–	313	–	–	(313)	–	–	–
2017 final dividend	11	–	–	–	(31)	–	–	–	–	–	–	(31)	–	(31)
2018 interim dividend	11	–	–	–	(30)	–	–	–	–	–	–	(30)	–	(30)
At 31 December 2018		88	224*	741*	841*	22*	36*	–*	29*	24*	958*	2,963	23	2,986

consolidated statement of changes in equity (continued)

Year ended 31 December 2019

		Attributable to owners of the parent												
HK$ million	Note	Issued capital	Share premium account	Capital reserve (note 37)	Distributable reserve	Equity component of convertible bonds	Asset revaluation reserve (note 32)	Fair value reserve (non-recycling)	Exchange fluctuation reserve	Capital redemption reserve	Retained profits	Total	Non-controlling interests	Total equity
As 1 January 2019		88	224*	741*	841*	22*	36*	–*	29*	24*	958*	2,963	23	2,986
Loss for the year		–	–	–	–	–	–	–	–	–	(141)	(141)	–	(141)
Total comprehensive loss for the year		–	–	–	–	–	–	–	–	–	(141)	(141)	–	(141)
Exchange difference on translation of foreign operations		–	–	–	–	–	–	–	(6)	–	–	(6)	–	(6)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	(3)	(3)
Shares repurchased and cancelled	35	(1)	(1)	–	–	–	–	–	–	–	–	(2)	–	(2)
At 31 December 2019		87	223*	741*	841*	22*	36*	–*	23*	24*	817*	2,814	20	2,834

* These reserve accounts comprise the consolidated reserves of HK$2,727 million (2018: HK$2,875 million) in the consolidated statement of financial position.

consolidated statement of cash flows

Year ended 31 December 2019

HK$ million	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(191)**	25
Adjustments for:			
Finance costs	7	**94**	78
Share of losses of an associate		**2**	1
Share of profits of a joint venture		**(12)**	(4)
Depreciation	6	**83**	53
Amortisation of intangible assets	6	**7**	6
Impairment of trade receivables	6	**7**	1
Impairment of investment in a film	6	**–**	3
Gain on disposal of an investment property	5	**–**	(1)
Gain on disposal of a subsidiary which held an office property	5	**(83)**	–
Fair value loss/(gain) on investment properties, net	6	**50**	(82)
Fair value gain on collectible precision devices held for investment	6	**(2)**	(24)
Impairment loss/(reversal of impairment loss) on stock of properties	6	**42**	(5)
Gain on disposal of a classic car held for investment	5	**–**	(1)
Gain on bargain purchase from acquisition of a joint venture	5	**–**	(147)
Loss on disposal of financial asset at fair value through profit or loss	6	**–**	10
Gain on disposal of items of property, plant and equipment	6	**(1)**	–
Impairment of investment in an associate	6	**5**	–
		1	(87)
Increase in inventories		**(71)**	(70)
Decrease in stock of classic cars held for trading		**–**	87
Decrease/(increase) in trade receivables		**19**	(32)
(Increase)/decrease in prepayments, other receivables and other assets		**(1)**	31
Increase in trade payables, other payables and accruals		**7**	213
Cash flows (used in)/from operations		**(45)**	142
Interest paid		**(92)**	(75)
Hong Kong profits tax paid		**(1)**	(2)
Net cash flows (used in)/from operating activities		**(138)**	65

consolidated statement of cash flows (continued)

Year ended 31 December 2019

HK$ million	Notes	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(52)**	(110)
Proceeds from disposal of items of property, plant and equipment		**41**	6
Proceeds from sale of classic cars held for investment		**–**	14
Proceeds from disposal of an investment property		**–**	7
Proceeds from disposal of a subsidiary which held an office property	39	**159**	–
Additions to collectible precision devices held for investment		**(16)**	(97)
Addition to an intangible asset		**–**	(2)
Increase in an financial asset at fair value through profit or loss		**–**	(15)
Increase in an investment in films		**(32)**	–
Increase in pledged time deposits		**(43)**	(7)
Net cash flows from/(used in) investing activities		**57**	(204)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other loans		**789**	1,031
Repayment of bank loans		**(728)**	(782)
Shares repurchased		**(2)**	–
Principal portion of lease payments/finance lease rental payments		**(34)**	(3)
Dividends paid		**–**	(61)
Redemption of convertible bonds		**–**	(50)
Net cash flows from financing activities		**25**	135
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(56)**	(4)
Cash and cash equivalents at beginning of year		**127**	131
CASH AND CASH EQUIVALENTS AT END OF YEAR		**71**	127
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	**71**	127

notes to financial statements

31 December 2019

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 principal activities:

- development and trading of properties;
- investment and holding of properties;
- trading in securities and holding of securities and treasury products;
- trading and sale of classic cars and car logistics business;
- trading and sale of Ferrari vehicles and provision of after-sales service for Ferrari automotives;
- acquisition of classic cars for long-term investment purpose;
- production, investment and distribution of films worldwide;
- sale and leasing of audio and lighting equipment and provision of technical and engineering services and metal construction work for stage performance events;
- trading of child products and manufacture and sale of plastic components; and
- services and start-up business including classic car service centre, magazine publication, and investment in collectible precision devices.

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/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
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$1 Ordinary	–	100	Distribution of Ferrari vehicles and provision of after-sales service as official dealer of Ferrari in Hong Kong and Macau
Blackbird Heritage Motorworks Limited #	Hong Kong	HK$1 Ordinary	–	100	Classic car restoration and maintenance service
Blackbird Watch Manual Company Limited #	Hong Kong	HK$1 Ordinary	–	100	Investment in collectible precision devices
Blackbird Works Supply Company Limited #	Hong Kong	HK$1,000 Ordinary	–	100	Car logistics service
CCT Telecom Securities Limited #	Hong Kong	HK$1 Ordinary	–	100	Securities business
CCT Plastics Limited #	Hong Kong	HK$1 Ordinary	–	100	Trading of components and products

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Cyber Profit (HK) Limited # ("Cyber Profit")	Hong Kong	HK$2 Ordinary	–	100	Property investment and holding
Dragon Glory Limited #	Hong Kong	HK$1 Ordinary	–	100	Property investment and holding
Fortis Films (China) Limited #	Hong Kong	HK$1 Ordinary	–	100	Film investment and distribution
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
Huiyang CCT Plastic Products Co., Ltd. #	PRC/ Mainland China	HK$48,600,000 Registered^	–	100	Manufacture of casings and parts

1. **CORPORATE AND GROUP INFORMATION** *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
JHM Engineering Company Limited #	Macau	MOP500,000 Registered	–	66	Stage audio and lighting operation
Ocean Investment Limited #	Hong Kong	HK$1 Ordinary	–	100	Property development and trading
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
Wiltec Industrial Limited #	Hong Kong	HK$2,002 Ordinary	–	100	Sale and trading of baby products
World Leader Properties Limited #	Hong Kong	HK$1 Ordinary	–	100	Property development and trading

^ Registered as a wholly-foreign-owned enterprise in the People's Republic of China (the "PRC").

Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

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 directors, result in particulars of excessive length.

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, classic cars held for investment, collectible precision devices held for investment, investment in films 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. 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).

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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015 — 2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

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

(a) (continued)

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of office premises, motor vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for the elective exemption for leases of low-value assets (elected on a lease-by-lease basis). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment base on HKAS 36 on that date.

The Group elected to present the right-of-use assets under property, plant and equipment. This includes the leasehold land of HK$343 million that was reclassified from leasehold land and buildings under property, plant and equipment.

For the leasehold land and buildings previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedient when applying HKFRS 16 at 1 January 2019:

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

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

(a) (continued)

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) HK$ million
Assets	
Increase in property, plant and equipment	105
Decrease in prepayments, other receivables and other assets	(9)
Increase in total assets	96
Liabilities	
Increase in interest-bearing bank and other borrowings	98
Decrease in other payable and accruals	(2)
Increase in total liabilities	96

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$ million
Operating lease commitments as at 31 December 2018	115
Weighted average incremental borrowing rate as at 1 January 2019	3.89%
Discounted operating lease commitments as at 1 January 2019	98
Add: Finance lease liabilities recognised as at 31 December 2018	6
Lease liabilities as at 1 January 2019	104

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments 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 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

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

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group’s financial statements.

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 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 HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. 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 are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates 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 of 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, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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 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 acquires 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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than classic cars held for investment, inventories, deferred tax assets, financial assets, collectible precision devices held for investment 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.

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

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

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.

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.

Classic cars held for investment

Classic cars held for long-term investment purposes and not traded in the ordinary course of business are initially measured at cost. Subsequent to initial recognition, classic cars 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Collectible precision devices held for investment

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, collectible precision devices 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of Ferrari cars is determined by specific identification method. 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.

Stock of classic cars held for sale

Stock of 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.

Stock of properties held for sale

Stock of properties held for sale are stated at the lower of cost and net realisable value.

Net realisable value is determined by reference to the sales proceeds from the properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on the prevailing market conditions.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases (applicable from 1 January 2019)

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	Over the lease term
Motor vehicles	3–4 years
Other equipment	10 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.

(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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases (applicable from 1 January 2019) *(continued)*

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. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income of such leases is recognised in the statement of profit or loss as to provide a constant periodic rate of charge over the lease terms.

Leases (applicable before 1 January 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased assets is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are 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, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

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.

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 and other borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Financial liabilities at amortised cost (loans and borrowings)

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

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.

If the contractual substance of convertible bonds is a single obligation to deliver a variable number of equity instruments, the entire obligation meets the definition of financial liability and the convertible bonds are classified as financial liabilities at fair value through profit or loss. Subsequent to initial recognition, the convertible bonds are stated at fair value, and the gains and losses arising from the change in fair values are included in the statement of profit or loss.

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, 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)*

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 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) Sales of classic cars

Revenue from sales 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 a point in time when the control of the stage audio and lighting equipment is transferred to the customers.

(iii) Sales of plastic components and child products

Revenue from the sales of plastic components and child products is recognised at a point in time when ownership of the products is transferred to the customers.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers (continued)

(iv) Income from Ferrari dealership

Revenue from 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 cars is recognised over time when the customer simultaneously receives and consumes the benefits provided by the Group.

(v) Income from other operations

Income from other operations comprised of advertising income from the magazine publishing business. The revenue from magazine advertising is recognised as 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 pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of the reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

Share-based payments *(continued)*

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

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)*

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum of continuance and bye-laws grant the directors the authority to declare interim dividends. Consequently, interim and special interim dividends are recognised immediately as a liability when they are proposed and declared.

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 weighted average exchange rates for the year.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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

Judgements *(continued)*

Classification between classic cars held for investment and stock of classic cars held for sale

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

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 uses 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 geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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 manufacturing 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 24 and 26 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 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 2019 and 2018, no impairment has been recognised for properties classified as property, plant and equipment.

Impairment of stock of properties held for sale

The Group assesses whether there are any indicators of impairment for stock of properties held for sale at the end of each reporting period. Stock of properties held for sale is tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of the stock of properties held for sale exceeds its recoverable amount, which is the lower of cost and net realisable value. The calculation of the net realisable value is determined by reference to the sales proceeds from the properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on the prevailing market conditions. During the year ended 31 December 2019, impairment loss of HK$42 million (2018: reversal of impairment loss of HK$5 million) has been recognised for stock of properties held for sale.

Estimation of fair value of classic cars held for investment

Classic cars held for investment are revalued at the end of the reporting period by independent professionally 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 classic cars of the same model is considered. Further details are given in note 18 to the financial statements.

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

Estimation uncertainty *(continued)*

Impairment of stock of classic cars held for sale

The Group assesses whether there are any indicators of impairment for stock of classic cars held for sale at the end of each reporting period. Stock of classic cars held for sale is tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of the stock of classic cars held for sale exceeds its recoverable amount, which is the lower of cost and net realisable value. The calculation of the net realisable value is determined by reference to the estimates based on the prevailing market conditions. During the year ended 31 December 2019 and 2018, no impairment loss has been recognised for stock of classic cars held for sale.

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 development and trading segment representing the development and trading of properties;

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

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

(d) Ferrari dealership business segment representing the sale and distribution of Ferrari cars and provision of after-sale services as official dealer for Ferrari in Hong Kong and Macau;

(e) classic cars trading and logistics segment representing the trading and sale of classic cars and car logistics business;

(f) investment in classic cars segment which is the acquisition of classic cars for long-term investment purpose;

(g) the film operations segment representing the production, investment and distribution of films worldwide;

(h) the stage audio, lighting and engineering operations segment representing the sale and leasing of audio and lighting equipment, and provision of technical and engineering services and metal construction work for stage performance events;

(i) the industrial group segment representing the manufacture of plastic components and trading of child products; and

(j) other operations segment which is engaged in supportive business and start-up business including multimedia operations, classic car service centre, magazine publication, and investment in collectible precision devices.

4. OPERATING SEGMENT INFORMATION *(continued)*

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources 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 profit before tax except that non-lease-related finance costs and head office and corporate expenses are excluded from such measurement.

Segment assets exclude 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.

For the year ended 31 December 2019

HK$ million	Property development and trading	Property investment and holding	Securities business	Ferrari dealership	Classic cars trading and logistics	Investment in classic cars	Film operations	Stage audio, lighting and engineering operations	Industrial group	Other operations	Recon-ciliations	Total
Segment revenue:												
Sales to external customers (note 5)	3	12	–	613	104	–	–	192	91	82	–	1,097
Other revenue	–	–	–	6	6	–	–	1	1	–	3	17
	3	12	–	619	110	–	–	193	92	82	3	1,114
Operating (loss)/profit	(40)	32	(3)	16	2	–	(7)	3	(6)	(53)	–	(56)
Finance costs (other than interest on lease liabilities)												(90)
Reconciled items:												
Corporate and other unallocated expenses												(55)
Share of profits of a joint venture												12
Share of losses of an associate												(2)
Loss before tax												(191)
Income tax credit												50
Loss for the year												(141)

4. OPERATING SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2019 (continued)

HK$ million	Property development and trading	Property investment and holding	Securities business	Ferrari dealership	Classic cars trading and logistics	Investment in classic cars	Film operations	Stage audio, lighting and engineering operations	Industrial group	Other operations	Recon-ciliations	Total
Other segment information:												
Expenditure for non-current assets	–	–	–	12	1	–	–	21	1	33	–	68
Depreciation and amortisation	–	(8)	(1)	(46)	(3)	–	(1)	(20)	(2)	(9)	–	(90)
Interest in a joint venture	–	–	–	–	–	–	–	–	–	–	607	607
Interest in an associate	–	–	–	–	–	–	–	–	–	2	–	2
Other material non-cash items:												
Fair value loss on investment properties, net	–	(50)	–	–	–	–	–	–	–	–	–	(50)
Fair value gain on collectible precision devices held for investment, net	–	–	–	–	–	–	–	–	–	2	–	2
Share of profits of a joint venture	–	–	–	–	–	–	–	–	–	12	–	12
Share of losses of an associate	–	–	–	–	–	–	–	–	–	(2)	–	(2)
Impairment loss on stock of properties	(42)	–	–	–	–	–	–	–	–	–	–	(42)
Segment assets	237	1,484	1,172	418	122	120	101	235	36	477	–	4,402
Reconciled items:												
Corporate and other unallocated assets	–	–	–	–	–	–	–	–	–	–	1,048	1,048
Total assets	237	1,484	1,172	418	122	120	101	235	36	477	1,048	5,450
Segment liabilities	90	811	738	409	3	–	–	114	19	65	–	2,249
Reconciled items:												
Corporate and other unallocated liabilities	–	–	–	–	–	–	–	–	–	–	367	367
Total liabilities	90	811	738	409	3	–	–	114	19	65	367	2,616

4. OPERATING SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2018

HK$ million	Property development and trading	Property investment and holding	Securities business	Ferrari dealership	Classic cars trading and logistics	Investment in classic cars	Film operations	Stage audio, lighting and engineering operations	Industrial group	Other operations	Recon-ciliations	Total
Segment revenue:												
Sales to external customers (note 5)	3	13	6	258	196	–	–	193	172	78	–	919
Other revenue	–	4	–	3	–	–	–	–	2	10	–	19
Intersegment revenue	–	2	–	–	–	–	–	–	–	–	(2)	–
	3	19	6	261	196	–	–	193	174	88	(2)	938
Operating profit/(loss)	5	83	(1)	(28)	6	–	(20)	12	(4)	(43)	–	10
Finance costs												(78)
Reconciled items:												
Corporate and other unallocated expenses												(56)
Gain on bargain purchase from acquisition of a joint venture												147
Share of profits of a joint venture												4
Share of losses of an associate												(1)
Others												(1)
Profit before tax												25
Income tax credit												10
Profit for the year												35

4. OPERATING SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2018 (continued)

HK$ million	Property development and trading	Property investment and holding	Securities business	Ferrari dealership	Classic cars trading and logistics	Investment in classic cars	Film operations	Stage audio, lighting and engineering operations	Industrial group	Other operations	Recon-ciliations	Total
Other segment information:												
Expenditure for non-current assets	–	2	–	90	3	–	–	12	2	100	–	209
Depreciation and amortisation	–	(9)	(1)	(13)	(3)	–	(1)	(12)	(1)	(19)	–	(59)
Interest in a joint venture	–	–	–	–	–	–	–	–	–	601	–	601
Interest in an associate	–	–	–	–	–	–	–	–	–	9	–	9
Other material non-cash items:												
Fair value gain on investment properties	–	79	–	–	–	–	–	–	–	3	–	82
Fair value gain on collectible precision devices held for investment	–	–	–	–	–	–	–	–	–	24	–	24
Gain on disposal of an investment property	–	1	–	–	–	–	–	–	–	–	–	1
Share of profits of a joint venture	–	–	–	–	–	–	–	–	–	4	–	4
Share of losses of an associate	–	–	–	–	–	–	–	–	–	(1)	–	(1)
Reversal of impairment loss on stock of properties	5	–	–	–	–	–	–	–	–	–	–	5
Segment assets	980	1,952	836	292	134	157	77	241	77	451	–	5,197
Reconciled items:												
Corporate and other unallocated assets	–	–	–	–	–	–	–	–	–	–	54	54
Total assets	980	1,952	836	292	134	157	77	241	77	451	54	5,251
Segment liabilities	404	2	820	247	14	5	–	68	44	91	–	1,695
Reconciled items:												
Corporate and other unallocated liabilities	–	–	–	–	–	–	–	–	–	–	570	570
Total liabilities	404	2	820	247	14	5	–	68	44	91	570	2,265

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

HK$ million	**2019**	2018
Hong Kong, Mainland China and Macau	**992**	673
North America and other countries	**73**	105
Europe	**32**	141
	1,097	919

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

(b) Non-current assets

HK$ million	**2019**	2018
Hong Kong and Macau	**2,700**	2,764
Mainland China	**609**	610
Europe	**50**	50
	3,359	3,424

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

Information about major customers

For the year ended 31 December 2019, no single customer contributed 10% or more of the Group's total revenue.

For the year ended 31 December 2018, revenues of approximately HK$101 million and HK$97 million were derived from sales of the industrial products and sales of classic cars to two single customers representing 11% and 11% of the Group's total revenue, respectively.

5. REVENUE, OTHER INCOME AND GAINS, NET

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

HK$ million	2019	2018
Revenue		
Revenue from contracts with customers	1,082	890
Revenue from other sources		
Gross rental income from investment properties, fixed payments	15	16
Net realised gains from disposal and change in fair value of trading securities	–	13
	15	29
	1,097	919
Other income and gains, net		
Fair value gain on investment properties	–	82
Fair value gain on collectible precision devices held for investment, net	2	24
Gain on bargain purchase from acquisition of a joint venture (note 23)	–	147
Gain on disposal of an investment property	–	1
Gain on disposal of a subsidiary which held an office property (note 39)	83	–
Reversal of impairment loss on stock of properties	–	5
Gain on disposal of a classic car held for investment	–	1
Gain on disposal of items of property, plant and equipment	1	–
Forfeited deposits for Ferrari vehicles	3	–
Others	15	13
	104	273

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

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

Segments (HK$ million)	Property development and trading	Property investment and holding	Securities business	Ferrari dealership	Classic cars trading and logistics	Investment in classic cars	Film operations	Stage audio, lighting and engineering operations	Industrial group	Other operations	Total
Type of goods or services											
Sale of classic cars	–	–	–	549	82	–	–	–	–	–	631
Sales of plastic components and child products	–	–	–	–	–	–	–	–	91	–	91
Sale of other goods	–	–	–	–	–	–	–	5	–	4	9
Sale and leasing of stage audio and lighting equipment	–	–	–	–	–	–	–	148	–	–	148
Provision of other services	–	–	–	64	22	–	–	39	–	78	203
Total revenue from contracts with customers	–	–	–	613	104	–	–	192	91	82	1,082
Geographical markets											
Hong Kong, Mainland China and Macau	–	–	–	613	76	–	–	192	14	82	977
North America and other countries	–	–	–	–	4	–	–	–	69	–	73
Europe	–	–	–	–	24	–	–	–	8	–	32
Total revenue from contracts with customers	–	–	–	613	104	–	–	192	91	82	1,082
Timing of revenue recognition											
Goods transferred at a point in time	–	–	–	549	82	–	–	5	91	4	731
Services transferred over time	–	–	–	64	22	–	–	187	–	78	351
Total revenue from contracts with customers	–	–	–	613	104	–	–	192	91	82	1,082

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

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments (HK$ million)	Property development and trading	Property investment and holding	Securities business	Ferrari dealership	Classic cars trading and logistics	Investment in classic cars	Film operations	Stage audio, lighting and engineering operations	Industrial group	Other operations	Total
Type of goods or services											
Sale of classic cars	–	–	–	211	178	–	–	–	–	–	389
Sales of plastic components and child products	–	–	–	–	–	–	–	–	172	–	172
Sale of other goods	–	–	–	–	–	–	–	8	–	7	15
Sale and leasing of stage audio and lighting equipment	–	–	–	–	–	–	–	134	–	–	134
Provision of other services	–	–	–	47	18	–	–	51	–	64	180
Total revenue from contracts with customers	–	–	–	258	196	–	–	193	172	71	890
Geographical markets											
Hong Kong, Mainland China and Macau	–	–	–	258	84	–	–	187	44	71	644
North America and other countries	–	–	–	–	1	–	–	6	98	–	105
Europe	–	–	–	–	111	–	–	–	30	–	141
Total revenue from contracts with customers	–	–	–	258	196	–	–	193	172	71	890
Timing of revenue recognition											
Goods transferred at a point in time	–	–	–	211	178	–	–	8	172	7	576
Services transferred over time	–	–	–	47	18	–	–	185	–	64	314
Total revenue from contracts with customers	–	–	–	258	196	–	–	193	172	71	890

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	**2019**	2018
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of Ferrari cars	**135**	25

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 classic cars

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

Provision of car towing and after-sale 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.

Sales of plastic components and child products

The performance obligation is satisfied upon delivery of the plastic components and child products to customers and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

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 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)/PROFIT BEFORE TAX

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

HK$ million	Notes	2019	2018
Cost of inventories sold		**92**	167
Cost of classic cars sold		**77**	168
Cost of Ferrari dealership business		**509**	184
Cost of automotive services provided		**11**	39
Cost of sale and leasing of stage audio and lighting equipment and provision of stage technical and engineering services		**157**	128
Cost of other operations		**61**	72
Depreciation of property, plant and equipment (including right-of-use assets)	13	**83**	53
Amortisation of intangible assets [2]	16	**7**	6
Minimum lease payments under operating leases		**–**	30
Auditors' remuneration		**3**	3
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**90**	95
Pension scheme contributions [3]		**3**	3
		93	98
Foreign exchange differences, net [2]		**1**	2
Gains from the change in fair value of trading securities, net [4]		**–**	(13)
Gain on disposal of an investment property [5]		**–**	(1)
Gain on disposal of a subsidiary which held an office property [5]	39	**(83)**	–
Gain on disposal of items of property, plant and equipment [5]		**(1)**	–
Impairment loss/(reversal of impairment loss) on stock of properties [1]/[5]		**42**	(5)
Fair value loss/(gain) on investment properties, net [1]/[5]	14	**50**	(82)
Fair value gain on collectible precision devices held for investment, net [1]/[5]	19	**(2)**	(24)
Loss on disposal of financial asset at fair value through profit or loss [1]		**–**	10
Impairment of trade receivables [1]	24	**7**	1
Impairment of investment in a film [1]	25	**–**	3

(1) Included in "Other expenses" on the face of the consolidated statement of profit or loss.
(2) Included in "Administrative expenses" on the face of the consolidated statement of profit or loss.
(3) 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.
(4) Included in "Revenue" on the face of the consolidated statement of profit or loss.
(5) Included in "Other income and gains, net" on the face of the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

HK$ million	2019	2018
Interest on bank loans	**75**	63
Interest on convertible bonds	**15**	15
Interest on lease liabilities	**4**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**94**	78

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "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	2019	2018
Fees:		
Executive directors and chief executive	**–**	–
Independent non-executive directors	**–**	–
	–	–
Executive directors' and chief executive's other emoluments:		
Salaries, allowances and benefits in kind	**13**	14
Discretionary bonuses	**1**	–
Pension scheme contributions	**1**	1
	15	15
	15	15

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
2019	
Tam King Ching, Kenny	**240**
Chow Siu Ngor	**–**
Chen Li	**240**
	480
2018	
Tam King Ching, Kenny	240
Chow Siu Ngor	–
Chen Li	240
	480

(b) Executive directors and the chief executive

HK$ million	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Pension scheme contributions**	**Total remuneration**
2019				
Executive director and chief executive:				
Mak Shiu Tong, Clement ("Mr. Mak")	**9**	**–**	**1**	**10**
Executive directors:				
Tam Ngai Hung, Terry	**2**	**1**	**–***	**3**
Cheng Yuk Ching, Flora	**2**	**–**	**–***	**2**
	4	**1**	**–**	**5**
	13	**1**	**1**	**15**

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

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

HK$ million	Salaries, allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Total remuneration
2018				
Executive director and chief executive:				
Mak Shiu Tong, Clement ("Mr. Mak")	9	–	1	10
Executive directors:				
Tam Ngai Hung, Terry	3	–	–*	3
Cheng Yuk Ching, Flora	2	–	–*	2
	5	–	–*	5
	14	–	1	15

* less than $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 2019 and 2018 have included the estimated values of the housing benefit provided to him for the periods.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2018: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2018: three) directors (one (2018: 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 three (2018: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

HK$ million	**2019**	2018
Salaries, allowances and benefits in kind	**7**	6

9. FIVE HIGHEST PAID EMPLOYEES *(continued)*

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	
	2019	2018
HK$1,500,001 – HK$2,000,000	**1**	–
HK$2,500,001 – HK$3,000,000	**1**	2
HK$3,000,001 – HK$3,500,000	**1**	–
	3	2

10. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

HK$ million	**2019**	2018
Current — Hong Kong		
Charge for the year	**–**	1
Overprovision in prior years	**(53)**	(1)
Current — Mainland China	**2**	2
Deferred (note 34)	**1**	(12)
Total tax credit for the year	**(50)**	(10)

10. INCOME TAX CREDIT *(continued)*

A reconciliation of the tax expense applicable to profit 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:

2019

	Hong Kong		**Mainland China**		**Total**	
HK$ million	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
(Loss)/profit before tax	**(192.8)**		**2.0**		**(190.8)**	
Tax at the statutory or appropriate tax rate	**(31.8)**	**16.5**	**0.5**	**25.0**	**(31.3)**	**16.4**
Effect of withholding tax	**–**	**–**	**1.1**	**57.3**	**1.1**	**(0.6)**
Adjustments in respect of current tax of previous periods	**(53.4)**	**27.7**	**–**	**–**	**(53.4)**	**27.9**
Income not subject to tax	**(14.9)**	**7.7**	**–**	**–**	**(14.9)**	**7.8**
Expenses not deductible for tax	**12.7**	**(6.6)**	**–**	**–**	**12.7**	**(6.6)**
Tax losses not recognised	**37.5**	**(19.4)**	**0.5**	**27.5**	**38.0**	**(19.9)**
Tax losses utilised from previous periods	**(2.3)**	**1.2**	**–**	**–**	**(2.3)**	**1.2**
Tax charge at the Group's effective rate	**(52.2)**	**27.1**	**2.1**	**>100**	**(50.1)**	**26.2**

2018

	Hong Kong		Mainland China		Total	
HK$ million	Amount	%	Amount	%	Amount	%
Profit before tax	16.6		8.0		24.6	
Tax at the statutory or appropriate tax rate	2.7	16.5	2.0	25.0	4.7	19.1
Adjustments in respect of current tax of previous periods	(1.3)	(7.8)	–	–	(1.3)	(5.3)
Adjustments in respect of deferred tax of previous periods	(12.0)	(72.3)	–	–	(12.0)	(48.8)
Income not subject to tax	(49.6)	(>100.0)	(0.3)	(3.8)	(49.9)	(>100.0)
Expenses not deductible for tax	10.7	64.5	–	–	10.7	43.5
Tax losses not recognised	37.5	>100.0	0.5	6.3	38.0	>100.0
Tax losses utilised from previous periods	–	–	0.2	2.5	0.2	0.8
Tax charge at the Group's effective rate	(12.0)	(72.3)	2.4	30.0	(9.6)	(39.0)

11. DIVIDENDS

HK$ million	2019	2018
Paid interim and total — nil (2018: HK$0.035 per ordinary share)	–	30

The Board did not recommend the payment of a final dividend for the year 2019 (2018: nil). The Group did not recommend and pay an interim dividend for 2019 (2018 interim dividend: HK$0.035 per share). No dividend for the whole year of 2019 was recommended (2018: HK$0.035 per share).

12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of the basic and diluted (loss)/earnings per share are based on:

HK$ million	2019	2018
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation	(141)	34
Interest on convertible bonds	15	15
(Loss)/profit attributable to ordinary equity holders of the parent before interest on convertible bonds, used in the diluted (loss)/earnings per share calculation	(126)*	49

	Number of shares	
	2019	2018
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	873,672,603	875,381,452
Effect of dilution — weighted average number of ordinary shares: Convertible bonds	347,500,000	347,500,000
Weighted average number of ordinary shares used in the diluted (loss)/earnings per share calculation	1,221,172,603*	1,222,881,452

* 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 was ignored in the calculation of diluted loss per share. Therefore, the diluted loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of HK$141 million, and the weighted average number of ordinary shares of 873,672,603 in issue during the year.

13. PROPERTY, PLANT AND EQUIPMENT

HK$ million	Right-of-use assets (Note)	Owned assets					Total
		Buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	
31 December 2019							
At 1 January 2019 (restated):							
Cost	483	542	8	101	59	39	1,232
Accumulated depreciation	(29)	(109)	(3)	(44)	(31)	(16)	(232)
Net carrying amount	454	433	5	57	28	23	1,000
At 31 December 2018, net of accumulated depreciation	–	776	5	57	28	29	895
Effect of adoption of HKFRS 16	454	(343)	–	–	–	(6)	105
At 1 January 2019 (restated)	454	433	5	57	28	23	1,000
Additions	17	17	–	22	1	12	69
Disposals	–	(12)	–	(4)	(14)	(10)	(40)
Disposal of a subsidiary (note 39)	–	(76)	–	–	–	–	(76)
Depreciation provided during the year	(46)	(13)	(2)	(11)	(4)	(7)	(83)
At 31 December 2019, net of accumulated depreciation	425	349	3	64	11	18	870
At 31 December 2019:							
Cost	500	430	8	113	33	28	1,112
Accumulated depreciation	(75)	(81)	(5)	(49)	(22)	(10)	(242)
Net carrying amount	425	349	3	64	11	18	870

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

HK$ million	Leasehold land and buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Total
31 December 2018						
At 1 January 2018:						
Cost	859	7	78	51	28	1,023
Accumulated depreciation	(109)	(2)	(32)	(27)	(9)	(179)
Net carrying amount	750	5	46	24	19	844
At 1 January 2018, net of accumulated depreciation	750	5	46	24	19	844
Additions	54	1	23	8	24	110
Disposals	–	–	–	–	(6)	(6)
Depreciation provided during the year	(28)	(1)	(12)	(4)	(8)	(53)
At 31 December 2018 net of accumulated depreciation	776	5	57	28	29	895
At 31 December 2018:						
Cost	913	8	101	59	45	1,126
Accumulated depreciation	(137)	(3)	(44)	(31)	(16)	(231)
Net carrying amount	776	5	57	28	29	895

At 31 December 2019, certain of the Group's prepaid land lease payments and buildings with an aggregate net carrying amount of approximately HK$622 million (2018: HK$730 million) were pledged to secure general banking facilities granted to the Group (note 31(b)(i)).

The net carrying amount of the Group's property, plant and equipment held under finance leases included in the total amount of motor vehicles as at 31 December 2018 was approximately HK$6 million.

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

Note:

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. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(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 2019	105	343	–	6	454
Additions	8	–	8	1	17
Depreciation charge	(37)	(7)	–	(2)	(46)
As at 31 December 2019	76	336	8	5	425

(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	**2019 Lease liabilities**	2018 Finance lease payables
Carrying amount at 1 January	**104**	9
New leases	**17**	–
Accretion of interest recognised during the year	**4**	–
Payments	**(38)**	(3)
Carrying amount at 31 December	**87**	6
Analysed into:		
Current portion	**35**	4
Non-current portion	**52**	2

The maturity analysis of lease liabilities (2018: finance lease payables) is disclosed in note 47 to the financial statements.

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

	2019 HK$ million
Interest on lease liabilities	4
Depreciation charge of right-of-use assets	46
Total amount recognised in profit or loss	50

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 40(c) and 43(b), respectively, to the financial statements.

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

Note: *(continued)*

The Group as a lessor *(continued)*

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$15 million (2018: HK$16 million), details of which are included in note 5 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

HK$ million	2019	2018
Within one year	30	31
After one year but within two years	5	10
	35	41

14. INVESTMENT PROPERTIES

HK$ million	2019	2018
Carrying amount at 1 January	1,532	1,456
Disposal of an investment property	–	(6)
Fair value (loss)/gain on investment properties, net	(50)	82
Carrying amount at 31 December	1,482	1,532

The Group's investment properties consist of commercial and residential properties in Hong Kong. The directors of the Company have determined that the investment properties consist of two classes of assets, i.e., commercial and residential, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2019 based on valuations performed by Grant Sherman Appraisal Limited ("Grant Sherman"), 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 finance director 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 2019, the Group's investment properties with an aggregate carrying amount of HK$1,482 million (2018: HK$1,532 million) were pledged to secure banking facilities granted to the Group (note 31(b)(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 2019 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**675**	**675**
Residential properties	**–**	**–**	**807**	**807**
	–	**–**	**1,482**	**1,482**

HK$ million	Fair value measurement as at 31 December 2018 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:				
Commercial properties	–	–	722	722
Residential properties	–	–	810	810
	–	–	1,532	1,532

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 (2018: 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	Commercial properties	Residential properties
Carrying amount at 1 January 2018	646	810
Net gains from fair value adjustments recognised in other income and gains in profit or loss	76	6
Disposal of an investment property	–	(6)
Carrying amount at 31 December 2018 and 1 January 2019	722	810
Net losses from fair value adjustments recognised in other income and gains in profit or loss	(47)	(3)
Carrying amount at 31 December 2019	675	807

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 2019	2018
Commercial properties	Market approach	Adopted unit rate (per square foot)	**HK$5,300 to HK$55,000**	HK$5,300 to HK$61,700
Residential properties	Market approach	Adopted unit rate (per square foot)	**HK$53,000 to HK$72,000**	HK$55,000 to HK$72,000

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 2018, 31 December 2018, 1 January 2019, and 31 December 2019	
Cost and net carrying amount at 31 December 2019	103

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; and
- Stage engineering operation cash-generating unit.

Car logistics cash-generating unit

The recoverable amount of the car logistics cash-generating unit was determined based on value in use calculations using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections of the car logistics unit for 2019 was 13.5% (2018: 15%). The cash flow projections of the car logistics unit beyond the respective periods of financial budgets were extrapolated using a growth rate of 3% (2018: 3%), which did not exceed the long term average growth rate of the industry.

Stage audio and lighting operation cash-generating unit

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 2019 was 15% (2018: 15%). 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 3% (2018: 3%), which did not exceed the long term average growth rate of the industry.

Stage engineering operation cash-generating unit

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 2019 was 13% (2018: 15%). The cash flow projections of the stage engineering operation unit beyond the respective periods of financial budgets were extrapolated using a growth rate of 3% (2018: 3%), which did not exceed the long term average growth rate of the industry.

15. GOODWILL *(continued)*

Impairment testing of goodwill *(continued)*

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

HK$ million	2019	2018
Car logistics	17	17
Stage audio and lighting operation	61	61
Stage engineering operation	25	25
	103	103

Assumptions were used in the value in use calculation of the car logistics, stage audio and lighting operation and stage engineering operation cash-generating units for 31 December 2019 and 2018. 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.

16. INTANGIBLE ASSETS

HK$ million	
Cost as at 1 January 2018, net of accumulated amortisation	28
Additions	2
Amortisation provided during the year	(6)
Cost at 31 December 2018, and 1 January 2019, net of accumulated amortisation	24
Amortisation provided during the year	(7)
At 31 December 2019	17
At 31 December 2019:	
Cost	**33**
Accumulated amortisation	**(16)**
Net carrying amount	**17**
At 31 December 2018:	
Cost	**33**
Accumulated amortisation	**(9)**
Net carrying amount	**24**

17. INVESTMENT IN AN ASSOCIATE

(i) Other than the investment in Greater Bay Area Investments Group 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 2018 and 2019, as detailed below:

HK$ million	**2019**	2018
Share of net assets	**7**	9
Impairment (Note)	**(5)**	–
	2	9

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

HK$ million	**2019**	2018
Share of the associate's loss for the year	**2**	1
Share of the associate's total comprehensive loss	**2**	1
Aggregate carrying amount of the Group's investment in an associate	**7**	9

Note: During the year, an impairment of HK$5 million was recognised for an investment in associate because the company had been loss-making, and the management expects growth rate of the company in coming years was estimated to be minimal. As such, management determined to recognise impairment for the investment in this company to its recoverable amount.

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 the wholly-owned subsidiaries of the Company. The principal business of GBA Holdings is investment holding. GBA Holdings is a material associate of the Group. The principal activities of GBA Holdings and its subsidiaries (the "GBA Holdings Group") comprise the sale and supply of telecom and electronic products and infant and baby products; development and sale of properties and finance business.

As at 31 December 2019, 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 nature similar to venture capital. These shares of GBA Holdings held by the subsidiary have been classified as financial assets at fair value through profit or loss under current assets as the Group has intention to sell these securities of GBA Holdings.

As at 31 December 2019, the market value of the listed shares of GBA Holdings held by the Group was HK$537 million (2018: HK$285 million) and further details are given in note 27(i) to the financial statements.

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

HK$ million	2019
Current assets	1,950
Non-current assets, excluding goodwill	45
Current liabilities	(904)
Non-current liabilities	(34)
Net assets	1,057
Loss for the year	(166)
Other comprehensive loss	(8)
Total comprehensive loss for the year	(174)
Carrying amount of the investment measured at fair value through profit or loss	537

18. CLASSIC CARS HELD FOR INVESTMENT

HK$ million	**2019**	2018
Classic cars held for investment, at fair value	**107**	107

18. CLASSIC CARS HELD FOR INVESTMENT *(continued)*

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

	Fair value measurement as at 31 December 2019 using			
HK$ million	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:				
Classic cars held for investment	–	–	107	107

	Fair value measurement as at 31 December 2018 using			
HK$ million	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:				
Classic cars held for investment	–	–	107	107

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 (2018: Nil).

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

HK$ million	
Carrying amount at 1 January 2018	120
Disposals	(13)
Carrying amount at 31 December 2018, 1 January 2019 and 31 December 2019	107

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

	Valuation technique	Significant unobservable input	Range or weighted average 2019	2018
Classic cars held for investment	Market approach	Transaction price (per unit)	HK$2 million to HK$35 million	HK$2 million to HK$35 million

18. CLASSIC CARS HELD FOR INVESTMENT *(continued)*

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

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

19. COLLECTIBLE PRECISION DEVICES HELD FOR INVESTMENT

HK$ million	**2019**	2018
Collectible precision devices held for investment, at fair value	**171**	153

The following table illustrates the fair value measurement hierarchy of the Group's collectible precision devices held for investment:

	Fair value measurement as at 31 December 2019 using			
HK$ million	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Recurring fair value measurement for:				
Collectible precision devices held for investment	**–**	**–**	**171**	**171**

	Fair value measurement as at 31 December 2018 using			
HK$ million	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:				
Collectible precision devices held for investment	–	–	153	153

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 (2018: Nil).

19. COLLECTIBLE PRECISION DEVICES 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 2018	32
Additions	97
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	24
Carrying amount at 31 December 2018 and 1 January 2019	**153**
Additions	**16**
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	**2**
Carrying amount at 31 December 2019	**171**

Below is a summary of the valuation technique used and the key input to the valuation of collectible precision devices held for investment:

	Valuation technique	**Significant unobservable input**	**Range or weighted average 2019**	**Range or weighted average** 2018
Collectible precision devices held for investment	Market approach	Transaction price (per unit)	**HK$39,200 to HK$28 million**	HK$160,000 to HK$26 million

Under the market approach, fair value is estimated using the market price of comparable transactions of similar collectible precision devices held for investment and adjusted for the uniqueness of each time piece.

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

20. INVENTORIES

HK$ million	**2019**	2018
Raw materials	**15**	16
Work in progress	**–**	1
Finished goods	**5**	7
Ferrari cars	**144**	69
	164	93

At 31 December 2019, certain inventories of the Group with an aggregate net carrying amount of approximately HK$36 million (2018: HK$22 million) were pledged to secure banking facilities granted to the Group (note 31(b)(iv)).

21. STOCK OF PROPERTIES HELD FOR SALE

All the stock of properties held for sale are stated at lower of cost and net realisable value.

At 31 December 2019, all of the Group's stock of properties held for sale with an aggregate net carrying amount of approximately HK$237 million (2018: HK$279 million) were pledged to secure banking facilities granted to the Group (note 31(b)(iii)).

As at 31 December 2018, the reversal of write-down to the net realisable value of stock of properties was caused by the gradually upward trend in Hong Kong's commercial property market environment in 2018. The reversal was limited to the amount of original write-down and the recoverable amounts were determined with reference to the valuations performed by Grant Sherman on an open market basis.

22. STOCK OF CLASSIC CARS HELD FOR SALE

HK$ million	**2019**	2018
Stock of classic cars held for sale, at lower of cost and net realisable value	**89**	89

23. INVESTMENT IN A JOINT VENTURE

HK$ million	**2019**	2018
Share of net assets	**607**	601

Particulars of the Group's joint venture are as follows:

			Percentage of			
Name	**Particulars of issued shares held**	**Place of registration and business**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activities**
Xinjiang Xingkai Real Estate Development Limited 新疆星凱房地產開發有限公司 ("Xinjiang Xingkai")	Registered capital of RMB300 million	PRC/Mainland China	50.5%	50.5%	50.5%	Property development

The above investment was indirectly held by the Company.

On 28 September 2018, the Group subscribed for a 99.9% equity interest in Riches Rise Limited for a cash consideration of US$999 (equivalent to HK$0.008 million) and acquired the shareholder's loan in the amount of HK$450 million owed by Riches Rise Limited, at a consideration of HK$450 million, which was satisfied by transferring the convertible bonds of GBA Holdings with the principal amount of HK$252 million to the seller. Riches Rise Limited holds indirectly an equity interest of 50.5% in Xinjiang Xingkai.

Xinjiang Xingkai, which is considered to be a material joint venture of the Group, is engaged in property development business in the Mainland China. The Company's investment in Xinjiang Xingkai is accounted for using the equity method.

23. INVESTMENT IN A JOINT VENTURE *(continued)*

The following table illustrates the summarised financial information in respect of Xinjiang Xingkai adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

HK$ million	2019	2018
Cash and cash equivalents	**1**	3
Other current assets	**1,527**	1,510
Current assets	**1,528**	1,513
Non-current assets	**9**	10
Trade and other payables and provisions	**3**	30
Other current liabilities	**221**	189
Current liabilities	**224**	219
Non-current financial liabilities, excluding trade and other payables and provisions	**112**	114
Net assets	**1,201**	1,190
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50.5%**	50.5%
Group's share of net assets of the joint venture	**607**	601
Carrying amount of the investment	**607**	601
Revenue	**61**	16
Tax	**8**	2
Profit and total comprehensive income for the year	**23**	8

24. TRADE RECEIVABLES

HK$ million	2019	2018
Trade receivables	**294**	313
Impairment	**(11)**	(4)
	283	309

The Group's trading terms with its customers of the industrial group are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two months, extending up to three months for major customers. In respect of the Group's car logistics business, the credit period is generally one month. The credit term granted to the customers of trading securities is up to 365 days (2018: 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 2019, the Group had a certain concentration of credit risk as 58% (2018: 64%) and 71% (2018: 78%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

As at 31 December 2019, an aggregate amount of HK$201 million (2018: HK$198 million) of the trade receivables was secured by charge over a motor vehicle or a property.

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.

24. TRADE RECEIVABLES *(continued)*

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

HK$ million	**2019** Balance	**2019** Percentage	2018 Balance	2018 Percentage
Within 30 days	**47**	**17**	50	16
31 to 60 days	**10**	**4**	220	71
61 to 90 days	**7**	**2**	16	5
Over 90 days	**219**	**77**	23	8
	283	**100**	309	100

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

HK$ million	**2019**	2018
At 1 January	**4**	3
Impairment losses		
— Impairment losses reversed	**–**	(1)
— Impairment losses recognised	**7**	2
At 31 December	**11**	4

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 collateral. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). 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.

24. **TRADE RECEIVABLES** *(continued)*

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

		Past due			
HK$ million	Current	Within 6 months	6 to 12 months	Over 12 months	Total
Stage audio, lighting and engineering					
Expected credit loss rate	0.1%	7.4%	28.6%	35.7%	13.1%
Gross carrying amount	20.8	17.7	9.1	10.3	57.9
Expected credit losses	–	1.3	2.6	3.7	7.6
Classic cars and Ferrari dealership					
Expected credit loss rate	0.1%	6.4%	7.6%	9.0%	4.3%
Gross carrying amount	5.1	8.7	0.1	0.2	14.1
Expected credit losses	–	0.6	–	–	0.6
Magazine publication business					
Expected credit loss rate	0.1%	21.4%	38.7%	41.0%	20.7%
Gross carrying amount	4.6	4.9	1.2	3.3	14.0
Expected credit losses	–	1.0	0.5	1.4	2.9
Child product					
Expected credit loss rate	0.1%	0.1%	0.1%	0.1%	0.1%
Gross carrying amount	2.6	3.7	–	–	6.3
Expected credit losses	–	–	–	–	–
Property investment					
Expected credit loss rate	0.1%	0.1%	0.1%	0.1%	0.1%
Gross carrying amount	0.9	–	–	–	0.9
Expected credit losses	–	–	–	–	–
Total					
Expected credit loss rate	0.1%–0.1%	0.1%–21.4%	0.1%–38.7%	0.1%–41.0%	0.1%–20.7%
Gross carrying amount	34.0	35.0	10.4	13.8	93.2
Expected credit losses	–	2.9	3.1	5.1	11.1

24. TRADE RECEIVABLES *(continued)*

As at 31 December 2018

HK$ million	Current	Past due: Within 6 months	Past due: 6 to 12 months	Past due: Over 12 months	Total
Stage audio, lighting and engineering					
Expected credit loss rate	1.0%	4.8%	5.5%	5.5%	3.3%
Gross carrying amount	20.8	23.5	7.0	0.7	52.0
Expected credit losses	0.2	1.1	0.4	–	1.7
Classic cars and Ferrari dealership					
Expected credit loss rate	0.1%	7.6%	8.9%	8.9%	5.0%
Gross carrying amount	5.0	7.9	0.8	0.3	14.0
Expected credit losses	–	0.6	0.1	–	0.7
Magazine publication business					
Expected credit loss rate	6.1%	15.0%	20.0%	24.4%	13.6%
Gross carrying amount	6.6	4.5	0.8	2.8	14.7
Expected credit losses	0.4	0.7	0.2	0.7	2.0
Industrial group					
Expected credit loss rate	0.2%	0.1%	0.1%	0.1%	0.2%
Gross carrying amount	8.3	–	–	–	8.3
Expected credit losses	–	–	–	–	–
Child product					
Expected credit loss rate	0.1%	0.1%	0.1%	0.1%	0.1%
Gross carrying amount	18.2	6.7	–	–	24.9
Expected credit losses	–	–	–	–	–
Property investment					
Expected credit loss rate	0.1%	0.1%	0.1%	0.1%	0.1%
Gross carrying amount	1.0	–	–	–	1.0
Expected credit losses	–	–	–	–	–
Total					
Expected credit loss rate	0.1%–6.1%	0.1%–15.0%	0.1%–20.0%	0.1%–24.4%	0.1%–13.6%
Gross carrying amount	59.9	42.6	8.6	3.8	114.9
Expected credit losses	0.6	2.4	0.7	0.7	4.4

25. INVESTMENT IN FILMS

HK$ million	2019	2018
Investment in films expected to be completed and had theatrical releases in their primary markets within normal operating cycle and classified as current assets is expected to be recoverable:		
Within one year	**6**	8
After one year	**80**	48
	86	56

One of the investment in films was completed and had theatrical releases in its primary markets during the year ended 31 December 2018. The investment in this film was unsecured, had a minimum guaranteed return of 70% 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 benefit generated from the distribution of the related film. The carrying amount at 31 December 2019 represented the fair value of the net proceeds receivable from this film attributable to the Group.

The remaining investment in film was still under development at 31 December 2019. Since the amount is expected to be recovered by the Group within the normal operating cycle, the amount was classified as a current financial asset. The Group considers the carrying amount of the investment (being the costs invested by the Group) approximated to fair value at the end of the reporting period. 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 benefit generated from the distribution of the related film.

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

HK$ million	2019	2018
Prepayments	**21**	26
Other receivables and other assets	**517**	520
	538	546
Current portion	**(536)**	(543)
Non-current portion	**2**	3

As at 31 December 2019, included in the Group's other receivables and other assets were amounts due from certain independent third parties of HK$389 million (2018: HK$424 million), which are secured by certain equity interests or assets.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2019 and 2018, the loss allowance was assessed to be minimal.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

HK$ million	Notes	2019	2018
Listed equity investment, at fair value	(i)	**537**	285
Insurance policy, at fair value	(ii)	**3**	3
Other assets, at fair value	(iii)	**5**	5
		545	293

Notes:

(i) The listed equity investment at 31 December 2019 represented the 53,667,100,000 shares (2018: 28,467,100,000 shares) in GBA Holdings, which were held by the Group for trading and were classified as financial assets at fair value through profit or loss under current assets. These shares were measured at year end based on the closing market price of HK$0.01 per share.

(ii) The insurance policy at 31 December 2019 and 2018 was classified as financial assets at fair value through profit or loss as it was held for trading.

(iii) The other assets at 31 December 2019 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.

28. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

HK$ million	2019	2018
Cash and bank balances	**71**	127
Time deposits	**78**	35
	149	162
Less: Time deposits pledged for banking facilities included in current portion (note 31(b)(v))	**(78)**	(35)
Cash and cash equivalents	**71**	127

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$18 million (2018: HK$18 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.

29. 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	2019 Balance	2019 Percentage	2018 Balance	2018 Percentage
Current to 30 days	**26**	**41**	33	43
31 to 60 days	**5**	**8**	26	34
61 to 90 days	**6**	**10**	3	4
Over 90 days	**26**	**41**	15	19
	63	**100**	77	100

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

30. OTHER PAYABLES AND ACCRUALS

HK$ million	Notes	2019	2018
Contract liabilities	(a)	**253**	174
Other payables	(b)	**281**	57
Accruals		**12**	42
		546	273

Notes:

(a) Details of contract liabilities as at 31 December 2019 and 2018 are as follows:

HK$ million	31 December 2019	31 December 2018
Short-term advances received from customers		
Sales of Ferrari cars	**232**	174
Sales of plastic components and child products	**13**	–
Sale and leasing of stage audio and lighting equipment and provision of stage technical and engineering services	**5**	–
Provision of advertising services	**3**	–
Total contract liabilities	**253**	174

Contract liabilities include receipts in advance for Ferrari cars, plastic components and child products, sale and leasing of stage audio and lighting equipment and provision of stage technical and engineering services, and provision of advertising services.

30. OTHER PAYABLES AND ACCRUALS *(continued)*

Notes: *(continued)*

(b) Other payables are non-interest-bearing and have an average term of three months.

Included in other payables were other payables of HK$13 million due to CCT Tech (HK) Limited, a wholly-owned subsidiary of GBA Holdings, which were unsecured, interest free and repayable on demand.

(c) The Group had financial guarantees given to banks in connection with facilities granted to the GBA Holdings Group. The banking facilities granted to the GBA Holdings Group amounted to HK$30 million (2018: HK$53 million), of which HK$8 million (2018: HK$18 million) was utilised by the GBA Holdings Group. The Group does not hold any collateral or other credit enhancements over the guarantees.

The Group did not provide financial guarantees except for limited circumstances. All guarantees were approved by the Group Finance Director and the Chief Executive Officer.

The financial guarantee contracts are measured at the higher of the ECL allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders (i.e., the banks) for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor. The amount initially recognised representing the fair value at initial recognition of the financial guarantees was not significant. During the year ended 31 December 2019, no ECL allowance was provided (2018: Nil).

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2019			1 January 2019	31 December 2018		
	Effective interest rate (%)	**Maturity**	**HK$ million**	HK$ million	Effective interest rate (%)	Maturity	HK$ million
Current							
Lease liabilities (notes 13(b), 33)	**1.90–6.00**	**2020**	**35**	34	1.75–1.95	2019	4
Bank loans — secured	**2.23–3.98**	**2020 or on demand**	**229**	132	2.23–3.95	2019 or on demand	132
Other loan — secured	**2.98–3.38**	**2020**	**35**	20	2.98–3.38	2019	20
Other loan — unsecured	**4.03–10.00**	**2020**	**18**	80	5.13	2019	80
			317	266			236
Non-current							
Lease liabilities (notes 13(b), 33)	**1.90–6.00**	**2021–2024**	**52**	70	1.90–1.95	2020–2021	2
Bank loans — secured	**2.23–3.98**	**2021–2031**	**1,371**	1,360	2.38–3.95	2020–2041	1,360
			1,423	1,430			1,362
			1,740	1,696			1,598

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

HK$ million	2019	2018
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**229**	132
In the second year	**227**	114
In the third to fifth years, inclusive	**743**	683
Beyond five years	**401**	563
	1,600	1,492
Other borrowings repayable:		
Within one year or on demand	**88**	104
In the second year	**30**	2
In the third to fifth years, inclusive	**22**	–
	140	106
	1,740	1,598

(a) The Group's trading line banking facilities amounted to HK$105 million (2018: HK$35 million), of which HK$50 million (2018: HK$17 million) has been utilised as at the end of the reporting period.

(b) As at 31 December 2019, certain of the Group's bank loans were secured by:

(i) pledge of certain prepaid land lease payments and buildings of the Group situated in Hong Kong with an aggregate carrying amounts at the end of the reporting period of approximately HK$622 million (2018: HK$730 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$1,482 million (2018: HK$1,532 million) (note 14);

(iii) pledge of certain stock of properties held for sale of the Group situated in Hong Kong, which had an aggregate carrying amount at the end of the reporting period of approximately HK$237 million (2018: HK$279 million) (note 21);

(iv) pledge of certain inventories of the Group, which had an aggregate carrying amount at the end of the reporting period of approximately HK$36 million (2018: HK$22 million) (note 20); and

(v) pledge of certain time deposits of the Group with an aggregate amount of HK$78 million (2018: HK$35 million) (note 28).

(c) Other than certain bank borrowings with a carrying amount of HK$2 million denominated in United States dollars as at 31 December 2019 (2018: HK$2 million), all bank and other borrowings of the Group were denominated in Hong Kong dollars as at 31 December 2019 and 2018.

32. 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 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 "Acquisition") , 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, 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 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 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 2019, there was no conversion or movement of the 2024 Convertible Bonds. The 2024 Convertible Bonds with an aggregate principal amount of HK$250,200,000 were outstanding as at 31 December 2019.

The 2024 Convertible Bonds were split into the liability and equity components as follows:

HK$ million	**2019**	2018
Nominal value of convertible bonds	**250**	250
Equity component	**(22)**	(22)
Liability component at issuance date	**228**	228
Liability component at 1 January	**235**	228
Interest expense	**15**	15
Interest paid	**(13)**	(8)
Liability component at 31 December	**237**	235

33. FINANCE LEASE PAYABLES

The Group leased certain of its motor vehicles for business use. These leases were classified as finance leases prior to HKFRS 16 becoming effective on 1 January 2019 and had remaining leases of one year. As at 31 December 2018, the total future minimum lease payments under finance leases and their present values were as follows:

HK$ million	Minimum lease payments	Present value of minimum lease payments
Amounts payable:		
Within one year	4	4
In the second year	2	2
In the third to fifth years	–	–
Total minimum finance lease payments	6	6
Future finance charges	–	
Total net finance lease payables	6	
Portion classified as current liabilities (note 31)	(4)	
Non-current portion (note 31)	2	

34. DEFERRED TAX

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

Deferred tax liabilities

HK$ million	Depreciation allowances in excess of related depreciation	Revaluation of properties	Total
Gross deferred tax liabilities at 1 January 2018	4	34	38
Deferred tax credited to the statement of profit or loss during the year (note 10)	–	(12)	(12)
Gross deferred tax liabilities at 31 December 2018 and 1 January 2019	4	22	26
Deferred tax credited to the statement of profit or loss during the year (note 10)	1	–	1
Gross deferred tax liabilities at 31 December 2019	5	22	27

34. DEFERRED TAX *(continued)*

Deferred tax assets

At 31 December 2019, the Group had tax losses of HK$848 million (2018: HK$635 million), which were available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, 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.

35. SHARE CAPITAL

Shares

HK$ million	2019	2018
Authorised:		
2,000,000,000 (2018: 2,000,000,000) ordinary shares of HK$0.10 each	**200**	200
Issued and fully paid:		
873,111,452 (2018: 875,381,452) ordinary shares of HK$0.10 each	**87**	88

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

	Number of ordinary shares of HK$0.10 each in issue	Issued capital HK$ million	Share premium account HK$ million	Total HK$ million
At 1 January 2018, 31 December 2018, 1 January 2019	875,381,452	88	224	312
Shares repurchased and cancelled	(2,270,000)	(1)	(1)	(2)
At 31 December 2019	873,111,452	87	223	310

During the year, the Company repurchased a total of 2,270,000 of its ordinary shares in April 2019 for an aggregate consideration of approximately HK$2 million. These shares were subsequently cancelled by the Company during the year.

Share options

Details of the Company's share option scheme are detailed in note 36 to the financial statements.

36. SHARE OPTION SCHEME

Share option scheme of the Company

At the annual general meeting ("AGM") of the Company held on 27 May 2011, the Shareholders approved the adoption of the 2011 Scheme (the "2011 Scheme"). The 2011 Scheme has become effective since 30 May 2011, the date on which the Listing Committee of the Stock Exchange granted approval for the listing of, and permission to deal in, any shares of the Company (the "Shares") on the Stock Exchange, which may fall to be allotted and issued by the Company pursuant to the exercise of the share options in accordance with the terms and conditions of the 2011 Scheme. Unless otherwise cancelled or amended, the 2011 Scheme will be valid for a period of 10 years from the date of its adoption.

The purpose of the 2011 Scheme is to enable the Company to grant share options to the eligible participants, as incentives and/or rewards for their contribution to the Group and/or any entity in which any member of the Group holds any equity interest ("Invested Entity") or the holding company of the Company (if applicable). Eligible participants of the 2011 Scheme include:

(a) any director or proposed director (whether executive or non-executive and whether independent or not), 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 any member of the Group, any Invested Entity or the holding company of the Company (if applicable);

(b) any supplier or provider of goods and/or services, professional, consultant, agent, contractor, adviser, customer, partner, business associate or shareholder of any member of the Group, any Invested Entity or the holding company of the Company (if applicable), or any holder of any securities issued or proposed to be issued by any member of the Group, any Invested Entity or the holding company of the Company (if applicable), who, in the sole discretion of the Board, will contribute or has contributed to the Group, the Invested Entity or the holding company of the Company (if applicable); and

(c) any person whom the Board at its sole discretion considers, will contribute or has contributed to any members of the Group, the Invested Entity or the holding company of the Company (if applicable) (as the case may be).

Pursuant to the 2011 Scheme, the maximum number of Shares which may be issued upon exercise of all share options to be granted under the 2011 Scheme and any other share option scheme(s) of the Company must not exceed 10% of the total number of Shares in issue as at the date of adoption of the 2011 Scheme. Shares which would have been issuable pursuant to the share options which have lapsed or cancelled in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit. Notwithstanding the foregoing, Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2011 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 scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded. As at the date of approval of this annual report, the total number of shares options available for grant under the 2011 Scheme is 60,614,490, which represents 6.94% of the total issued share capital of the Company as at the date of approval of these financial statements.

36. SHARE OPTION SCHEME *(continued)*

Share option scheme of the Company *(continued)*

The total number of Shares issued and which may fall to be issued upon exercise of the share options granted under the 2011 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 the 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 at 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.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive director(s) ("INED(s)") of the Company, excluding the INED(s) of the Company who is/are the grantee(s) of the share options. In addition, any share option granted to a substantial shareholder or an INED of the Company, or to any of their respective associates, in excess of 0.1% of the total number of Shares in issue as at the date of grant or with an aggregate value (based on the closing price of the Shares as at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to the issue of a circular by the Company and the approval of the Shareholders in advance at a general meeting.

The offer of a grant of the share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than 10 years from the date of grant of the share options. There is no specific requirement under the 2011 Scheme that a share option must be held for any minimum period before it can be exercised, but the terms of the 2011 Scheme provide that the Board has the discretion to impose a minimum period at the time of grant of any particular share option.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of:

(i) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading 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);

(ii) the average of the closing prices of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and

(iii) 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 2019, there was no share option outstanding under the 2011 Scheme. No share option was granted, exercised, cancelled or has lapsed under the 2011 Scheme during the year.

37. 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 pages 63 to 64 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.

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

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

	2019	2018
Percentage of equity interest held by non-controlling interests:		
AHM	**28%**	28%
HHL	**27%**	27%

HK$ million	**2019**	2018
(Loss)/profit for the year allocated to non-controlling interests:		
AHM	**(1)**	–
HHL	**1**	5
Accumulated balances of non-controlling interests at the reporting date:		
AHM	**14**	15
HHL	**7**	9

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

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2019	**AHM HK$ million**	**HHL HK$ million**
Revenue	**105**	**54**
Total expenses	**106**	**49**
Profit/(loss) for the year	**(1)**	**5**
Total comprehensive income/(loss) for the year	**(1)**	**5**
Current assets	**95**	**24**
Non-current assets	**41**	**9**
Current liabilities	**69**	**7**
Non-current liabilities	**18**	**–**
Net cash flows from/(used in) operating activities	**16**	**(6)**
Net cash flows used in investing activities	**(22)**	**(5)**
Net cash flows from/(used in) financing activities	**5**	**(2)**
Net decrease in cash and cash equivalents	**(1)**	**(13)**

2018	AHM HK$ million	HHL HK$ million
Revenue	86	48
Total expenses	86	37
Profit for the year	–	11
Total comprehensive income for the year	–	11
Current assets	45	30
Non-current assets	45	9
Current liabilities	30	6
Non-current liabilities	10	–
Net cash flows used in operating activities	(1)	(6)
Net cash flows used in investing activities	(3)	(5)
Net cash flows used in financing activities	(2)	(5)
Net decrease in cash and cash equivalents	(6)	(16)

39. DISPOSAL OF A SUBSIDIARY

2019	HK$ million
Net assets disposed of:	
Property, plant and equipment	76
Gain on disposal of a subsidiary	83
	159
Satisfied by cash	159

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

Cash consideration	159
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	159

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During 2019, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$17 million and HK$17 million, respectively, in respect of lease arrangements for office premises, other equipment and motor vehicles (2018: Nil).

(ii) On 3 January 2018, CCT Telecom Securities Limited ("CCT Securities") entered into settlement agreements with certain debtors, pursuant to which, trade receivables with an aggregate amount of HK$1,284 million were settled by transferring from the debtors to CCT Securities of: (i) 14,000,000,000 shares of GBA Holdings at the total price of HK$140 million, based on the closing market price of HK$0.01 per share; (ii) convertible bonds of GBA Holdings with the principal amount of approximately HK$496 million at the price of approximately HK$496 million, based on a valuation performed by Grant Sherman; and (iii) 27% equity interest in a private company at the price of HK$648 million. Pursuant to the aforesaid settlement agreements, the remaining outstanding trade receivables owed by the relevant debtors with an aggregate amount of HK$198 million were off-set with the difference between the shareholder's loan in the amount of HK$450 million owed by Riches Rise Limited and the carrying amount of the convertible bonds of GBA Holdings of HK$252 million as further detailed in note 23 to the financial statements.

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Changes in liabilities arising from financing activities

2019

HK$ million	Bank and other loans	Finance lease payables/ Lease liabilities	Convertible bonds
At 31 December 2018	1,592	6	235
Effect of adoption of HKFRS 16	–	98	–
At 1 January 2019 (restated)	1,592	104	235
New leases	–	17	–
Changes from financing cash flows	61	(34)	–
Interest expense	75	4	15
Interest paid classified as operating cash flows	(75)	(4)	(13)
At 31 December 2019	1,653	87	237

2018

HK$ million	Bank and other loans	Finance lease payables	Convertible bonds
At 1 January 2018	1,343	9	282
Changes from financing cash flows	246	–	(50)
Interest expense	63	–	15
Interest paid classified as operating cash flows	(60)	(3)	(12)
At 31 December 2018	1,592	6	235

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(c) Total cash outflows for leases

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

	2019 **HK$ million**
Within operating activities	**(4)**
Within financing activities	**(34)**
	(38)

41. CONTINGENT LIABILITIES

(a) Financial guarantees

HK$ million	**2019**	2018
Corporate guarantees given to banks in connection with facilities granted to the GBA Holdings Group (Note)	**30**	53

Note: As at 31 December 2019, the banking facilities granted to the GBA Holdings Group subject to corporate guarantees given to the banks by the Company were utilised to the extent of approximately HK$8 million (2018: HK$18 million).

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of the default of the parties involved is remote, and accordingly, no value has been recognised in the financial statements.

(b) 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 proceeding. Based on the existing legal documents and a legal opinion given by the legal advisor of the Company, 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.

42. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in note 31(b) to the financial statements.

43. COMMITMENTS

(a) At 31 December 2019, the Group has contracted, but not provided for capital commitment of approximately HK$6 million (2018: nil).

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from two to five years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

HK$ million	2018
Within one year	50
In the second to fifth years, inclusive	90
	140

44. 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	2019	2018
Sales of components to the GBA Holdings Group	(i)	**14.1**	37.2
Management information system service expense paid to the GBA Holdings Group	(ii)	**4.5**	6.0
Purchase of child products from the GBA Holdings Group	(iii)	**74.2**	127.2
Interest expense on the 2024 Convertible Bonds	(iv)	**15.1**	15.0
Rental income on investment properties	(v)	**6.4**	6.4
Interest expenses paid to the GBA Holdings Group	(vi)	**2.6**	2.6
Administrative service fee from the GBA Holdings Group	(vii)	**2.9**	–

Notes:

(i) These sales for 2019 and 2018 represented components and tooling manufactured by the Group and sold to the GBA Holdings Group, based on terms and conditions of the component manufacturing agreement entered into between the Company and GBA Holdings on 15 November 2018 (the "**2018 Component Agreement**") and the previous agreement dated 9 November 2015 (the "**2015 Component Agreement**"), respectively. The 2018 Component Agreement has a term of three years from 1 January 2019 to 31 December 2021 whereas the 2015 Component Agreement had a term of three years from 1 January 2016 to 31 December 2018. Pursuant to these two component agreements, the Company agreed to manufacture and supply through its subsidiaries certain plastic casings, components and other component products and tooling to the GBA Holdings Group. In accordance with the terms of the 2018 Component Agreement and the 2015 Component Agreement, the purchase prices of plastic casings, components and other component products were determined based on the direct material costs plus a mark-up of no more than 250%. The charges for the tooling were determined based on the total costs plus a mark-up of no more than 50%.

(ii) The management information system service fee was charged by GBA Holdings to the Company for the provision of general management information system support, network and software consultation and hardware maintenance services. The fee was determined in accordance with the terms and conditions set out in the agreement dated 6 December 2017 entered into between the Company and GBA Holdings, which had a term of three years from 1 January 2018 to 31 December 2020.

(iii) This represented the transaction amount for the supply of feeding, health care, hygiene, safety, toy and other related products for infants and babies which were supplied by the GBA Holdings Group to the Group during 2019 and 2018 based on the agreements set out below. On 3 August 2016, an agreement (the "**2016 Child Products Agreement**") was entered into between CCT Tech Global Holdings Limited ("**CCT Global**"), a wholly-owned subsidiary of GBA Holdings, and the Company, which governed the terms and conditions for the supply of the child products by the GBA Holdings Group to the Group during the term of the agreement from 14 October 2016 to 31 December 2018. On 31 August 2016, 14 September 2016 and 4 October 2016, CCT Global and the Company entered into the first supplemental agreement, the second supplemental agreement and the third supplemental agreement (collectively as the "**Supplemental Agreements**"), respectively, pursuant to which the parties to the Supplemental Agreements agreed to amend and supplement the pricing terms and policies of the 2016 Child Products Agreement. The 2016 Child Products Agreements as amended by Supplemental Agreements were renewed on 15 November 2018 by a new child products agreement entered into between GBA Holdings and the Company (the "**2018 Child Products Agreement**") for a term of three years from 1 January 2019 to 31 December 2021. The terms and conditions of the 2018 Child Products Agreement were similar to 2016 Child Products Agreement as amended by Supplemental Agreements. Pursuant to these agreements, the price of the child products to be supplied by the GBA Holdings Group for the Group will be the higher of the sum of the direct material costs plus a mark-up no more than 250% of the direct material costs and the selling prices that the Group sells to independent third parties less a discount of up to 10%.

(iv) 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 2024 Convertible Bonds) and the cash consideration of approximately HK$29 million. Details of the acquisition are set out in note 32(a) 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 2019, total interest of HK$15 million (2018: HK$15 million) was paid by the Company on the 2024 Convertible Bonds, to Capital Force and New Capital.

44. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes: *(continued)*

(v) On 6 December 2017, two indirect wholly-owned subsidiaries of the Company entered into the tenancy agreements with Mr. Mak to lease the properties situated at House 38 and House 39, No. 56 Repulse Bay Road to Mr. Mak for a rental period from 1 January 2018 to 31 December 2020 at a monthly rental (inclusive of management fee and government rent and rates) of HK$270,000 and HK$260,000, respectively. The rental was determined based on market rental. The rental transactions constituted non-exempt continuing connected transactions for the Company under the Listing Rules. During the year ended 31 December 2019, rental income of approximately HK$6 million (2018: HK$6 million) in aggregate was charged to Mr. Mak.

(vi) The interest expenses were paid to a subsidiary of GBA Holdings by the Company during 2019 and 2018.

(vii) The administrative service income was received from GBA Holdings and a subsidiary of GBA Holdings during the year.

(viii) The Group has guaranteed banking facilities granted to GBA Holdings Group amounting to HK$30 million (2018: HK$53 million) as at the end of the reporting period, as further detailed in note 30(c) to the financial statements.

(ix) The Company has complied with the relevant requirements under Chapter 14A of the Listing Rules in respect of the non-exempt connected transactions and non-exempt continuing connected transactions set out in aforesaid Notes (iv) and (v), respectively.

(b) Compensation of key management personnel of the Group

HK$ million	**2019**	2018
Short term employee benefits	**24**	25

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

45. 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:

2019

HK$ million

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
Trade receivables	–	283	283
Investment in films	86	–	86
Financial assets included in prepayments, other receivables and other assets	–	517	517
Financial assets at fair value through profit or loss	545	–	545
Pledged time deposits	–	78	78
Cash and cash equivalents	–	71	71
	631	949	1,580

Financial liabilities

	Financial liabilities at amortised cost
Trade payables	63
Other payables and accruals	546
Interest-bearing bank and other borrowings	1,740
Convertible bonds	237
	2,586

45. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2018

HK$ million

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
Trade receivables	–	309	309
Investment in films	56	–	56
Financial assets included in prepayments, other receivables and other assets	–	520	520
Financial assets at fair value through profit or loss	293	–	293
Pledged time deposits	–	35	35
Cash and cash equivalents	–	127	127
	349	991	1,340

Financial liabilities

	Financial liabilities at amortised cost
Trade payables	77
Other payables and accruals	273
Interest-bearing bank and other borrowings	1,598
Convertible bonds	235
	2,183

46. 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, time deposits with original maturity of more than three months, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, 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 headed by the group finance director 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. 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. 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 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 2019 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices.

46. 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	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value as at 31 December 2019:				
Financial assets at fair value through profit or loss				
— Listed equity investments, at fair value	**537**	**–**	**–**	**537**
— Insurance policy, at fair value	**3**	**–**	**–**	**3**
— Other assets, at fair value	**5**	**–**	**–**	**5**
	545	**–**	**–**	**545**
Assets measured at fair value as at 31 December 2018:				
Financial assets at fair value through profit or loss				
— Listed equity investments, at fair value	285	–	–	285
— Insurance policy, at fair value	3	–	–	3
— Other assets, at fair value	5	–	–	5
	293	–	–	293

The Group did not have any financial liabilities measured at fair value as at 31 December 2019 (2018: Nil).

During the year ended 31 December 2019, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: Nil).

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Liabilities for which fair values are disclosed:

	Fair value measurement using			
HK$ million	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
As at 31 December 2019				
Interest-bearing bank and other borrowings	**–**	**–**	**1,740**	**1,740**
As at 31 December 2018				
Interest-bearing bank and other borrowings	–	–	1,598	1,598

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise bank borrowings and finance leases and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The 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 profit loss before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in loss before tax HK$ million**
2019		
HK$	**100**	**17**
HK$	**(100)**	**(17)**

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$ million
2018		
HK$	100	(15)
HK$	(100)	15

47. 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 currencies. 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 Hong Kong dollar of 5.84% (2018: 9.98%) would result in decrease (increase) on the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) by HK$1 million (2018: HK$2 million) in 2019.

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, 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.

For the Group's trade receivables, since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentration of credit risk is managed by counterparty.

Certain of the Group's trade receivables and other receivables are secured by collateral provided by independent third parties, details of which are described in notes 24 and 26 to the financial statements.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Maximum exposure and year-end staging *(continued)*

As at 31 December 2019	**12-month ECLs**	**Lifetime ECLs**			
HK$ million	**Stage 1**	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
Trade receivables*	**–**	**–**	**–**	**283**	**283**
Financial assets included in prepayments, other receivables and other assets	**517**	**–**	**–**	**–**	**517**
Pledged deposits	**78**	**–**	**–**	**–**	**78**
Cash and cash equivalents	**71**	**–**	**–**	**–**	**71**
	666	**–**	**–**	**283**	**949**

As at 31 December 2018	12-month ECLs	Lifetime ECLs			
HK$ million	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Trade receivables*	–	–	–	309	309
Financial assets included in prepayments, other receivables and other assets	520	–	–	–	520
Pledged deposits	35	–	–	–	35
Cash and cash equivalents	127	–	–	–	127
	682	–	–	309	991

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 24 to the financial statements.

There is no significant concentration of credit risk in relation to the Group's financial assets, other than trade receivables. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the financial statements.

47. 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 (2018: finance leases). 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 2019

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	63	–	–	–	63
Other payables and accruals	546	–	–	–	546
Convertible bonds	–	–	250	–	250
Interest-bearing bank and other borrowings	381	309	807	415	1,912
	990	309	1,057	415	2,771

As at 31 December 2018

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	77	–	–	–	77
Other payables and accruals	273	–	–	–	273
Convertible bonds	–	–	–	250	250
Interest-bearing bank and other borrowings	292	164	727	581	1,764
	642	164	727	831	2,364

47. 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 2019 and 2018.

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 in the total borrowings. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

HK$ million	**31 December 2019**	1 January 2019 (Note)	31 December 2018
Interest-bearing bank and other borrowings (note 31)	**1,740**	1,696	1,598
Total borrowings	**1,740**	1,696	1,598
Total capital	**2,814**	2,963	2,963
Total capital and borrowings	**4,554**	4,659	4,561
Gearing ratio	**38.2%**	36.4%	35.0%

Note: The Group has adopted HKFRS 16 using the modified retrospective approach and the effect of the initial adoption is adjusted against the opening balances as at 1 January 2019 with no adjustments to the comparative amounts as at 31 December 2018. This resulted in an increase in the Group's net debt and hence the Group's gearing ratio increased from 35.0% to 36.4% on 1 January 2019 when compared with the position as at 31 December 2018.

48. EVENT AFTER THE REPORTING PERIOD

The outbreak of coronavirus disease 2019 ("COVID-19") since early 2020 has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position. The Group has been closely monitoring the impact from the COVID-19 on the Group's businesses and has commenced to put in place various measures. Based on the information currently available, the directors confirm that there has been no material adverse change in the financial position or operation of the Group up to the date of this report. However, the actual impacts may differ from these estimates as the situation continues to evolve and further information become available.

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

HK$ million	2019	2018
ASSETS		
Non-current assets		
Investments in subsidiaries	**1,601**	1,625
Current assets		
Due from subsidiaries	**1,245**	1,258
Prepayments, other receivables and other assets	**3**	1
Cash and cash equivalents	**1**	9
Total current assets	**1,249**	1,268
Total assets	**2,850**	2,893
EQUITY AND LIABILITIES		
Issued capital	**87**	88
Reserves (Note)	**1,314**	1,256
Total equity	**1,401**	1,344
Non-current liabilities		
Convertible bonds	**237**	235
Current liabilities		
Other payables and accruals	**20**	109
Due to subsidiaries	**1,069**	1,069
Interest-bearing bank and other borrowings	**123**	136
Total current liabilities	**1,212**	1,314
Total liabilities	**1,449**	1,549
Total equity and liabilities	**2,850**	2,893
Net current assets/(liabilities)	**37**	(46)
Total assets less current liabilities	**1,638**	1,579

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

HK$ million	Capital redemption reserve	Share premium account	Capital reserve*	Distributable reserve	Equity component of convertible bonds	Accumulated losses	Total
At 1 January 2018	24	224	741	902	22	(151)	1,762
Loss and total comprehensive loss for the year	–	–	–	–	–	(445)	(445)
2017 final dividend	–	–	–	(31)	–	–	(31)
2018 interim dividend	–	–	–	(30)	–	–	(30)
At 31 December 2018 and 1 January 2019	**24**	**224**	**741**	**841**	**22**	**(596)**	**1,256**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**59**	**59**
Shares repurchased and cancelled	**–**	**(1)**	**–**	**–**	**–**	**–**	**(1)**
At 31 December 2019	**24**	**223**	**741**	**841**	**22**	**(537)**	**1,314**

* The Company's capital reserve was created from the reduction of share capital which became effective on 7 August 2002.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2020.

other information

PARTICULARS OF THE GROUP'S INVESTMENT PROPERTIES AS AT 31 DECEMBER 2019

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%
Carpark 5, 6 & 11 Fortis Tower, 77–79 Gloucester Road, Hong Kong	3/3100th 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 2019

Location	Lot number	Use	Tenure	Attributable interest of the Group
Workshop 8 on Ground Floor, MP Industrial Centre, No. 18 Ka Yip Street, Hong Kong	48/8,899th equal and undivided shares of and in Chai Wan Inland Lot No. 139	Commercial	Medium term lease	100%
18th Floor, CCT Telecom Building, No. 11 Wo Shing Street, Shatin, New Territories, 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%

PARTICULARS OF THE GROUP'S STOCK OF PROPERTIES HELD FOR SALE AS AT 31 DECEMBER 2019

Location	Lot number	Use	Gross floor area (square feet approximately)	Stage of completion	Attributable interest of the Group
Shop on 18th Floor, Emperor Watch and Jewellery Centre, No. 8 Russell Street, Hong Kong	241/10010th equal and undivided shares of and in the Remaining Portion of Sub-section 1 of Section E, D and C, the remaining portion of Section E, D and C, of Inland Lot No. 746	Commercial	4,718	Completed	100%
Shop on 19 Floor, Emperor Watch and Jewellery Centre, No. 8 Russell Street, Hong Kong	241/10010th equal and undivided shares of and in the Remaining Portion of Sub-section 1 of Section E, D and C, the remaining portion of Section E, D and C, of Inland Lot No. 746	Commercial	4,718	Completed	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

	Year ended 31 December				
HK$ million	**2019**	2018	2017	2016	2015
REVENUE	**1,097**	919	585	895	608
(LOSS)/PROFIT BEFORE TAX	**(191)**	25	173	352	348
Income tax credit/(expense)	**50**	10	6	(39)	21
(LOSS)/PROFIT FOR THE YEAR	**(141)**	35	179	313	369
(Loss)/profit attributable to:					
Owners of the parent	**(141)**	34	181	303	369
Non-controlling interests	**–**	1	(2)	10	–
	(141)	35	179	313	369

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
HK$ million	**2019**	2018	2017	2016	2015
TOTAL ASSETS	**5,450**	5,251	5,218	4,969	4,032
TOTAL LIABILITIES	**(2,616)**	(2,265)	(1,868)	(1,767)	(1,166)
	2,834	2,986	3,350	3,202	2,866
EQUITY:					
Equity attributable to owners of the parent	**2,814**	2,963	3,331	3,181	2,866
Non-controlling interests	**20**	23	19	21	–
	2,834	2,986	3,350	3,202	2,866

glossary of terms

GENERAL TERMS

"2011 Scheme"	the share option scheme conditionally adopted by the Company on 27 May 2011 which took effect on 30 May 2011
"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
"AGM"	the annual general meeting of the Company
"Audit Committee"	the audit committee of the Company
"Blackbird" or "Blackbird Group"	the Blackbird Group established by the Company, which is engaged in the multi-faceted automotive business including the Ferrari dealership, investment and trading of classic cars, car logistics operations and investment in collectible precision devices
"Board"	the board of the Company
"Capital Force"	Capital Force International Limited, a company incorporated in the British Virgin Islands, the shares in which are wholly-owned by Mr. Mak
"Capital Winner"	Capital Winner Investments Limited, a company incorporated in the British Virgin Islands, the shares in which are wholly-owned by Mr. Mak
"CCT Securities"	CCT Telecom Securities Limited, a company incorporated in Hong Kong 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 set out 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: 138), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the Shares are listed on the Main Board of the Stock Exchange
"Director(s)"	the director(s) of the Company
"Executive Director(s)"	executive director(s) of the Company
"GBA 2011 Scheme"	the share option scheme conditionally adopted by GBA Holdings on 27 May 2011 which took effect on 30 May 2011

"GBA Holdings"	Greater Bay Area Investments Group Holdings Limited (stock code: 261), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"GBA Holdings Group"	GBA Holdings and its subsidiaries
"Group"	the Company and its subsidiaries
"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) of the Company
"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 China"	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, a 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, the shares in which are wholly-owned by Mr. Mak
"Nomination Committee"	the nomination committee of the Company
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"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

"USA"	the United States of America
"US$"	United States dollar(s), the lawful currency of the USA
"%"	per cent.

FINANCIAL TERMS

"current ratio"	current assets divided by current liabilities
"(loss)/earnings per share"	(loss)/profit attributable to ordinary equity holders of parent divided by weighted average number of ordinary shares in issue during the year
"gearing ratio"	total borrowings (representing bank and other borrowings and finance lease payable) divided by total capital employed (i.e. total Shareholders' fund plus total borrowings)
"G.P. Ratio"	gross profit margin as a percentage of revenue
"operating profit/(loss)"	operating profit/(loss) before interest, tax and unallocated income and expenses
"ROE"	profit attributable to owners of parent over average shareholder's equity