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FORTIS HOLDINGS LIMITED **(中 建 富 通 集 團 有 限 公 司)**

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 00138)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 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 US 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 Initiatives 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 period. 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 classics 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 unprecedented 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

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

HK\$ million	Revenue				% increase/ (decrease)
	2019 Amount	2019 Relative %	2018 Amount	2018 Relative %	
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 logistic 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	<u>1,097</u>	<u>100.0%</u>	<u>919</u>	<u>100.0%</u>	19.4%

HK\$ million	Operating (loss)/profit		% increase/ (decrease)
	2019	2018	
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 logistic 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	<u>(56)</u>	<u>10</u>	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 logistic business

Classic car trading and logistic 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

HK\$ million	Revenue				
	2019		2018		% increase/ (decrease)
	Amount	Relative %	Amount	Relative %	
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

HK\$ million	2019		2018	
	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 announcement, 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 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 of the Company are of the opinion that there is a reasonably good chance of success in the defence by the Relevant Subsidiary. In the opinion of the Directors, no provision is considered necessary for the claims arising from the legal proceedings at the end of the reporting period.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group as at 31 December 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).

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

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
2 April 2019	380,000	0.77	0.74	285,700
3 April 2019	70,000	0.75	0.73	52,100
	<u>2,270,000</u>			<u>1,701,080</u>

CORPORATE GOVERNANCE

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

In the opinion of the Directors, the Company has complied with all the Code Provisions under the CG Code throughout the year ended 31 December 2019, except for the minor deviations from the following Code Provisions of the CG Code:-

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

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

Detailed information of such deviations and their respective considered reasons as well as other information on the corporate governance practices of the Company have been disclosed in the interim report of the Company for the six months ended 30 June 2019 and will be disclosed in the corporate governance report contained in the 2019 annual report of the Company, which will be despatched to the Shareholders on or before 29 April 2020.

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.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) since 2000 with specific written terms of reference formulated in accordance with the requirements of the Listing Rules. The Audit Committee consists of three members who are the INEDs, namely Mr. Tam King Ching, Kenny (“**Mr. Kenny Tam**”), Mr. Chen Li and Mr. Chow Siu Ngor (“**Mr. Chow**”). The Audit Committee is currently chaired by Mr. Kenny Tam, who is a qualified accountant and has extensive experience in accounting and financial matters. The Audit Committee held three meetings during the financial year ended 31 December 2019.

The Audit Committee has reviewed and discussed the adopted accounting principles and practices and the auditing, internal control and financial reporting matters of the Group. The Audit Committee has also reviewed the consolidated financial statements of the Group for the financial year ended 31 December 2019.

Further information of the Audit Committee will be disclosed in the corporate governance report contained in the 2019 annual report of the Company, which will be despatched to the Shareholders on or before 29 April 2020.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the “**Remuneration Committee**”) since 2005 with specific written terms of reference formulated in accordance with the requirements of the Listing Rules. The Remuneration Committee consists of five members comprising three INEDs, namely Mr. Kenny Tam, Mr. Chen Li and Mr. Chow, and two executive Directors namely Mr. Mak Shiu Tong, Clement (“**Mr. Mak**”) and Mr. Tam Ngai Hung, Terry (“**Mr. Terry Tam**”). The Remuneration Committee is currently chaired by Mr. Chow. The Remuneration Committee held two meetings during the financial year ended 31 December 2019.

Further information of the Remuneration Committee will be disclosed in the corporate governance report contained in the 2019 annual report of the Company, which will be despatched to the Shareholders on or before 29 April 2020.

NOMINATION COMMITTEE

The Company has established a nomination committee (the “**Nomination Committee**”) since 2012 with specific written terms of reference in line with the Code Provisions under the CG Code. The Nomination Committee consists of five members comprising three INEDs, namely Mr. Kenny Tam, Mr. Chen Li and Mr. Chow and two executive Directors, namely Mr. Mak and Mr. Terry Tam. The Nomination Committee is currently chaired by Mr. Mak. The Nomination Committee held one meeting during the financial year ended 31 December 2019.

Further information of the Nomination Committee will be disclosed in the corporate governance report contained in the 2019 annual report of the Company, which will be despatched to the Shareholders on or before 29 April 2020.

INDEPENDENT NON-EXECUTIVE DIRECTORS OF THE COMPANY

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

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of a sufficient number of the INEDs and at least an INED with appropriate professional qualifications or accounting or related financial management expertise and the number of INEDs representing at least one-third of the Board throughout the financial year ended 31 December 2019.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT, ANNUAL REPORT AND CORPORATE GOVERNANCE REPORT

The results announcement of the Company for the year ended 31 December 2019 is published on the website of the Company at www.cct-fortis.com/eng/investor/announcements.php and that of the Stock Exchange at www.hkexnews.hk. The 2019 annual report and corporate governance report will be despatched to the Shareholders and made available on the website of the Company and that of the Stock Exchange on or before 29 April 2020.

BOARD OF DIRECTORS

As at the date of this announcement, the executive Directors are Mr. Mak Shiu Tong, Clement, Mr. Tam Ngai Hung, Terry and Ms. Cheng Yuk Ching, Flora; and the INEDs are Mr. Tam King Ching, Kenny, Mr. Chen Li and Mr. Chow Siu Ngor.

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

Hong Kong, 30 March 2020

ANNUAL RESULTS

The Board presents the consolidated annual results of the Group for the year ended 31 December 2019, together with the comparative amounts for the previous year as follows:

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

HK\$ million	Notes	2019	2018
REVENUE	3,4	1,097	919
Cost of sales		(919)	(770)
Gross profit		178	149
Other income and gains, net	4	104	273
Selling and distribution costs		(15)	(25)
Administrative expenses		(269)	(270)
Other expenses		(105)	(27)
Finance costs	5	(94)	(78)
Share of profits of a joint venture		12	4
Share of losses of an associate		(2)	(1)
(LOSS)/PROFIT BEFORE TAX	6	(191)	25
Income tax credit	7	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	9		
Basic		(HK\$0.16)	HK\$0.04
Diluted		(HK\$0.16)	HK\$0.04

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2019

HK\$ million	2019	2018
(LOSS)/PROFIT FOR THE YEAR	<u>(141)</u>	<u>35</u>
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	<u>(6)</u>	<u>-</u>
Net other comprehensive loss for the year	<u>(6)</u>	<u>(346)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u><u>(147)</u></u>	<u><u>(311)</u></u>
Attributable to:		
Owners of the parent	(147)	(313)
Non-controlling interests	<u>-</u>	<u>2</u>
	<u><u>(147)</u></u>	<u><u>(311)</u></u>

Consolidated Statement of Financial Position
31 December 2019

HK\$ million	<i>Notes</i>	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	<i>10</i>	870	895
Investment properties		1,482	1,532
Goodwill		103	103
Intangible assets		17	24
Interest in a joint venture		607	601
Interest in an associate		2	9
Classic cars held for investment		107	107
Collectible precision devices held for investment		171	153
Other receivables and other assets		2	3
Total non-current assets		3,361	3,427
Current assets			
Inventories		164	93
Stock of properties held for sale		237	279
Stock of classic cars held for sale		89	89
Trade receivables	<i>11</i>	283	309
Investment in films		86	56
Prepayments, other receivables and other assets		536	543
Financial assets at fair value through profit or loss		545	293
Pledged time deposits		78	35
Cash and cash equivalents		71	127
Total current assets		2,089	1,824
Total assets		5,450	5,251

Consolidated Statement of Financial Position (Continued)
31 December 2019

HK\$ million	<i>Note</i>	2019	2018
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital		87	88
Reserves		2,727	2,875
		<u>2,814</u>	<u>2,963</u>
Non-controlling interests		20	23
Total equity		<u>2,834</u>	<u>2,986</u>
Non-current liabilities			
Interest-bearing bank and other borrowings		1,423	1,362
Convertible bonds		237	235
Deferred tax liabilities		27	26
Total non-current liabilities		<u>1,687</u>	<u>1,623</u>
Current liabilities			
Trade payables	12	63	77
Tax payable		3	56
Other payables and accruals		546	273
Interest-bearing bank and other borrowings		317	236
Total current liabilities		<u>929</u>	<u>642</u>
Total liabilities		<u>2,616</u>	<u>2,265</u>
Total equity and liabilities		<u>5,450</u>	<u>5,251</u>
Net current assets		<u>1,160</u>	<u>1,182</u>
Total assets less current liabilities		<u>4,521</u>	<u>4,609</u>

Notes:

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.

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

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.

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 were 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 expedients 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.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are 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	<u>96</u>
Liabilities	
Increase in interest-bearing bank and other borrowings	98
Decrease in other payables and accruals	(2)
Increase in total liabilities	<u>96</u>

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is 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	<u>98</u>
Less: Prepaid rental for office premises under operating lease	(6)
Lease liabilities as at 1 January 2019	<u>104</u>

- (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.

3. OPERATING SEGMENT INFORMATION

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

- (a) the property 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 of Ferrari in Hong Kong and Macau;
- (e) classic cars trading and logistic segment representing the trading and sale of classic cars and car logistic 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 production, investment and distribution of films worldwide;
- (h) the stage audio, lighting and engineering operations segment representing the provision and leasing of audio and lighting equipment, services and provision of metal construction work and engineering services for production of concert, entertainment and other 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.

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.

3. OPERATING SEGMENT INFORMATION (continued)

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 logistic	Investment in classic cars	Film operations	Stage audio, lighting and engineering operations	Industrial Group	Other operations	Reconcilia- tions	Total
Segment revenue:												
Sales to external customers	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 profit/ (loss)	(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)

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 logistic	Investment in classic cars	Film operations	Stage audio, lighting and engineering operations	Industrial Group	Other operations	Reconcilia- tions	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	-	(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

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 logistic	Investment in classic cars	Film operations	Stage audio, lighting and engineering operations	Industrial Group	Other operations	Reconcilia- tions	Total
Segment revenue:												
Sales to external customers	3	13	6	258	196	-	-	193	172	78	-	919
Other revenue	-	4	-	3	-	-	-	-	2	10	-	19
Intersegment revenue	-	2	-	-	-	-	-	-	-	-	(2)	-
	<u>3</u>	<u>19</u>	<u>6</u>	<u>261</u>	<u>196</u>	<u>-</u>	<u>-</u>	<u>193</u>	<u>174</u>	<u>88</u>	<u>(2)</u>	<u>938</u>
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)
												<u>25</u>
Profit before tax												25
Income tax credit												<u>10</u>
Profit for the year												<u>35</u>

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 logistic	Investment in classic cars	Film operations	Stage audio, lighting and engineering operations	Industrial Group	Other operations	Reconcilia- tions	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 investment properties	-	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

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
	<u>1,097</u>	<u>919</u>

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
	<u>3,359</u>	<u>3,424</u>

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 one single customer contributed 10% or more of the Group's total revenue.

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

4. REVENUE, OTHER INCOME AND GAINS, NET

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

HK\$ million	2019	2018
Revenue		
<i>Revenue from contracts with customers</i>		
Classic cars trading and logistics service income	104	196
Income from Ferrari dealership	613	258
Provision and leasing of stage audio, lighting equipment and engineering services	192	193
Manufacture and sale of plastic components and sale of child products	91	172
Income from other operations	82	71
	<u>1,082</u>	<u>890</u>
<i>Revenue from other sources</i>		
Gross rental income from investment properties, fixed payments	15	16
Net realised gains from disposal and change in fair value of trading securities	-	13
	<u>15</u>	<u>29</u>
	<u>1,097</u>	<u>919</u>
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	-	147
Gain on disposal of an investment property	-	1
Gain on disposal of a subsidiary which held an office property	83	-
Reversal of impairment loss on stock of properties	-	5
Gain on disposal of classic car held for investment	-	1
Gain on disposal of items of property, plant and equipment	1	-
Forfeited deposits of Ferrari	3	-
Others	15	13
	<u>104</u>	<u>273</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

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 logistic	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
Sale of plastic components and child products	-	-	-	-	-	-	-	-	91	-	91
Sale of other goods	-	-	-	-	-	-	-	5	-	4	9
Provision and leasing of audio and lighting equipment	-	-	-	-	-	-	-	148	-	-	148
Provision of other services	-	-	-	64	22	-	-	39	-	78	203
<hr/>											
Total revenue from contracts with customers	-	-	-	613	104	-	-	192	91	82	1,082
<hr/>											
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
<hr/>											
Total revenue from contracts with customers	-	-	-	613	104	-	-	192	91	82	1,082
<hr/>											
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
<hr/>											
Total revenue from contracts with customers	-	-	-	613	104	-	-	192	91	82	1,082

Revenue from contracts with customers (continued)

(a) Disaggregated revenue 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 logistic	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
Sale of plastic components and child products	-	-	-	-	-	-	-	-	172	-	172
Sale of other goods	-	-	-	-	-	-	-	8	-	7	15
Provision and leasing of 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

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were 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	<u>135</u>	<u>25</u>

(b) Performance obligations

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

Sale of Ferrari cars

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

Sale of 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 delivery of services.

Sale 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 audio and lighting equipment

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

Provision and leasing of audio and lighting equipment and stage 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.

5. 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	<u>94</u>	<u>78</u>

6. (LOSS)/PROFIT BEFORE TAX

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

HK\$ million	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 provision and leasing of stage audio and lighting equipment and engineering services	157	128
Cost of other operations	61	72
Depreciation of property, plant and equipment (including right-of-use assets)	83	53
Amortisation of intangible assets	7	6
Minimum lease payments under operating leases	-	30
Auditors' remuneration	3	3
Employee benefit expense (excluding directors' and chief executive's remuneration)		
Wages and salaries	90	95
Pension scheme contributions	3	3
	<u>93</u>	<u>98</u>
Foreign exchange differences, net	1	2
Gains from the change in fair value of trading securities, net	-	(13)
Gain on disposal of an investment property	-	(1)
Gain on disposal of a subsidiary which held an office property	(83)	-
Gain on disposal of items of property, plant and equipment	(1)	-
Impairment loss/(reversal of impairment loss) on stock of properties	42	(5)
Fair value loss/(gain) on investment properties, net	50	(82)
Fair value gain on collectible precision devices held for investment, net	(2)	(24)
Loss on disposal of financial asset at fair value through profit or loss	-	10
Impairment of trade receivables	7	1
Impairment of investment in a film	-	3

7. 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	1	(12)
	<u>1</u>	<u>(12)</u>
Total tax credit for the year	<u>(50)</u>	<u>(10)</u>

8. DIVIDENDS

HK\$ million	2019	2018
Paid interim and total – nil (2018: HK\$0.035 per ordinary share)	-	30
	<u>-</u>	<u>30</u>

Note:

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).

9. (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 earnings per share calculations	(141)	34
Interest on convertible bonds	<u>15</u>	<u>15</u>
(Loss)/profit attributable to ordinary equity holders of the parent before interest on convertible bonds, used in the diluted earnings per share calculations	<u>(126)*</u>	<u>49</u>
	Number of Shares	
	2019	2018
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations	873,672,603	875,381,452
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	<u>347,500,000</u>	<u>347,500,000</u>
Weighted average number of ordinary shares used in the diluted earnings per share calculations	<u>1,221,172,603*</u>	<u>1,222,881,452</u>

*Because the diluted loss per share amount is decreased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic loss per share for the year and was ignored in the calculation of diluted loss per share. Therefore, the diluted loss per share amounts are based on the loss for the year attributable to ordinary equity holders of the parent of HK\$141 million, and the weighted average number of ordinary shares of 873,672,603 in issue during the year.

10. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2019, the Group acquired fixed assets of approximately HK\$69 million (2018: HK\$110 million) and disposed of fixed assets of HK\$116 million (2018: HK\$6 million).

11. TRADE RECEIVABLES

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

HK\$ million	2019		2018	
	Balance	Percentage	Balance	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
	<u>283</u>	<u>100</u>	<u>309</u>	<u>100</u>

The Group's trading terms with its customers of 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.

12. TRADE PAYABLES

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

HK\$ million	2019		2018	
	Balance	Percentage	Balance	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
	<u>63</u>	<u>100</u>	<u>77</u>	<u>100</u>

The trade payables are non-interest-bearing, unsecured and are normally settled on a 60-day term.

13. 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 put in place various measures. Based on 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 announcement. However, the actual impacts may differ from these estimates as the situation continues to evolve and further information become available.

14. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated in this result announcement as a result of the change in reportable segments to conform with the current year's presentation and disclosures.

GLOSSARY OF TERMS

General Terms

“AGM”	The annual general meeting 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
“CG Code”	The Corporate Governance Code as contained in Appendix 14 to the Listing Rules
“Chairman”	The chairman of the Company
“China” or “PRC”	The People’s Republic of China
“Company”	CCT Fortis Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the Shares are listed on the Main Board of the Stock Exchange
“Director(s)”	The director(s) of the Company from time to time
“GBA Holdings”	Greater Bay Area Investments Group Holdings Limited (formerly known as “CCT Land Holdings Limited”) (stock code: 261), a company incorporated in Bermuda with limited liability, the shares of which are listed in the Main Board of the Stock Exchange
“GBA Holdings Group”	GBA Holdings and its subsidiaries from time to time
“Group”	The Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“HK\$” or “\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Industrial Group”	An industrial group established by the Company, which is engaged in the manufacture of plastic components and trading of child products
“INED(s)”	Independent non-executive Directors
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“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
“N/A”	Not applicable
“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
“%”	Per cent.

Financial Terms

“Current Ratio”	Current assets divided by current liabilities
“Earnings Per Share”	Profit attributable to ordinary equity holders of the parent divided by weighted average number of ordinary shares in issue during the period
“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 total 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