



AUTO ITALIA

**AUTO ITALIA HOLDINGS LIMITED**

**意達利控股有限公司**

(Incorporated in Bermuda with limited liability)

Stock Code: 720



INTERIM REPORT

**2023**

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

- Mr. CHONG Tin Lung Benny (*Executive Chairman and Chief Executive Officer*)  
Mr. HUANG Zuie-Chin (*resigned on 27 July 2023*)  
Mr. NG Siu Wai (*resigned on 27 July 2023*)  
Mr. LI Shaofeng (*appointed on 28 February 2023*)  
Mr. LIN Chun Ho Simon

### Independent Non-executive Directors

- Mr. KONG Kai Chuen Frankie  
Mr. LEE Ben Tiong Leong (*resigned on 27 May 2023*)  
Mr. TO Chun Wai  
Dr. SHAM Chung Ping Alain (*appointed on 24 May 2023*)

## BOARD COMMITTEES

### Audit Committee

- Mr. KONG Kai Chuen Frankie (*Chairman*)  
Mr. LEE Ben Tiong Leong (*resigned on 27 May 2023*)  
Mr. TO Chun Wai  
Dr. SHAM Chung Ping Alain (*appointed on 24 May 2023*)

### Remuneration Committee

- Mr. TO Chun Wai (*Chairman*)  
Mr. CHONG Tin Lung Benny  
Mr. KONG Kai Chuen Frankie  
Mr. LEE Ben Tiong Leong (*resigned on 27 May 2023*)  
Dr. SHAM Chung Ping Alain (*appointed on 24 May 2023*)

### Nomination Committee

- Mr. CHONG Tin Lung Benny (*Chairman*)  
Mr. KONG Kai Chuen Frankie  
Mr. LEE Ben Tiong Leong (*resigned on 27 May 2023*)  
Mr. TO Chun Wai  
Dr. SHAM Chung Ping Alain (*appointed on 24 May 2023*)

**Executive Directors' Committee**

Mr. CHONG Tin Lung Benny (*Chairman*)

Mr. LIN Chun Ho Simon

**COMPANY SECRETARY**

Ms. KWONG Yin Ping Yvonne

**AUTHORISED REPRESENTATIVES**

Mr. CHONG Tin Lung Benny

Ms. KWONG Yin Ping Yvonne

**REGISTERED OFFICE**

Victoria Place, 5th Floor

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Bermuda

**PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

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**PRINCIPAL BANKER**

China CITIC Bank International Limited

**LEGAL ADVISORS**

**As to Hong Kong Law**

Sidley Austin LLP

**As to Bermuda Law**

Ocorian Law (Bermuda) Limited

## Corporate Information

### **AUDITOR**

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
35th Floor, One Pacific Place  
88 Queensway  
Hong Kong

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA**

Ocorian Management (Bermuda) Limited  
Victoria Place, 5th Floor  
31 Victoria Street  
Hamilton HM 10  
Bermuda

### **SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG**

Tricor Standard Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### **STOCK CODE**

The Stock Exchange of Hong Kong Limited: 720

### **WEBSITE ADDRESS**

[www.autoitalia.com.hk](http://www.autoitalia.com.hk)

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

#### *Property Investment Division*

During the period ended 30 June 2023, the Property Investment Division recorded a rental income of HK\$14.0 million for leasing the properties of the Group to third parties in Hong Kong and Scotland (2022: HK\$14.6 million). The reduction of rental income of HK\$0.6 million was primarily attributed to the adverse impact on leasing income in Scotland due to the devaluation of the Pound Sterling.

#### *Car Division*

For the first half of 2023, the Car Division recorded a revenue of HK\$11.7 million (2022: Nil).

The reported revenue reflects the financial contribution of Wuhan Junyi Cars Sales and Service Company Ltd, which was acquired by the Group in February 2023. The revenue figure represents the cumulative revenue generated over a period of five months.

#### *Financial Investments and Services Division*

Amid the prevailing market turbulence, the Group has adopted a cautious approach in its lending business to mitigate the risk of loan defaults and non-performing debts. As at 30 June 2023 and 2022, the Group did not have any outstanding loan lent to customers. Hence, no revenue was recorded.

### Cost of Sales and Gross Profit

Gross profit increased by HK\$1.0 million to HK\$12.5 million (2022: HK\$11.5 million). The increase was largely attributed to the performance of the Car Division which overshadowed the impact of the depreciation of the Pound Sterling on the Property Investment Division.

## Management Discussion and Analysis

Due to the inherent nature of the car dealership industry, which typically exhibits lower gross profit margins compared to the property investment industry, our overall gross profit margin declined by 30.1 percentage points, settling at 48.7% (2022: 78.8%) for the reporting period.

### Other Income

For the six months ended 30 June 2023, other income amounted to HK\$0.28 million (2022: HK\$0.4 million). The decrease of HK\$0.12 million was mainly caused by non-recurrence of service income from the discontinued operation.

### Other Gains and Losses

Other gains and losses amounted to a net loss of HK\$117.5 million (2022: net loss of HK\$90.9 million) which mainly represented unrealized fair value loss of investment of an associate of HK\$96.4 million (2022: HK\$92.6 million) measured at fair value through profit or loss and fair value loss of investment properties of HK\$22.6 million (2022: fair value gain of HK\$1.7 million).

### Selling and Distribution Costs and Administrative Expenses

Selling and distribution costs and administrative expenses during the period aggregated to HK\$15.7 million (2022: HK\$11.4 million), which accounted for 61.0% (2022: 78.5%) of revenue. The net increase of HK\$4.3 million was mainly due to increase in depreciation of right-of-use assets, marketing expense and legal and professional fee.

### Finance Costs

Finance costs during the period were increased to HK\$7.7 million (2022: HK\$6.5 million) which was mainly caused by increase in interest on bank and other borrowings by HK\$1.7 million to HK\$5.6 million (2022: HK\$3.9 million). The increase of finance costs was partially offset by decrease in interest on promissory note by HK\$0.6 million to HK\$1.1 million (2022: HK\$1.7 million).

### Life Science Investment

For the six month ended 30 June 2023, Chime Biologics Limited (“**CBL**”) generated unaudited consolidated revenue of US\$13.1 million (2022: US\$21.4 million) and recorded unaudited consolidated operating loss of US\$5.2 million (2022: loss of US\$2.5 million). The decline in recognized revenue is mainly caused by a scheduled plant shutdown for critical maintenance work in the first quarter and most of the manufacturing service performed in the second quarter will be recognized in the third quarter. The maintenance work has successfully completed and manufacturing plant resumed operation in April 2023. At 30 June 2023, the fair value of this investment decreased to HK\$142 million (June 2022: HK\$157 million) and represents around 20.4% (June 2022: 20.4%) of the total assets of the Group. The decrease was mainly caused by the unfavorable market condition during the period. The Group presently intends to hold such investment as long-term investment.

### Loss Attributable to Owners of the Company

Loss attributable to owners of the Company for the six months ended 30 June 2023 was HK\$117.4 million (2022: HK\$109.9 million). It was primarily caused by an unrealized fair value loss of investment of an associate of HK\$96.4 million measured at fair value through profit or loss and the fair value loss of investment properties of HK\$22.6 million (2022: fair value gain of HK\$1.7 million).

### Liquidity and Financial Resources

#### **Cash Flow**

During the period, the Group financed its operations and investments principally through reserves as well as bank and other borrowings. The Group successfully secured a borrowing of HK\$12 million and received an interest-free loan of HK\$11.6 million from a related party. Additionally, the Group repaid other borrowings of HK\$29.7 million.

#### **Bank Balances and Cash**

As at 30 June 2023, the Group had bank balances and cash of HK\$27.2 million as compared with HK\$42.8 million as at 31 December 2022, which were mainly denominated in Pound Sterling (as to 64%), Hong Kong dollars (as to 18%) and Renminbi (as to 18%).

## Management Discussion and Analysis

### ***Bank and Other Borrowings, Loan from a non-controlling member of a subsidiary, Loan from a related party and Promissory Note***

As at 30 June 2023, the Group had bank and other borrowings, loan from a non-controlling member of a subsidiary of the Company (which holds 7.25% of the issued share capital of the subsidiary as at the date of this report), loan from a related party and promissory note totaling HK\$383.7 million (31 December 2022: HK\$372.7 million), of which HK\$28.4 million was repayable more than one year. The Group's debt to equity ratio for the six months ended 30 June 2023 increased to 136.0% from 95.4% for the year ended 31 December 2022 based on the total of current and non-current bank and other borrowings, loan from a non-controlling member of a subsidiary, loan from a related party and promissory note of HK\$383.7 million (31 December 2022: HK\$372.7 million) and total equity of HK\$282.1 million (31 December 2022: HK\$390.9 million).

The increase in debt to equity ratio was mainly due to decrease in total equity caused by an unrealized fair value loss of investment of an associate of HK\$96.4 million measured at fair value through profit or loss and the fair value loss of investment properties of HK\$22.6 million during the period.

The bank borrowing represents a bank loan which was secured by an investment property in Hong Kong and pledged bank deposit which is repayable in instalments over a period of 3 years, with a repayment on demand clause and carry interest at variable market rates of Hong Kong Interbank Offered Rate plus 2% per annum. The bank borrowing balance with accrued interest as at 30 June 2023 are HK\$29.8 million (31 December 2022: HK\$30.5 million).

The other borrowings and loan from a non-controlling member of a subsidiary have maturity at 5 September 2023 and carry interest at 8.5% and 10% per annum respectively. During the reporting period, the Group incurred interest expense of HK\$3.7 million and HK\$0.5 million and repaid interest of HK\$3.5 million and nil, respectively. The remaining loan balance as at 30 June 2023 are HK\$316.7 million and HK\$10.1 million, respectively.

The loan from a related party is interest-free and have maturity of 2 years.

The promissory note have maturity of 3 years and carry interest at 8% per annum. During the reporting period, the Group incurred interest expense of HK\$1.1 million, the remaining promissory note balance as at 30 June 2023 is HK\$28.6 million (31 December 2022: HK\$27.5 million).

### ***Loan Receivables***

During the current period of market distress, the Group has continued to adopt a prudent and cautious approach to balance the return and risk of the financing activities. As at 30 June 2023 and 31 December 2022, the Group did not have any outstanding secured loan lent to customers.

### **Foreign Exchange Exposure**

The Group currently does not have a foreign currency hedging policy. The Group manages its foreign exchange exposure by monitoring the matching of the currency of its debt with (i) the collateral assets; and (ii) the debt servicing income derived from its business activities. During the period ended 30 June 2023, loan secured by property in Scotland was denominated in the Pound Sterling and serviced by income from Scotland denominated in the Pound Sterling.

As a result of the appreciation of the Pound Sterling over the period, a positive exchange difference arising on translation of foreign operations attributable to owners of the Company of approximately HK\$4 million was recorded during the period (2022: negative exchange difference of approximately HK\$10 million).

### **Pledge of Assets**

As at 30 June 2023, certain of the Group's bank deposits and properties totaling HK\$470.4 million (31 December 2022: bank deposits and properties totaling HK\$471.7 million) were pledged as security for relevant borrowings.

## **CAPITAL EXPENDITURES AND COMMITMENTS**

As at 30 June 2023 and 31 December 2022, the Group had no capital commitments, all are authorized and contracted for.

## **CONTINGENT LIABILITIES**

As at 30 June 2023 and 31 December 2022, the Group had no significant contingent liabilities.

## Management Discussion and Analysis

### EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events after the end of the six months ended 30 June 2023.

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

#### The acquisition of Wuhan Junyi Cars Sales & Service Company Ltd

References are made to the announcement of the Company dated 28 December 2022 and 17 February 2023.

On 28 December 2022, Success Master (Shanghai) Consultancy Limited, an indirect wholly-owned subsidiary of the Company ("**Success Master**") entered into an agreement with CTF Automobile (China) Investment Co., Ltd\* 運天(中國)投資有限公司 ("**CTF**"), pursuant to which Success Master conditionally agreed to acquire, and CTF conditionally agreed to sell 51% equity interest in Wuhan Junyi Cars Sales & Service Company Ltd\* 武漢駿意汽車銷售服務有限公司 ("**Wuhan Junyi**") for the consideration of RMB10,200,000 (the "**Wuhan Junyi Acquisition**"). Wuhan Junyi is a company established in the PRC with limited liability, and is principally engaged in the 4S dealership business in the PRC for a premium brand vehicle named Maserati.

Completion of the Wuhan Junyi Acquisition has taken place on 17 February 2023 (the "**Completion**"). Upon Completion, Wuhan Junyi has become a subsidiary of the Company and its financial statements have been consolidated by the Group.

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the period ended 30 June 2023.

\* For identification purpose only

### HUMAN RESOURCES AND CHARITY

As at 30 June 2023, the Group employed a total of 34 employees in Hong Kong and Mainland China. The Group believes that employees are all pivotal to our development and representing the most valuable asset for supporting our sustainable business growth.

As always, we provided not only competitive remuneration packages and benefits programs to our employees, but also provided reasonable and safe working environment, as well as supporting employee's continued education to uncover their hidden potential. The Group also continued its contribution to local communities through participation in charitable events such as donations.

### BUSINESS REVIEW

#### Property Investment

The property investment business has formed part of the Group's reportable segments since 2014. The property investment division of the Group oversees and reviews its property portfolio from time to time to enhance returns and holds investment properties to earn rentals or for capital appreciation purposes. The Company funds the operations of the property investment division with its internal resources and banking facility. Our property investments consist principally of a portfolio of an office building in Scotland, an industrial building and a car park in Hong Kong.

For our investment properties in Hong Kong and Scotland, the Group continued to earn a rental income of HK\$1.1 million and HK\$12.9 million respectively (2022: HK\$1.1 million and HK\$13.5 million respectively) from leasing the investment properties. During the period, the Group recorded an unrealized loss on fair value change of investment properties of HK\$22.6 million (2022: fair value gain of HK\$1.7 million).

As at 30 June 2023, approximately 94% of the total net internal area of Capella is subject to various tenancy agreements at a total rental of approximately GBP2.9 million per annum with the expiry date in February 2030 at the latest and a weighted average unexpired lease term to expiry of 4.79 years.

## Management Discussion and Analysis

### Cars

On 17 February 2023, the Group completed the Wuhan Junyi Acquisition. It represents a strategic investment of the Group, which expands the Group's network for Maserati car dealership in the PRC. Such dealership network has also compliment and leverage on the Group's strength and experience in Maserati dealership.

We achieved a significant milestone in the first half of 2023 with the grand opening of the state-of-the-art Maserati 4S shop spanning an impressive 47,000 square feet in Panlong Automobile City, Wuhan, Hubei Province, the PRC. This expansive facility seamlessly combines key service areas, including exhibition, new car sales, and after-sales service, all aimed at delivering exceptional and top-notch experiences in line with Maserati's renowned global standards. In addition, the Maserati Levante and Grecale models have experienced a surge in popularity, serving as key drivers behind the continuous growth of new car deliveries.

Throughout the first half of 2023, we orchestrated a series of captivating marketing events that left a lasting impact. One standout event was the grand opening of the new 4S shop and launch of the New Maserati GranTurismo Trofeo. This highly anticipated event drew the attention of hundreds of potential customers, media representatives, and influential opinion leaders, resulting in a remarkable surge in showroom traffic exceeding 50% in the subsequent month. In June 2023, we organised a cross-marketing event in collaboration with a renowned luxury jewelry group, specifically curated for VIP customers. This event not only provided a platform for Maserati owners to come together and foster brand loyalty but also presented an opportunity to explore potential sales synergies through partnerships with other esteemed luxury brands.

### Financial Investments and Services

The Group holds a valid money lender license and successfully renew the license in February 2023. The Group also has adequate infrastructure to support the financial services division such as subscribing to the World-Check database system operated by Reuters to conduct comprehensive background checks of the borrowers and security providers.

## Management Discussion and Analysis

To cope with the recent susceptible market sentiments and market volatility, the Group has continued to adopt a prudent and cautious approach to balance the return and risk of the financing activities. As at 30 June 2023 and 31 December 2022, the Group did not have any outstanding secured loan lent to customers.

### Life Sciences Investment

In the first half of 2023, CBL made significant business development progress in both Chinese and overseas market. As of 30 June 2023, CBL has secured US\$28.3 million backlog and is in late-stage discussion on contracts with US\$40+ million. CBL is also expanding its service offering. The second drug product facility (DP-2) has commenced operation, offering new lyophilization and prefilled syringes (“PFS”) fill & finish formats to CBL’s clients.

In the first half of 2023, CBL continued to attract top industry talents to join its management team, including Senior Vice President of Project Management, Vice President of Manufacturing, Director of Finance, Director of Engineering and Director of Drug Product department. On marketing, CBL celebrated its 10th year anniversary in May 2023, boosting CBL’s brand name in the China biotech industry. In June 2023, CBL was awarded ‘Top-10 Growing Chinese CDMO Company’ at 9th China Biopharmaceutical Innovation Cooperation Conference. On corporate ESG effort, CBL launched an education sponsoring program to help students in rural area of Sichuan province.

Based on the investment in CBL, the Group is actively searching for investment targets within the CDMO value chain, including cell line development and chemically defined culture media development.

### OUTLOOK

Taking into consideration the economic uncertainties owing to the rise of interest rate and geopolitical tensions, the macro environment looks set to remain challenging for the Group. The Group will continue to identify potential business opportunities with the aim of bringing long-term enhancement of value to our shareholders.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

The board (the “**Board**”) of directors (the “**Directors**”) of Auto Italia Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023.

### INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the six months ended 30 June 2023 (2022: Nil).

### DISCLOSURE OF INTERESTS

#### Directors’ interests and chief executive’s interests and short positions in the shares, underlying shares and debentures

As at 30 June 2023, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO; or are required, pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) are as follows:

#### Long positions in the shares of the Company

Name of Director	Capacity	Number of ordinary shares held	Approximate Percentage of issued ordinary shares <sup>(Note 1)</sup>
Mr. CHONG Tin Lung Benny (“ <b>Mr. Chong</b> ”)	Beneficial owner	51,891,000 <sup>(Note 2)</sup>	0.98%
Mr. LIN Chun Ho Simon (“ <b>Mr. Lin</b> ”)	Beneficial owner	2,377,500 <sup>(Note 3)</sup>	0.04%
Mr. LI Shaofeng (“ <b>Mr. Li</b> ”)	Beneficial owner	209,000,000 <sup>(Note 4)</sup>	3.95%

## Corporate Governance and Other Information

Notes:

1. *The percentage of shareholding is calculated on the basis of the Company's issued share capital of 5,292,515,390 shares as at 30 June 2023.*
2. *Mr. Chong is beneficially interested in 51,891,000 ordinary shares of the Company.*
3. *Mr. Lin is beneficially interested in 2,377,500 ordinary shares of the Company.*
4. *Mr. Li is beneficially interested in 209,000,000 ordinary shares of the Company.*

### Interests in the shares of associated corporation of the Company

Name of associated corporation	Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of issued ordinary shares <sup>(Note)</sup>
Chime Biologics	Mr. HUANG Zuie-Chin	Interest of controlled corporation	3,068,194	1.30%

Note:

*The percentage of shareholding is calculated on the basis of the total number of issued ordinary shares of Chime Biologics of 236,182,295 shares as at 30 June 2023.*

Save as disclosed in the section headed “**Share Schemes**” of this Report, as at 30 June 2023, none of the Directors or the Chief Executives or their respective associates had or was deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which had otherwise been notified to the Company and the Stock Exchange pursuant to the Model Code.

## Corporate Governance and Other Information

### Arrangement for Directors to acquire Shares or debentures

Save as disclosed in the section headed “**Expired Share Option Scheme**” of this Report, at no time during the six months ended 30 June 2023 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and the Chief Executives (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

### Substantial shareholders’ interests and short positions in the Shares, underlying Shares and debentures

As at 30 June 2023, so far as is known to the Directors, the persons or corporations (other than the Directors or the Chief Executives) who had interests or short positions in the Shares and underlying Shares of the Company which were required 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 under Section 336 of the SFO were as follows:

### Long positions in the Shares and underlying Shares of the Company

Name of shareholder(s)	Number of Shares	Approximate% of the total number of issued Shares <sup>#</sup>
Gustavo International Limited	304,725,000 <sup>(Note)</sup>	5.76%
Maini Investments Limited	304,725,000 <sup>(Note)</sup>	5.76%
VMS Investment Group Limited (“VMSIG”)	1,519,016,472 <sup>(Note)</sup>	28.70%
Ms. MAK Siu Hang Viola	1,519,016,472 <sup>(Note)</sup>	28.70%

<sup>#</sup> Based on the total number of issued Shares of 5,292,515,390 as at 30 June 2023.

## Corporate Governance and Other Information

Note: *Gustavo International Limited is beneficially interested in approximately 5.76% of the issued share capital of the Company. Given Gustavo International Limited is wholly-owned by Maini Investments Limited, Maini Investments Limited will be deemed to be interested in approximately 5.76% of the issued share capital of the Company through its controlled corporation, Gustavo International Limited.*

*Ms. Mak Siu Hang Viola wholly-owns VMSIG, which directly owns approximately 22.94% of the issued share capital of the Company and indirectly owns approximately 5.76% of the issued share capital through its wholly-owned subsidiary, Maini Investments Limited. VMSIG is thus interested in a total of approximately 28.7% of the issued share capital of the Company. Ms. Mak Siu Hang Viola is also therefore deemed to be interested in such 28.7% of the issued share capital of the Company.*

All interests in Shares and underlying Shares of equity derivatives of the Company are long positions. None of the substantial shareholders of the Company hold any short positions in the Shares or underlying Shares of equity derivatives of the Company.

Save as disclosed above, as at 30 June 2023, the Company had not been notified by any persons or corporations (other than the Directors or the Chief Executives) who had interests or short positions in the Shares or underlying Shares of the Company which were required 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 under Section 336 of the SFO.

### SHARE SCHEMES

#### (i) Expired Share Option Scheme

The previous share option scheme (the “**Expired Share Option Scheme**”), which was adopted by the Company on 28 May 2012, expired on 27 May 2022. Save for and except that the rules of the Expired Share Option Scheme remain in full force and effect to the extent necessary to give effect to the exercise of the options granted thereunder prior to its expiry, or otherwise to the extent as may be required in accordance with the rules of the Expired Share Option Scheme. No further options may be granted under the Expired Share Option Scheme upon its expiry.

## Corporate Governance and Other Information

Details of the movements in outstanding share options, which have been granted under the Expired Share Option Scheme, during the six months ended 30 June 2023 are set out below:

Name or category of participants	Date of grant	Exercise price (HK\$)	Exercisable period	As at 1 January 2023	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period (Note 3)	As at 30 June 2023
<b>(a) Directors</b>								
Mr. CHONG Tin Lung Benny	07/10/2020 (Note 3)	0.1754	27/07/2021 to 26/07/2025 (Note 2)	60,000,000	-	-	-	60,000,000
Mr. HUANG Zuie-Zhin (Note 4)	07/10/2020 (Note 3)	0.1754	27/07/2021 to 26/07/2025 (Note 2)	60,000,000	-	-	-	60,000,000
Mr. NG Siu Wai (Note 5)	07/10/2020 (Note 3)	0.1754	27/07/2021 to 26/07/2025 (Note 2)	60,000,000	-	-	-	60,000,000
Mr. LIN Chun Ho Simon	15/06/2017	0.0932	15/06/2018 to 14/06/2023 (Note 2)	18,700,000	-	-	(18,700,000)	-
	27/07/2020	0.1754	27/07/2021 to 26/07/2025 (Note 2)	30,000,000	-	-	-	30,000,000
<b>(b) Other eligible participants</b>								
Consultants of the Group (the "Consultants")	27/07/2020 (Note 3)	0.1754	27/07/2021 to 26/07/2025 (Note 2)	90,700,000	-	-	-	90,700,000
<b>Total</b>				<b>319,400,000</b>	<b>-</b>	<b>-</b>	<b>(18,700,000)</b>	<b>300,700,000</b>

## Corporate Governance and Other Information

Notes:

- (1) The closing prices per Share immediately before 15 June 2017, 27 July 2020 and 7 October 2020 (the dates on which the share options were granted) were HK\$0.093, HK\$0.172 and HK\$0.170 respectively.
- (2) Share options granted under the Expired Share Option Scheme on 15 June 2017, 27 July 2020 and 7 October 2020 shall vest in the grantees in accordance with the timetable below (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a “**Vesting Date**”):

<b>Vesting Date</b>	<b>Percentage of share options to vest</b>
First anniversary of the Date of Grant	40% of the total number of options granted
Second anniversary of the Date of Grant	30% of the total number of options granted
Third anniversary of the Date of Grant	30% of the total number of options granted

- (3) These share options are conditionally granted on 27 July 2020 and approved by the Company’s special general meeting on 7 October 2020. They were granted to four Consultants, each being an independent third party of the Company. The purpose of granting options to the Consultants was to provide incentives to the Consultants to lead, identify and/or exploit business opportunities in the life science sector as the Consultants have been working in the life science business of the Company without being entitled to any fixed salaries or emoluments. The Company considered that this is in line with the objective of the Expired Share Option Scheme to provide incentives or rewards to the Consultants for their contribution to the Group and to retain them to make continuous contribution to the Company.
- (4) Mr. HUANG Zuie-Zhin resigned as an executive Director of the Company on 27 July 2023. Under the Expired Share Options Scheme, he was not eligible for the third tranches of the first batch of the share options upon his resignation. Hence, his 18,000,000 options were lapsed on the same day.
- (5) Mr. NG Siu Wai resigned as an executive Director of the Company on 27 July 2023. Under the Expired Share Options Scheme, he was not eligible for the third tranches of the first batch of the share options upon his resignation. Hence, his 18,000,000 options were lapsed on the same day.

Save as disclosed above, no share option was granted or exercised or cancelled or lapsed under the Expired Share Option Scheme during the six months ended 30 June 2023.

## Corporate Governance and Other Information

### (ii) **New Share Option Scheme**

References were made to (i) the circular of the Company dated 22 April 2022 in relation to, among other things, the adoption of the new share option scheme ("**New Share Option Scheme**"), (ii) the poll results announcement of the annual general meeting of the Company dated 25 May 2022, (iii) the announcement of the Company dated 26 November 2021 in relation to the proposed acquisition of VMS Auto Italia Fin Services Holdings Limited by the Company (the "**Acquisition**"), which constitutes a very substantial acquisition, connected transaction and reverse takeover under the Listing Rules, and (iv) the announcement of the Company dated 25 November 2022 regarding the termination of the Acquisition, including the special mandate in relation to the allotment and issuance of consideration shares would not proceed. The New Share Option Scheme is not effective as a certain condition was not fulfilled.

### **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Maintaining an effective corporate governance framework is one of the priorities of the Company. In the opinion of the Directors, the Company had complied with all the code provisions of the Corporate Governance Code (the “**CG Code**”) and Corporate Governance Report as set out in Appendix 14 of the Listing Rules on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) throughout the six months ended 30 June 2023, except Code Provision C.2.1 of the CG Code.

CG Code Provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. CHONG Tin Lung Benny is the Executive Chairman and the Chief Executive Officer. Mr. CHONG Tin Lung Benny has extensive experience in corporate management and securities investments and is responsible for the overall corporate strategies, planning and business development of the Group. The Board considers that the vesting of two roles in the same person provides our Group with strong and consistent leadership and facilitates the implementation and execution of our Group’s business strategy. The Board believes that a balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high caliber individuals including three Executive Directors (including Mr. CHONG Tin Lung Benny) up to the date of this Report and three Independent Non-executive Directors who offer advices and views from different perspectives. Moreover, the Audit Committee has been provided with sufficient resources to perform its duties, including obtaining outside legal or other independent professional advice when it considers necessary. The Company shall nevertheless review the structure from time to time in light of the prevailing circumstances.

### COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as standard for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors by the Company, the Directors confirmed in writing that they have complied with the standards set out in the Model Code throughout the six months ended 30 June 2023.

## Corporate Governance and Other Information

### CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2022 annual report of the Company are set out below:

Mr. HUANG Zuie-Chin resigned as an Executive Director of the Company with effect from 27 July 2023 due to his other personal commitments.

Mr. Ng Siu Wai resigned as an Executive Director of the Company with effect from 27 July 2023 due to his other personal commitments.

Mr. LEE Ben Tiong Leong resigned as an independent non-executive director of the Company (the “**INED**”) and ceased as the member of each of audit committee under the Board (the “**Audit Committee**”), nomination committee under the Board (the “**Nomination Committee**”) and remuneration committee under the Board (the “**Remuneration Committee**”) with effect from 27 May 2023 due to his other personal commitments.

Dr. SHAM Chung Ping Alain, appointed as the INED, the member of each of Audit Committee, Nomination Committee and Remuneration Committee with effect from 24 May 2023.

Mr. KONG Kai Chuen Frankie (“**Mr. Kong**”), the INED, entered into an old letter of appointment with the Company for two years commencing from 21 June 2021 to 20 June 2023 (both dates inclusive). On 20 June 2023, the Company entered into a new letter of appointment with Mr. Kong for a term of two years commencing from 21 June 2023 to 20 June 2025 (both dates inclusive), and he is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-law of the Company.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules on the Stock Exchange.

### THE BOARD

The Directors who held office during the six months ended 30 June 2023 and up to the date of this Report are:

#### Executive Directors

Mr. CHONG Tin Lung Benny (*Executive Chairman and Chief Executive Officer*)

Mr. HUANG Zuie-Chin (*resigned on 27 July 2023*)

Mr. NG Siu Wai (*resigned on 27 July 2023*)

Mr. LI Shaofeng (*appointed on 28 February 2023*)

Mr. LIN Chun Ho Simon

#### INEDs

Mr. KONG Kai Chuen Frankie

Mr. LEE Ben Tiong Leong (*resigned on 27 May 2023*)

Mr. TO Chun Wai

Dr. SHAM Chung Ping Alain (*appointed on 24 May 2023*)

### BOARD COMMITTEES

#### Audit Committee

The members of the Audit Committee comprise Mr. KONG Kai Chuen Frankie, Mr. LEE Ben Tiong Leong (*resigned on 27 May 2023*), Mr. TO Chun Wai and Dr. SHAM Chung Ping Alain (*appointed on 24 May 2023*), all of whom are INEDs. Mr. KONG Kai Chuen Frankie is the chairman of the Audit Committee.

## Corporate Governance and Other Information

The principal duties of the Audit Committee should be to make recommendations to the Board on the appointment, re-appointment and removal of the external auditors and their remuneration for audit and non-audit services; to review the effectiveness of the audit process in accordance with applicable standards; to review changes in accounting policies and practices; to review the fairness and reasonableness of any connected transaction; to review the cash flow position of the Group; and to review the dividend policy, internal control and risk management systems of the Group and to provide advices and comments to the Board.

### Remuneration Committee

The members of the Remuneration Committee comprise Mr. KONG Kai Chuen Frankie, Mr. LEE Ben Tiong Leong (resigned on 27 May 2023), Mr. TO Chun Wai and Dr. SHAM Chung Ping Alain (appointed on 24 May 2023), all of whom are INEDs, and Mr. CHONG Tin Lung Benny, an executive Director. Mr. TO Chun Wai is the chairman of the Remuneration Committee.

The Remuneration Committee has the delegated responsibility to determine the remuneration packages of individual executive Directors and senior management and adopted a set of policy and guidelines to govern its administration in reviewing, considering and fixing the remuneration packages and benefits of Directors and senior management of the Group.

### Nomination Committee

The members of the Nomination Committee comprise Mr. KONG Kai Chuen Frankie, Mr. LEE Ben Tiong Leong (resigned on 27 May 2023), Mr. TO Chun Wai and Dr. SHAM Chung Ping Alain (appointed on 24 May 2023), all of whom are INEDs and Mr. CHONG Tin Lung Benny, an executive Director. Mr. CHONG Tin Lung Benny is the chairman of the Nomination Committee.

The Nomination Committee is primarily responsible for making recommendations to the Board on appointment of directors regarding the qualifications and competency of the candidates.

### Executive Directors' Committee

The members of the Executive Directors' Committee comprise Mr. CHONG Tin Lung Benny and Mr. LIN Chun Ho Simon, all of whom are executive Directors. Mr. CHONG Tin Lung Benny is the chairman of the Executive Directors' Committee.

The Executive Directors' Committee is formed for the management of the Company's business. The Board delegated its power to the Executive Directors' Committee to carry on the business of the Company; to negotiate, enter into and sign on behalf of all contracts, tenders, agreements and distributorship; to negotiate with bankers for obtaining banking facilities, to enter into any guarantee, contract of indemnity; and to manage the Company's business activities and investments.

### REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2023 have not been audited but have been reviewed by Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants, the Company's auditor. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023.

By order of the Board

**CHONG Tin Lung Benny**

*Executive Chairman and Chief Executive Officer*

Hong Kong, 29 August 2023

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF AUTO ITALIA HOLDINGS LIMITED

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Auto Italia Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 28 to 66, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Report on Review of Condensed Consolidated Financial Statements

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
29 August 2023

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

Notes	Continuing operations		Discontinued operation		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
				(Note 9)		
Revenue from goods and services	11,731	-	-	-	11,731	-
Rental income	14,006	14,560	-	-	14,006	14,560
Total revenue	25,737	14,560	-	-	25,737	14,560
Cost of sales and services	(13,213)	(2,736)	-	(349)	(13,213)	(3,085)
Gross profit	12,524	11,824	-	(349)	12,524	11,475
Other income	4	282	58	-	322	282
Other gains and losses	5	(117,482)	(90,909)	-	(117,482)	(90,909)
Selling and distribution costs		(2,148)	-	-	(2,148)	-
Administrative expenses		(13,510)	(11,157)	-	(267)	(13,510)
Other expenses	6	-	(8,702)	-	-	(8,702)
Finance costs	7	(7,691)	(6,453)	-	-	(7,691)
Loss before taxation		(128,025)	(105,339)	-	(294)	(128,025)
Taxation	8	321	(1,373)	-	(270)	321
Loss for the period	10	(127,704)	(106,712)	-	(564)	(127,704)

## Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023

		<b>Total</b>	
		<b>Six months ended 30 June</b>	
		<b>2023</b>	2022
Note		<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
<hr/>			
Loss for the period attributable to owners of the Company			
– from continuing operations		<b>(117,400)</b>	(109,383)
– from discontinued operation		–	(564)
		<b>(117,400)</b>	(109,947)
<hr/>			
(Loss)/Profit for the period attributable to non-controlling interests			
– from continuing operations		<b>(10,304)</b>	2,671
Loss for the period		<b>(127,704)</b>	(107,276)
<hr/>			
Loss per share (from continuing and discontinued operations)			
– Basic	11	<b>(HK2.22 cents)</b>	(HK2.08 cents)
– Diluted	11	<b>(HK2.22 cents)</b>	(HK2.08 cents)
<hr/>			
Loss per share (from continuing operations)			
– Basic	11	<b>(HK2.22 cents)</b>	(HK2.07 cents)
– Diluted	11	<b>(HK2.22 cents)</b>	(HK2.07 cents)
<hr/>			

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Total	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period	(127,704)	(107,276)
<b>Other comprehensive income (expense)</b>		
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	6,166	(22,814)
<b>Other comprehensive income (expense) for the period</b>	<b>6,166</b>	<b>(22,814)</b>
<b>Total comprehensive expense for the period</b>	<b>(121,538)</b>	<b>(130,090)</b>
<b>Total comprehensive expense for the period attributable to:</b>		
Owners of the Company	(113,974)	(120,754)
Non-controlling interests	(7,564)	(9,336)
	<b>(121,538)</b>	<b>(130,090)</b>
<b>Total comprehensive expense for the period attributable to owners of the Company:</b>		
– from continuing operations	(113,974)	(120,190)
– from discontinued operation	–	(564)
	<b>(113,974)</b>	<b>(120,754)</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
<b>Non-current assets</b>			
Investment properties	13	468,390	470,211
Property, plant and equipment	14	9,676	1,896
Intangible assets		3,630	–
Right-of-use assets	14	4,458	–
Investment of an associate measured at fair value through profit or loss ("FVTPL")	15	141,830	237,357
Trade and other receivables	16	8,795	9,558
		<b>636,779</b>	719,022
<b>Current assets</b>			
Inventories		2,419	–
Trade and other receivables	16	9,248	4,315
Other financial asset at FVTPL		14,469	14,486
Tax recoverable		137	143
Pledged bank deposits		1,993	1,498
Bank balances and cash		27,152	42,798
		<b>55,418</b>	63,240
<b>Current liabilities</b>			
Trade and other payables	17	19,652	17,143
Bank and other borrowings	18	316,699	331,094
Loan from a non-controlling member of a subsidiary		10,045	9,105
Promissory note	20	28,591	–
Lease liabilities		2,168	–
		<b>377,155</b>	357,342
<b>Net current liabilities</b>		<b>(321,737)</b>	(294,102)
<b>Total assets less current liabilities</b>		<b>315,042</b>	424,920

## Condensed Consolidated Statement of Financial Position

At 30 June 2023

	Notes	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
<b>Capital and reserves</b>			
Share capital	21	105,850	105,850
Reserves		103,560	216,215
<b>Equity attributable to owners of the Company</b>			
Non-controlling interests		209,410	322,065
		72,669	68,861
<b>Total equity</b>			
		282,079	390,926
<b>Non-current liabilities</b>			
Bank and other borrowings	18	17,553	5,049
Loan from a related party	19	10,798	–
Promissory note	20	–	27,500
Lease liabilities		2,249	–
Deferred taxation		2,363	1,445
		32,963	33,994
		315,042	424,920

Approved by the Board of Directors on 29 August 2023 and are signed on its behalf by:

**CHONG Tin Lung Benny**  
DIRECTOR

**LIN Chun Ho Simon**  
DIRECTOR

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to the owners of the Company								Non-controlling interests	Total	
	Share capital	Share premium	Capital redemption reserve	Share option reserve	Property Revaluation reserve	Translation reserve	Other reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2023 (audited)	105,850	265,726	2,151	25,999	19,246	(13,751)	166,431	(249,587)	322,065	68,861	390,926
Loss for the period	-	-	-	-	-	-	-	(117,400)	(117,400)	(10,304)	(127,704)
Other comprehensive income for the period	-	-	-	-	-	3,426	-	-	3,426	2,740	6,166
Total comprehensive income (expense) for the period	-	-	-	-	-	3,426	-	(117,400)	(113,974)	(7,564)	(121,538)
Arising on acquisition of a subsidiary (note 22)	-	-	-	-	-	-	-	-	-	11,372	11,372
Recognition of equity settled share-based payments	-	-	-	1,319	-	-	-	-	1,319	-	1,319
Transfer upon lapse of share option	-	-	-	(1,210)	-	-	-	1,210	-	-	-
At 30 June 2023 (unaudited)	105,850	265,726	2,151	26,108	19,246	(10,325)	166,431	(365,777)	209,410	72,669	282,079
At 1 January 2022 (audited)	105,850	265,726	2,151	21,819	19,246	(2,847)	166,431	(186,714)	391,662	103,390	495,052
(Loss) profit for the period	-	-	-	-	-	-	-	(109,947)	(109,947)	2,671	(107,276)
Other comprehensive expense for the period	-	-	-	-	-	(10,807)	-	-	(10,807)	(12,007)	(22,814)
Total comprehensive expense for the period	-	-	-	-	-	(10,807)	-	(109,947)	(120,754)	(9,336)	(130,090)
Recognition of equity settled share-based payments	-	-	-	3,436	-	-	-	-	3,436	-	3,436
Transfer upon lapse of share option	-	-	-	(532)	-	-	-	532	-	-	-
At 30 June 2022 (unaudited)	105,850	265,726	2,151	24,723	19,246	(13,654)	166,431	(296,129)	274,344	94,054	368,398

## Notes:

- The property revaluation reserve represents the change in use of a property from owner-occupied property to investment property in previous years.
- The other reserve of the Group was transferred from the share premium pursuant to the capital re-organisation and the changes in the Group's ownership interest in its subsidiaries in previous years.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>OPERATING ACTIVITIES</b>		
Loss before taxation	(128,025)	(105,633)
Adjustments for:		
Depreciation of property, plant and equipment	1,267	327
Depreciation of right-of-use assets	900	–
Amortisation of intangible assets	374	–
Fair value loss on investment of an associate measured at FVTPL	96,400	92,579
Fair value gain on other financial asset at FVTPL	(680)	–
Fair value loss (gain) on investment properties	22,635	(1,672)
Finance costs	7,691	6,453
Other adjustments	1,291	3,783
<b>Operating cash flows before movement in working capital</b>	<b>1,853</b>	<b>(4,163)</b>
Decrease in inventories	2,046	–
(Increase) decrease in trade and other receivables	(1,376)	1,247
Decrease in trade and other payables	(4,032)	(250)
<b>Net cash used in operations</b>	<b>(1,509)</b>	<b>(3,166)</b>
Income tax paid	–	(270)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(1,509)</b>	<b>(3,436)</b>

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023	2022
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
<b>INVESTING ACTIVITIES</b>			
Interest received		7	2
Purchase of property, plant and equipment		(39)	(16)
Net cash outflows on acquisition of a subsidiary	22	(2,069)	–
Placement of pledged bank deposits		(495)	(905)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(2,596)</b>	<b>(919)</b>
<b>FINANCING ACTIVITIES</b>			
Bank and other borrowings raised		12,000	31,000
Advanced from a related party		11,604	–
Repayment of bank and other borrowings		(29,701)	–
Repayment of promissory note		–	(7,000)
Other financing cash flows		(4,972)	(4,122)
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>		<b>(11,069)</b>	<b>19,878</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(15,174)</b>	<b>15,523</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>			
		<b>42,798</b>	<b>39,271</b>
Effect of exchange rate changes		(472)	(3,915)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash</b>		<b>27,152</b>	<b>50,879</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**the Listing Rules**”).

As at 30 June 2023, the Group had net current liabilities of HK\$321,737,000 (31 December 2022: HK\$294,102,000). In preparing the condensed consolidated financial statements, the directors of the Company (the “**Directors**”) have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and actions have been taken by the Directors to mitigate the liquidity position of the Group and to improve the financial position of the Group, and the plans and actions are as follows.

The Group has extended the maturity date of other borrowing of HK\$286,940,000 from May 2023 to September 2023 with existing lender, MetLife Investment Management Limited (“**MetLife**”) and the Group has agreed and confirmed the draft terms in renewal of other borrowing with maximum loan amount of HK\$256,470,000 for a period of one year with one year extension option, subject to further procedures to be performed by MetLife in signing the renewal agreement. In view of sufficient headroom of pledged investment property with fair value of HK\$407,390,000 over the borrowing amount, the Directors are confident that the refinance of existing borrowing will be successful.

In respect of the shortfall between other borrowing of HK\$286,940,000 and the refinance amount, the Group and other non-controlling shareholders of both Dakota Capella LLP and Dakota RE II Limited agreed to inject additional capital/funds at least of HK\$30,470,000 into Dakota Capella LLP and Dakota RE II Limited; while on the other hand, the maturity date of shareholders’ loans of Dakota Capella LLP (including loan from a non-controlling member of subsidiary of HK\$10,045,000) will be extended to align with the repayment date of the renewed other borrowing with MetLife for a period of one year with one year extension option.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 1. BASIS OF PREPARATION *(Continued)*

The Group has available undrawn committed borrowing facilities amounting to HK\$43,000,000 as at 30 June 2023, and the Group and counterparty agreed that the committed borrowing facilities further increased by HK\$40,000,000 to HK\$83,000,000.

In August 2023, the noteholder of promissory note of HK\$28,591,000 agreed to extend the maturity date for a further two years from 25 March 2024 to 25 March 2026.

The Directors are of the opinion that, taking into account the above-mentioned plans and actions, the Group will have sufficient working capital to meet its financial obligations as they fall due within twelve months from the date of approval of the condensed consolidated financial statements. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

## 1A. SIGNIFICANT EVENT IN THE CURRENT INTERIM PERIOD

During the current interim period, there was a fair value loss on investment of an associate measured at FVTPL of HK\$96,400,000, the details of which are set out in note 15.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments which are measured at fair values, as appropriate.

Other than additional accounting policy resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRS**”) and application of certain accounting policies which became relevant to the Group in the current interim period, the accounting policies applied and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 2.1 Application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except as described below, the application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### ***Impacts on application of Amendments of HKAS 8 “Definition of Accounting Estimates”***

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments is not expected to have significant impact on the Group’s condensed consolidated financial statements.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### 2.2 Accounting policies newly applied by the Group

The Group has applied the following accounting policies which became relevant to the Group in the current period.

#### ***Business combinations***

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

For business combinations, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the “**Conceptual Framework**”) except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 2.2 Accounting policies newly applied by the Group (Continued)

##### **Business combinations (Continued)**

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date;
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### 2.2 Accounting policies newly applied by the Group *(Continued)*

#### ***Business combinations (Continued)***

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

#### ***Right-of-use assets***

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 2.2 Accounting policies newly applied by the Group (Continued)

##### ***Right-of-use assets (Continued)***

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

##### ***Lease liabilities***

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### 2.2 Accounting policies newly applied by the Group *(Continued)*

#### ***Lease liabilities (Continued)***

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

#### ***Intangible assets acquired in a business combination***

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 3. SEGMENT INFORMATION

During the six months ended 30 June 2023, the Group has three operating segments under HKFRS 8 “Operating Segments” from continuing operations as follows:

- (i) Cars – Trading of cars and related accessories and provision of after sales services in PRC;
- (ii) Property investment; and
- (iii) Financial investments and services – Investments in securities and provision for financing and corporate finance services.

Segment profit represents the profit earned by each segment without allocation of fair value loss on investment of an associate measured at FVTPL, fair value gain on other financial assets at FVTPL, share-based payments, certain unallocated corporate expenses and finance costs. This is the measure reported to chief operating decision maker, being the executive directors of the Company, for the purpose of resource allocation and assessment of segment performance.

An operating segment regarding the cars business in Hong Kong was discontinued in the prior period. The segment revenue and results reported on the next pages do not include any amounts for this discontinued operation, which is described in more details in note 9.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 3. SEGMENT INFORMATION *(Continued)*

#### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

#### *Six months ended 30 June 2023 (unaudited)*

Continuing operations

	Cars HK\$'000	Property investment HK\$'000	Financial investments and services HK\$'000	Consolidated HK\$'000
<b>SEGMENT REVENUE</b>				
Group revenue	11,731	14,006	–	25,737
<b>SEGMENT RESULTS</b>				
Segment loss	(3,640)	(14,448)	(167)	(18,255)
Fair value loss on investment of an associate measured at FVTPL				(96,400)
Fair value gain on other financial asset at FVTPL				680
Share-based payments				(1,319)
Unallocated corporate expenses				(5,040)
Finance costs				(7,691)
Loss before taxation				<u>(128,025)</u>

Note: As at 30 June 2023, the management continues to operate the financial investments and services and will continue to explore business opportunity in this segment.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 3. SEGMENT INFORMATION *(Continued)*

#### Segment revenue and results *(Continued)*

Six months ended 30 June 2022 (unaudited)

Continuing operations

	Property investment HK\$'000	Financial investments and services HK\$'000	Consolidated HK\$'000
<b>SEGMENT REVENUE</b>			
Group revenue	14,560	–	14,560
<b>SEGMENT RESULTS</b>			
Segment profit (loss)	6,893	(170)	6,723
Fair value loss on investment of an associate measured at FVTPL			(92,579)
Share-based payments			(3,436)
Unallocated corporate expenses			(13,768)
Finance costs			(2,279)
Loss before taxation			(105,339)

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 3. SEGMENT INFORMATION *(Continued)*

#### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

**At 30 June 2023 (unaudited)**

	Cars HK\$'000	Property investment HK\$'000	Financial investments and services HK\$'000	Consolidated HK\$'000
<b>Assets</b>				
Segment assets	20,269	485,180	–	505,449
Bank balances and cash				27,152
Pledged bank deposits				1,993
Tax recoverable				137
Investment of an associate measured at FVTPL				141,830
Other financial asset at FVTPL				14,469
Unallocated corporate assets				1,167
Consolidated assets				<b>692,197</b>
<b>Liabilities</b>				
Segment liabilities	6,001	306,702	–	312,703
Promissory note				28,591
Deferred taxation				2,363
Unallocated corporate liabilities				66,461
Consolidated liabilities				<b>410,118</b>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 3. SEGMENT INFORMATION (Continued)

#### Segment assets and liabilities (Continued)

At 31 December 2022 (audited)

	Property investment HK\$'000	Financial investments and services HK\$'000	Consolidated HK\$'000
<b>Assets</b>			
Segment assets	485,372	–	485,372
Assets relating to discontinued operation			94
Total segment assets			485,466
Bank balances and cash			42,798
Pledged bank deposits			1,498
Tax recoverable			143
Investment of an associate measured at FVTPL			237,357
Other financial asset at FVTPL			14,486
Unallocated corporate assets			514
Consolidated assets			782,262
<b>Liabilities</b>			
Segment liabilities	317,897	16	317,913
Liabilities relating to discontinued operation			6,389
Total segment liabilities			324,302
Promissory note			27,500
Deferred taxation			1,445
Unallocated corporate liabilities			38,089
Consolidated liabilities			391,336

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 3. SEGMENT INFORMATION *(Continued)*

#### Segment assets and liabilities *(Continued)*

For the purpose of monitoring segment performance and allocating resource between segment:

- all assets are allocated to operating segments other than unallocated corporate assets, tax recoverable, investment of an associate measured at FVTPL, other financial asset at FVTPL, bank balances and cash and pledged bank deposits;
- all liabilities are allocated to operating segments other than unallocated corporate liabilities, promissory note and deferred taxation.

### 4. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Commission income	275	–
Government subsidy	–	56
Bank interest income	7	2
	<b>282</b>	58

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Net foreign exchange gain (loss)	873	(2)
Fair value loss on investment of an associate measured at FVTPL (note)	(96,400)	(92,579)
Fair value (loss) gain on investment properties	(22,635)	1,672
Fair value gain on other financial asset at FVTPL	680	–
	<b>(117,482)</b>	<b>(90,909)</b>

Note: Details of fair value loss on investment of an associate measured at FVTPL are set out in note 15.

### 6. OTHER EXPENSES

Other expenses represented legal and professional fee incurred during the period ended 30 June 2022 in respect of proposed acquisition of the entire issued share capital of VMS Auto Italia Fin Services Holdings Limited (“**Acquisition**”). The Acquisition was subsequently terminated by a deed of termination dated 25 November 2022.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 7. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Interests on bank and other borrowings	5,589	3,874
Interest on loan from a non-controlling member of a subsidiary	462	450
Interest on promissory note	1,091	1,664
Loan arrangement fee	480	465
Interest on lease liabilities	69	–
	<b>7,691</b>	<b>6,453</b>

### 8. TAXATION

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Current tax charge:		
Hong Kong	15	28
Deferred taxation	(336)	1,345
	<b>(321)</b>	<b>1,373</b>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 9. DISCONTINUED OPERATION

On 10 June 2021, the Group entered into a transitional services and settlement agreement with Maserati in relation to the termination of dealership in Hong Kong. The termination was effective on 26 April 2021 and accordingly, the Group's cars business in Hong Kong was presented as discontinued operation.

The results for the interim period from the discontinued business were set out in condensed consolidated statement of profit or loss on page 28.

### 10. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Depreciation of property, plant and equipment	1,267	327
Depreciation of right-of-use assets	900	–
Amortisation of intangible assets	374	–

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 11. LOSS PER SHARE

#### From continuing operations

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

Loss figures are calculated as follows:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company (from continuing and discontinued operations)	(117,400)	(109,947)
Less: Loss for the period from discontinued operation	–	564
Loss for the period for the purpose of calculating basic and diluted loss per share from continuing operations	(117,400)	(109,383)

#### Number of shares

	Six months ended 30 June	
	2023	2022
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	5,292,515,390	5,292,515,390

For the six months ended 30 June 2023, the computation of diluted loss per share did not assume the exercise of the Company's share options because the assumed exercise of share options would result in decrease in loss per share.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 11. LOSS PER SHARE (Continued)

#### From discontinued operation

For the six months ended 30 June 2022, basic and diluted loss per share for the discontinued operation is HK0.01 cents per share, based on the loss for the period from the discontinued operation of approximately HK\$564,000 and the denominators detailed above for both basic and diluted loss per share.

### 12. DIVIDEND

No dividend was paid or declared during the six months ended 30 June 2023 and 2022 nor has any dividend been proposed since the end of the reporting period.

### 13. INVESTMENT PROPERTIES

	HK\$'000
<b>Fair value</b>	
At 1 January 2022	579,155
Fair value loss on investment properties	(55,449)
Exchange adjustments	(53,495)
At 31 December 2022	<b>470,211</b>
Fair value loss on investment properties	<b>(22,635)</b>
Exchange adjustments	<b>20,814</b>
At 30 June 2023	<b>468,390</b>

The investment properties comprised an industrial building and a car park located in Hong Kong and an office building located in Scotland.

The fair value of the Group's investment properties has been arrived at on the basis of a valuation carried out by Roma Appraisal Limited, independent qualified professional valuer not connected to the Group.

The fair value of the investment properties located in Hong Kong was under Level 3 of fair value hierarchy based on direct comparison method making reference to market observable transactions of similar properties and adjusted to reflect the locations and conditions of the subject properties.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 13. INVESTMENT PROPERTIES (Continued)

The fair values of the investment properties located in Scotland was under level 3 of fair value hierarchy and have been arrived at by income approach which is capitalizing net rental income on a fully leased basis. Current passing rental income from existing tenancies and the potential future reversionary income at market levels, which are expected to be re-leased at market rental rates, are capitalized by the term yield and the reversionary yield, respectively.

There has been no change from the valuation technique used in prior year. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use. The fair values of investment properties have been adjusted to exclude accrued lease income to avoid double counting.

### 14. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2023, the Group spent HK\$39,000 (2022: HK\$16,000) on the acquisition of property, plant and equipment. During the six months ended 30 June 2023 and 2022, the Group did not make any disposal of property, plant and equipment.

During the current interim period, the Group recognised right-of-use assets of HK\$5,712,000 (2022: HK\$nil) through acquisition of a subsidiary which disclosed in note 22.

### 15. INVESTMENT OF AN ASSOCIATE MEASURED AT FVTPL

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Investment of an associate measured at FVTPL	141,830	237,357

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 15. INVESTMENT OF AN ASSOCIATE MEASURED AT FVTPL (Continued)

At 30 June 2023 and 31 December 2022, the Group held 51,847,997 Series A Preferred Shares of Chime Biologics Limited (“CBL”). The principal activity of CBL is provision of biologics contract development and manufacturing services. The Group has the right to appoint 1 out of 6 directors of the board of CBL and therefore the Group has the power to exercise significant influence over CBL and CBL becomes an associate of the Group.

The fair value of the Group’s investment of an associate measured at FVTPL has been arrived at on the basis of a valuation carried out by Kroll (HK) Limited, independent qualified professional valuer not connected to the Group.

The investment in CBL is measured at FVTPL in accordance with HKFRS 9 “Financial Instruments”. The fair value loss is mainly attributed to the decrease in the equity values of similar companies in the same industry due to unfavorable market condition during the period, which were being used as input in estimating the equity value of CBL. Details of fair value measurements are set out in note 25.

### 16. TRADE AND OTHER RECEIVABLES

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Trade receivables	358	–
Rent receivables	11,297	11,938
Utility and rental deposits	739	130
Prepayments and other receivables	5,649	1,805
	<b>18,043</b>	13,873
Less: Amount due more than one year shown under non-current assets	<b>(8,795)</b>	(9,558)
Amount shown under current assets	<b>9,248</b>	4,315

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 16. TRADE AND OTHER RECEIVABLES (Continued)

#### Trade receivables

The Group allows an average credit period of 60 days to its trade customers.

The following is an aged analysis of trade receivables, presented based on invoice date, at the end of the reporting period:

	<b>At 30 June 2023 HK\$'000 (unaudited)</b>	At 31 December 2022 HK\$'000 (audited)
31–60 days	<b>250</b>	–
61–90 days	<b>108</b>	–
	<b>358</b>	–

#### Rent receivables

The Group's rental income are based on effective accrued rentals after taking into account of rent free period which are recognised under straight line method and recorded as rent receivables. Rental income is received from tenants in Scotland and in Hong Kong on a quarter basis and monthly basis, respectively. Included in the Group's rent receivables as at 30 June 2023 are (i) accrued rent receivables of HK\$8,623,000 over the rent free periods (At 31 December 2022: HK\$9,162,000); (ii) lease incentives paid of HK\$2,674,000 (At 31 December 2022: HK\$2,776,000) represent amount of rent incentives granted to tenants, which are to be recovered through future rental income. The amounts that are expected to be realised after twelve months after the reporting period are presented as non-current assets.

No credit period is granted to tenants of rental of premises. There is no past due rent receivables as at 30 June 2023 and 31 December 2022.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 17. TRADE AND OTHER PAYABLES

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Trade payables	1,184	48
Accrued charges	2,931	3,647
Receipt in advance for rental income	6,647	5,517
Other payables	8,890	7,931
	<b>19,652</b>	<b>17,143</b>

The following is an aged analysis of trade payables, presented based on invoice date, at the end of the reporting period:

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
61 days to 90 days	817	–
91 days to 1 year	319	38
Over 1 year	48	10
	<b>1,184</b>	<b>48</b>

### 18. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained an other borrowing amounting to HK\$12,000,000 (for the six months ended 30 June 2022: bank loan HK\$31,000,000). The new other borrowing carries interest at 9% per annum with maturity date of 17 April 2025. During the six months ended 30 June 2023, the Group repaid bank and other borrowing of HK\$29,701,000 (for the six months ended 30 June 2022: repaid of HK\$nil).

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 19. LOAN FROM A RELATED PARTY

On 28 December 2022, an indirect wholly-owned subsidiary of the Company, and a third party (the “Vendor”) entered into the Agreement to acquire 51% equity interest in 武漢駿意汽車銷售服務有限公司 (Wuhan Junyi Cars Sales & Service Company Ltd) for a total consideration of RMB10,200,000 which was supported by an interest-free loan of RMB10,000,000 from a related party, Mr. Chong Tin Lung Benny. Details of the acquisition are disclosed in note 22.

### 20. PROMISSORY NOTE

On 25 March 2021, the Group issued unsecured promissory note amounting to HK\$53,500,000 in Hong Kong to acquire additional equity interest of 27.49% in Dakota RE II Limited. The unsecured promissory note has maturity of three years until March 2024 and carries interest at 8% per annum. During the six months ended 30 June 2023, the Group has not repaid any principal (for the six months ended 30 June 2022: repaid principal of HK\$7,000,000).

### 21. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.02 each:		
Authorised		
At 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023	<b>17,500,000,000</b>	<b>350,000</b>
Issued and fully paid		
At 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023	5,292,515,390	105,850

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 22. ACQUISITION OF A SUBSIDIARY

On 28 December 2022, an indirect wholly-owned subsidiary of the Company, and a third party entered into the Agreement to acquire 51% equity interest in 武漢駿意汽車銷售服務有限公司 (Wuhan Junyi Cars Sales & Service Company Ltd) (the “**Wuhan Junyi**”) (the “**Transaction**”) for a total consideration of RMB10,200,000 (approximately HK\$11,836,000) which was supported by an interest-free loan of RMB10,000,000 (approximately HK\$11,604,000) from a related party, Mr Chong Tin Lung Benny. On 17 February 2023, the Transaction was completed and Wuhan Junyi has become a subsidiary of the Group.

Wuhan Junyi is principally engaged in the 4S dealership business in PRC for a premium brand vehicle named Maserati, with a dealership network covering Wuhan city. As a result of the Transaction, the Group is able to establish the network for Maserati car dealership in the PRC.

#### Assets and liabilities recognised at the date of acquisition

	HK\$'000
Property, plant and equipment	8,734
Intangible assets	4,283
Right of use asset	5,712
Inventories	4,465
Trade and other receivables	2,794
Bank balances and cash	9,767
Trade and other payables	(6,541)
Lease liabilities	(4,676)
Deferred taxation	(1,330)
	23,208
Less: non-controlling interests	(11,372)
	11,836
Satisfied by:	
Loan from a related party	11,604
Cash	232
	11,836

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 22. ACQUISITION OF A SUBSIDIARY (Continued)

#### Net cash outflows arising on acquisition of Wuhan Junyi

	HK\$'000
Consideration paid in cash	11,836
Less: bank balances and cash acquired	(9,767)
	2,069

Included in the loss for the interim period is HK\$3,640,000 attributable to the additional business generated by Wuhan Junyi. Revenue for the interim period includes HK\$11,731,000 generated from Wuhan Junyi.

Had the acquisition of Wuhan Junyi been completed on 1 January 2023, revenue for the interim period of the Group from continuing operations would have been HK\$14,339,000, and the loss for the interim period from continuing operations would have been HK\$4,368,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2023, nor is it intended to be a projection of future results.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 23. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these condensed consolidated financial statements, the Group entered into the following transaction with non-controlling shareholder of Wuhan Junyi during the six months period ended 30 June 2023.

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Purchase of automobiles	8,212	–

#### Compensation of key management personnel

The remuneration of key management personnel of the Group during the period is as follows:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Key management personnel compensation (Note)	4,294	5,234

Note: The remuneration of key management personnel during the period was determined by the directors having regard to the performance of individuals and market trends.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 24. SHARE-BASED PAYMENTS

The share option scheme (the “**Expired Share Option Scheme**”) adopted by the Company on 28 May 2012, expired on 27 May 2022.

References were made to (i) the circular of the Company dated 22 April 2022 in relation to, among other things, the adoption of the New Share Option Scheme, (ii) the poll results announcement of the annual general meeting of the Company dated 25 May 2022, (iii) the announcement of the Company dated 26 November 2021 in relation to the proposed acquisition of VMS Auto Italia Fin Services Holdings Limited by the Company, which constitutes a very substantial acquisition, connected transaction and reverse takeover under the Listing Rules, and (iv) the announcement of the Company dated 25 November 2022 regarding the termination of the Acquisition, including the special mandate in relation to the allotment and issuance of consideration shares would not proceed. The New Share Option Scheme is not effective as a certain condition was not fulfilled.

Save for and except that the rules of the Expired Share Option Scheme remain in full force and effect to the extent necessary to give effect to the exercise of the options granted thereunder prior to its expiry, or otherwise to the extent as may be required in accordance with the rules of the Expired Share Option Scheme. No further options may be granted under the Expired Share Option Scheme upon its expiry.

For the particulars of the Expired Share Option Scheme, please refer to annual report of the Company dated 30 March 2023.

The table below discloses movement of the Company’s share options:

	<b>Number of share options</b>
Outstanding as at 1 January 2023	<b>319,400,000</b>
Lapsed during the period	<b>(18,700,000)</b>
Outstanding as at 30 June 2023	<b>300,700,000</b>

During the six months ended 30 June 2023, the Group recognised a total expense of HK\$1,319,000 (six months ended 30 June 2022: HK\$3,436,000) in administrative expenses in relation to share options granted by the Company.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 25. FINANCIAL INSTRUMENTS

#### Fair value measurements of financial instruments

#### *Fair value of the Group's financial assets that are measured at fair value on a recurring basis*

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

#### *Fair value hierarchy*

Financial assets	Fair values at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30 June	31 December			
	2023	2022			
	HK\$'000	HK\$'000			
Investment of an associate measured at FVTPL	141,830	237,357	Level 3	Market approach and option model	Volatility of 55% (At 31 December 2022: 55%) (Note 1); equity value (Note 2); time to liquidity event (Note 3); and liquidation and conversion probability (Note 3)
Other financial asset at FVTPL	14,469	14,486	Level 3	Investment cost plus accumulated return	Rate of return of 8% in compound interest (Note 3)

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 25. FINANCIAL INSTRUMENTS (Continued)

#### Fair value measurements of financial instruments (Continued)

##### Fair value hierarchy (Continued)

Note 1: An increase in the volatility used in isolation would result in a decrease in the fair value, and vice versa. 5% lower/higher in volatility holding all other variables constant would have no impact to the fair value (At 31 December 2022: increase/decrease by HK\$3,904,000/HK\$3,123,000).

Note 2: An increase in the equity value used in isolation would result in an increase in the fair value, and vice versa. 10% (At 31 December 2022: 10%) higher/lower in equity value holding all other variables constant would increase/decrease the fair value by HK\$21,941,000 (At 31 December 2022: HK\$28,889,000).

Note 3: No sensitivity is provided as the management of the Company considered that the impact arising from this input is insignificant.

#### Reconciliation of Level 3 fair value measurements of financial assets

	HK\$'000
Balance at 1 January 2022 (audited)	264,210
Unrealised fair value change recognised in profit or loss	(92,579)
Exchange adjustments	(647)
Balance at 30 June 2022 (unaudited)	170,984
Balance at 1 January 2023 (audited)	251,843
Unrealised fair value change recognised in profit or loss	(95,720)
Exchange adjustments	176
Balance at 30 June 2023 (unaudited)	156,299

There were no other transfer between Level 1, 2 and 3 during both periods.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

### 25. FINANCIAL INSTRUMENTS *(Continued)*

*Fair value measurements of financial instruments (Continued)*

***Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis***

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

### 26. EVENT AFTER THE REPORTING PERIOD

There are no subsequent events after the end of reporting period.