



AUTO ITALIA

AUTO ITALIA HOLDINGS LIMITED 意達利控股有限公司

(Incorporated in Bermuda with limited liability)
Stock Code: 720



ANNUAL 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

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Bermuda

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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

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 HM10
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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Auto Italia Holdings Limited (the "**Company**"), I am pleased to present to you the annual report of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023 (the "**Reporting Period**").

The year 2023 posed significant economic challenges due to the adverse impact of a high market interest rate environment and escalating geopolitical threats. These crises led to susceptible market sentiments and increased market volatility, resulting in a consolidated loss attributable to owners of the Company of approximately HK\$179.3 million for the Reporting Period. This loss was primarily driven by unrealized fair value losses on our investment in an associate measured at fair value through profit or loss, as well as investment properties.

Despite these challenges, I am pleased to report that the Group's revenue from continuing operations experienced a remarkable increase, rising from HK\$28.1 million for the year ended 31 December 2022 to HK\$47.5 million for the Reporting Period. This growth can be attributed to our strategic acquisition of a Maserati 4S dealership business in Wuhan in February 2023. This investment not only served as a strategic move but also expanded the Group's network for car-related business in the People's Republic of China (PRC).

In our Property Investment Division, we maintained a strong and stable revenue stream, supported by our substantial asset-sized properties. On 9 October 2023, the Group subscribed to additional new shares in Dakota RE II Limited, which owns an investment property in Glasgow in United Kingdom. As a result, the Group's shareholding interest in Dakota RE II Limited increased from approximately 54.98% to approximately 69.15%.

Looking ahead, we anticipate that 2024 will remain challenging due to significant uncertainties stemming from high interest rates, geopolitical tensions, and the potential for a global recession. However, we are confident in our ability to seize opportunities as they arise. We remain committed to exploring potential global opportunities, with a particular emphasis on car-related businesses, to foster long-term synergies within the Group. Additionally, we will actively seek opportunities to strengthen the Group's financial position.

On behalf of the Board, I extend my sincere gratitude to our Shareholders for their unwavering loyalty and support. I would also like to express appreciation to our customers, suppliers, and business partners for their continued engagement with the Group. Furthermore, I want to recognize and commend the remarkable efforts and dedication of our management team and employees during these uncertain times.

CHONG Tin Lung Benny

Executive Chairman & Chief Executive Officer

Hong Kong, 22 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Property Investment Division

For the year ended 31 December 2023, the Property Investment Division recorded a rental income of HK\$31.7 million for leasing the properties of the Group to third parties in Hong Kong and Scotland (2022: HK\$28.1 million). The increase of HK\$3.6 million rental income was mainly contributed by the dilapidation income received from one existing tenant in Scotland.

Car Division

For the year ended 31 December 2023, the Car Division recorded a revenue of HK\$15.8 million (2022: HK\$1.3 million).

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 eleven 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 31 December 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\$6.3 million to HK\$29.0 million (2022: HK\$22.7 million). The increase was largely attributed to the performance of the Car Division.

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 15.9 percentage points, settling at 61.1% (2022: 77.0%) for the reporting period.

Other Income

For the year ended 31 December 2023, other income amounted to HK\$0.5 million (2022: HK\$0.6 million). The decrease of HK\$0.1 million was mainly caused by non-recurrence of service income from the discontinued operation.

Management Discussion and Analysis

Other Gains and Losses

Other gains and losses amounted to a net loss of HK\$174.9 million (2022: HK\$66.7 million) which mainly represented unrealized fair value loss of investment of an associate of HK\$120.6 million (2022: HK\$12.5 million) measured at fair value through profit or loss and fair value loss of investment properties of HK\$52.6 million (2022: HK\$55.4 million).

Selling and Distribution Costs and Administrative Expenses

Selling and distribution costs and administrative expenses in 2023 aggregated to HK\$37.8 million (2022: HK\$21.6 million), which accounted for 79.6% (2022: 73.2%) of revenue. The net increase of HK\$16.2 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 year were increased to HK\$23.6 million (2022: HK\$12.3 million) which was mainly caused by increase in interest on bank and other borrowings by HK\$11.7 million to HK\$19.8 million (2022: HK\$8.1 million). The increase of finance costs was partially offset by decrease in interest on promissory note by HK\$0.7 million to HK\$2.2 million (2022: HK\$2.9 million).

Life Science Investment

For the full year ended 31 December 2023, Chime Biologics Limited (“CBL”) generated unaudited consolidated revenue of US\$40.0 million (2022: US\$36.5 million) and recorded unaudited consolidated operating loss of US\$2.3 million (2022: loss of US\$13.8 million). At 31 December 2023, the fair value of this investment decreased to HK\$117.1 million (December 2022: HK\$237.4 million) and represents around 18.6% (December 2022: 30.3%) of the total assets of the Group. The decrease was mainly caused by the unfavorable market condition during the period.

Loss Attributable to Shareholders

Loss attributable to shareholders of the Company for the year was HK\$179.3 million (2022: HK\$63.4 million). It was primarily caused by an unrealized fair value loss of investment of an associate of HK\$120.6 million measured at fair value through profit or loss and the fair value loss of investment properties of HK\$52.6 million.

Liquidity and Financial Resources

Cash Flow

During the year ended 31 December 2023, the Group financed its operations and investments through cash generated from the Group’s operations, as well as bank and other borrowings. The Group successfully secured a borrowing of HK\$50 million and received an interest-free loan of HK\$11.6 million from a related party. Additionally, the Group repaid bank and other borrowings of HK\$59.9 million.

Cash and Cash Equivalents

As at 31 December 2023, the Group had cash and cash equivalents (including pledged bank deposits) of HK\$26.9 million as compared with HK\$44.3 million as at 31 December 2022, which were denominated in Pound Sterling (as to 68.7%), Hong Kong dollars (as to 25.4%) and Renminbi (as to 5.8%).

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

As at 31 December 2023, the Group had bank and other borrowings, loan from a non-controlling member of a subsidiary, loan from a related party and promissory note totaling HK\$394.9 million (2022: HK\$372.7 million), of which HK\$97.8 million were repayable more than one year (2022: HK\$32.5 million were repayable more than one year). The Group's debt to equity ratio for the year ended 31 December 2023 increased to 186.9% from 95.4% for the year ended 31 December 2022 based on the total of bank and other borrowings, loan from a non-controlling member of a subsidiary, loan from a related party and promissory note totaling HK\$394.9 million (2022: HK\$372.7 million) and total equity of HK\$211.3 million (2022: HK\$390.9 million).

The increase in debt to equity ratio was mainly caused by an unrealized fair value loss of investment properties of HK\$52.6 million and an unrealized fair value loss of investment of an associate of HK\$120.6 million measured at fair value through profit or loss 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 31 December 2023 are HK\$29.1 million (2022: HK\$30.5 million). The promissory note have maturity of five years until March 2026 and carry interest at 8% per annum. For the year ended 31 December 2023, the Group incurred interest expense of HK\$2.2 million, the remaining promissory note balance as at 31 December 2023 is HK\$29.7 million.

The other borrowings of HK\$257.5 million, secured by an investment property in Scotland, and loan from a non-controlling member of a subsidiary have maturity in October 2024 and carry interest at 8.5% and 10% per annum respectively. The remaining balance of the other borrowings, totaling HK\$57.1 million is unsecured, carry interest at 9% per annum and scheduled to mature in April 2025. For the year ended 31 December 2023, the Group incurred interest expense of HK\$17.8 million on other borrowings and HK\$1.0 million on loan from a non-controlling member of a subsidiary. The Group also repaid interest of HK\$15.8 million on other borrowings. The remaining loan balances as at 31 December 2023 are HK\$314.6 million and HK\$10.6 million respectively.

Management Discussion and Analysis

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 31 December 2023 and 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 year, loan secured by property in Scotland was denominated in Pound Sterling and serviced by income from Scotland denominated in Pound Sterling.

Due to the appreciation of the Pound Sterling over the period, a positive exchange difference arising on translation of foreign operations of approximately HK\$6.4 million was recorded during the year (2022: negative exchange difference of approximately HK\$14.9 million).

Pledge of Assets

As at 31 December 2023, certain of the Group's bank deposit and properties totaling HK\$444.3 million (2022: bank deposit and properties totaling HK\$471.7 million) were pledged as securities for relevant borrowings.

CAPITAL EXPENDITURES, COMMITMENTS AND CONTINGENT LIABILITIES

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

EVENTS AFTER REPORTING PERIOD

There are no material subsequent events after the end of the Reporting Period.

HUMAN RESOURCES AND CHARITY

As at 31 December 2023, the Group employed a total of 22 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. Total remuneration expenses in 2023 amounted to HK\$12.1 million (2022: HK\$13.1 million), which comprised fixed compensation such as basic salaries and allowances; variable incentives such as performance bonus; and long term incentives such as share-based payments as well as retirement benefits scheme. The decrease in total remuneration expenses for the year was primarily due to the share-based payment of HK\$1.5 million recognised (2022: HK\$4.7 million) as resignation of directors during the year.

As always, we not only provided 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 and charity walk.

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\$2.3 million and HK\$29.4 million respectively (2022: HK\$2.2 million and HK\$25.9 million respectively) from leasing the investment properties.

As at 31 December 2023, approximately 94% of the total net internal area of Capella is subject to various tenancy agreements at a total rental of approximately GBP3.1 million per annum with the expiry date in February 2030 at the latest and a weighted average unexpired lease term to expiry of 4.87 years.

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 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.

Management Discussion and Analysis

Throughout the year 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 addition, we organised a cross-marketing event in collaboration with a renowned luxury jewelry group, specifically curated for VIP customers, car shows during festive periods in Wuhan, exclusive test drive events for VIP customers from banks, luxury shopping malls and first-class commercial centers, providing an immersive Maserati driving experience. Furthermore, the after-sales service department also offered door-to-door private transportation services to the airport for selected VIP customers, along with various service campaigns targeted both existing and potential customers. These events not only provided platforms 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 and business partners.

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.

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 31 December 2023 and 2022, the Group did not have any outstanding secured loan lent to customers.

Life Sciences Investment

In the full year of 2023, CBL continue to attract Chinese clients with late stage projects and overseas clients with early stage projects. As of 31 Dec 2023, CBL accumulated a pre-commercial contract backlog of US\$47.4 million, and is expected to sign US\$30 million plus contract in the near future.

CBL also achieved notable results in R&D fields. In 2023 fourth quarter, CBL R&D center developed a new cell line for one of CBL's European clients, with drug yield improved 270% over the original cell line developed in Europe. The client was very impressed by CBL's R&D capabilities and subsequently awarded a larger contract to CBL.

In the second half of 2023, CBL welcomed several high caliber executives to join the management team, including Vice President of Quality and Director of Supply Chain. CBL also continued to advance its' corporate ESG initiative, a public education sponsoring program in Sichuan province.

OUTLOOK

Taking into consideration the economic uncertainties owing to high 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 includes but not limit to car related business with the aim of bringing long-term enhancement of value to our shareholders.

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.

Subscription of new shares in Dakota RE II Limited

On 9 October 2023, Elite Jumbo Limited (an indirect wholly-owned subsidiary of the Company) subscribed for 6,297 new shares in Dakota RE II Limited (an indirect non-wholly owned subsidiary of the Company) for a total amount of GBP3,061,807 (equivalent to approximately HK\$29,253,000). As a result of such subscription, the shareholding interest of Elite Jumbo Limited in Dakota RE II Limited increased from approximately 54.98% to approximately 69.15%. Details of the subscription are set out in the announcement of the Company dated 9 October 2023.

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2023.

DIRECTORS PROFILES

EXECUTIVE DIRECTORS

Mr. CHONG Tin Lung Benny

Executive Director, Executive Chairman and Chief Executive Officer

Mr. CHONG Tin Lung Benny, aged 51, has been appointed as an Executive Director of the Company with effect from 13 June 2013. He is also the Executive Chairman, Chief Executive Officer, the chairman of each of the Nomination Committee and Executive Directors' Committee and a member of the Remuneration Committee. Mr. Chong is a director of certain subsidiaries of the Company. Mr. Chong served as the Vice-Chairman of the Company for the period from 13 June 2013 to 24 October 2013 and the chairman of the Financial Control Committee for the period from 13 June 2013 to 28 March 2019. He is the founder and chairman of VMS Investment Group Limited ("**VMSIG**"), a substantial shareholder of the Company. Mr. Chong is the son of Ms. MAK Siu Hang Viola, who is the substantial shareholder of the Company. Mr. Chong is currently an executive director and chairman of the board of NEWTON RESOURCES LTD. (a company listed on the Main Board of the Stock Exchange, Stock Code: 1231). Mr. Chong is currently a director of CTF VMS Smart City Development Limited, a company incorporated in Hong Kong with limited liability, of which Mr. LI Shaofeng is also a director. In addition, Mr. Chong has also become a director of Chime Biologics Limited since January 2022. Mr. Chong has accumulated over two decades of experience in the financial and investments industry. VMSIG is the holding company of a group of companies principally engaged in the provision of proprietary investments and private equity. Mr. Chong is a Chartered Financial Analyst. He obtained a Bachelor of Commerce from the University of Toronto in 1994 and a Master of Science in Investment Management from the Hong Kong University of Science and Technology in 2000. Mr. Chong was subject to a reprimand by the SFC in 2003. For details, please refer to the Company's announcement dated 13 June 2013. No prosecution has been brought against Mr. Chong as a result.

Mr. LI Shaofeng

Executive Director

Mr. LI Shaofeng, aged 56, has been appointed as an Executive Director of the Company with effect from 28 February 2023. He has obtained a bachelor degree in Automation from the University of Science and Technology Beijing. Mr. Li has more than 20 years of extensive experience in management of listed companies, mergers and acquisition and investments, and has a deep understanding in the automotive and components market. Prior to joining the Company, Mr. Li has served as a director of eight companies listed on Stock Exchange including but not limited to Shougcheng Holdings Limited (Stock Code: 697), Shougang Fushan Resources Group Limited (Stock Code: 639), Shougang Century Holdings Limited (Stock Code: 103) and Beijing West Industries International Limited (Stock Code: 2339) from March 2000 to October 2019. Mr. Li was a non-executive director of Mount Gibson Iron Limited (Australian Securities Exchange: MGX), a company listed on the Australian Securities Exchange Limited from February 2012 to December 2019. He is currently a director and the general manager of CTF VMS Smart City Development Limited, a company incorporated in Hong Kong with limited liability, of which Mr. Chong Tin Lung Benny is also a director.

Mr. LIN Chun Ho Simon

Executive Director

Mr. LIN Chun Ho Simon, aged 46, has been appointed as an Executive Director of the Company with effect from 13 June 2021. He is also a member of Executive Directors' Committee and the Chief Financial Officer of the Group (the Company and its subsidiaries). Mr. Lin joined the Group since July 2005, and has been appointed as Chief Financial Officer since 2017. He oversees the treasury management, financial reporting, risk management, mergers and acquisitions and company secretarial matters of the Group. He is also currently a director of certain subsidiaries of the Company. Mr. Lin has over 20 years of experience in accounting, financial management and auditing. Mr. Lin obtained a Master of Corporate Governance with distinction in 2020 and a Bachelor's Degree of Accountancy from the Hong Kong Polytechnic University in 2000. He is also a fellow of the Association of Chartered Certified Accountant, a fellow of the Hong Kong Institute of Certified Public Account, an international associate of the American Institute of Certified Public Accountant and is a fellow member of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in United Kingdom.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KONG Kai Chuen Frankie

Independent Non-executive Director

Mr. KONG Kai Chuen Frankie, aged 60, has been appointed as an Independent Non-executive Director of the Company with effect from 21 June 2013. He is also the chairman of the Audit Committee, a member of each of the Nomination Committee and the Remuneration Committee. Mr. Kong is currently an independent non-executive director of Ka Shui International Holdings Limited (a company listed on the Main Board of the Stock Exchange, Stock Code: 822) and a consultant of CCT Consultants Limited. He is an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Chartered Association of Certified Accountants (the United Kingdom). Mr. Kong has accumulated over 30 years' experience in accounting, auditing, corporate finance and project administration mostly from Hong Kong listed companies and multinational business conglomerates.

Directors Profiles

Mr. TO Chun Wai

Independent Non-executive Director

Mr. TO Chun Wai, aged 68, has been appointed as an Independent Non-executive Director of the Company with effect from 1 September 2020. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Mr. To is at present the chief executive officer of a Hong Kong registered consultancy company (namely Gung-ho Consultancy Company Limited), and an independent non-executive director of each of Greenheart Group Limited (a company listed on the Main Board of the Stock Exchange, Stock Code: 94), ISP Holdings Limited (formerly known as Synergis Holdings Limited) (a company listed on the Main Board of the Stock Exchange, Stock Code: 2340), DeTai New Energy Group Limited (a company listed on the Main Board of the Stock Exchange, Stock Code: 559) and Nova Group Limited (a company listed on the Main Board of the Stock Exchange, Stock Code: 1360). Mr. To spent most of his career with the Hong Kong Police, beginning in 1974 and rising up the ranks to Assistant Commissioner (Crime), being responsible for the overall charge of policy designs and operations of, among others, the Commercial Crime Bureau, Organized Crime & Triad Bureau, Criminal Intelligence Bureau, Financial Investigation Bureau (anti money-laundering), and Technology Crime Bureau, until his retirement in 2011. Mr. To was awarded the Police Meritorious Service Medal by the Chief Executive of the Hong Kong Special Administrative Region, in recognition of his long and staunch service and contribution to the Hong Kong society. From 2011 to 2012, he served as a part-time tutor at the University of Hong Kong. Between April 2013 and August 2018, he served as the chief strategic officer, chief operating officer, and a non-executive director of Integrated Waste Solutions Group Holdings Limited ("**IWS**") (a company listed on the Main Board of the Stock Exchange, Stock Code: 923), and sat on both the remuneration and nomination committees of IWS during his tenure of services. Mr. To has wide administrative and management experiences in both the public and private sectors, and holds a master degree of public administration from the University of Hong Kong.

Dr. SHAM Chung Ping Alain

Independent Non-executive Director

Dr. SHAM Chung Ping Alain, aged 69, is currently a practicing barrister in Hong Kong. He has been admitted as a barrister of High Court of Hong Kong in 1986, a barrister of High Court of Australia in 1991, and a barrister and solicitor of the Supreme Court of the Australian Capital Territory (ACT) in 1991. He was awarded the Bronze Bauhinia Star by the government of Hong Kong in 2016. He has been elected as a fellow of Society for Advanced Legal Studies (SALS), England in October 2002. Between May 1978 and March 2016, Dr. Sham worked for the government of Hong Kong, including the Department of Justice, with his last position as deputy director of public prosecutions. He has been an honorary advisor of the Staff Training Institute of Correctional Services Department since 2018. Dr. Sham obtained a bachelor degree of social science from The Hong Kong University in November 1978, a bachelor degree of laws from The University of Buckingham in February 1984, a postgraduate diploma in law and practice from The City University London in October 1985, a master degree of laws in Chinese law from The University of Hong Kong in December 2004 and a doctorate degree of laws* (法學博士) from China University of Political Science and Law in June 2005. Dr. Sham was an independent non-executive director of SEM Holdings Limited (Stock Code: 9929), a company listed on The Stock Exchange of Hong Kong Limited, from 22 January 2020 to 5 May 2023. Dr. Sham is also a director of The China Social and Legal Research Fund Company Limited, a company incorporated in Hong Kong limited by guarantee.

DIRECTORS' REPORT

The Directors present this Report and audited consolidated financial statements of the Group for the financial year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities and other particulars of the principal subsidiaries are set out in note 42 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group and a discussion and analysis of the Group's performance during the year ended 31 December 2023, a discussion on the Group's future business development and outlook of the Group's business are provided in the sections headed "Chairman's Statement" on page 4 and "Management Discussion and Analysis" on pages 5 to 11 of this Report respectively. These discussions form part of this Directors' Report.

Financial key performance indicators

	2023 HK\$'000	2022 HK\$'000	Change percentage
Total Revenue	47,504	29,479	61.15%
Loss before taxation	(206,798)	(86,134)	-140.09%
Bank and other borrowings, loan from a non-controlling member of a subsidiary, loan from a related party and promissory note	394,923	372,748	5.95%
Equity attributable to owners of the Company	164,625	322,065	-48.88%
Loss per Share – Basic	(HK\$3.39 cent)	(HK1.20 cent)	-182.5%
Loss per Share – Diluted	(HK\$3.39 cent)	(HK1.20 cent)	-182.5%
Dividend per Share	0	0	0%
Dividend pay-out ratio	0%	0%	0%
Debt-to-equity ratio	186.9%	95.4%	95.90%

Possible Risks and Uncertainties

Description of possible risks and uncertainties are provided in the sections headed "Chairman's Statement" on page 4, "Management Discussion and Analysis" on pages 5 to 11 and "Corporate Governance Report – Risk Management and Internal Control" on pages 43 to 45, respectively.

Compliance with Laws and Regulations

As at 31 December 2023 and up to the date of this Report, the Board was unaware of any non-compliance with the applicable laws and regulations, which included the Companies Act of Bermuda, the Listing Rules, Personal Data (Privacy) Ordinance, other laws and regulations that have a significant impact on the Company.

Staff Activities

The Group strives to help our employees to maintain a balance between their work and personal lives. In 2023, a couple of events were organised and they were all received by employees.

Environment

The Group recognizes the importance of environmental protection. Being a responsible company, we continue operating in a more environmental-friendly approach by using fewer natural resources, saving energy and reducing waste.

Corporate Social Responsibilities

Cherishing the idea of social commitment, we are dedicated to fulfilling our duties to the Shareholders, living up to the trust of our customers, benefiting our principal partners and contributing, with gratitude to our employees.

With the aim of delivering value to our Shareholders, customers and employees, we are also concerned about social well-being and so we always endeavor to fulfill our social responsibilities, thus creating a win-win situation for all stakeholders. Over the past year, the combination of responsible disposal of chemical wastage pursuant to government regulations, effective customer satisfaction index survey, energy conservation and proactive participation in local charity causes have achieved positive results.

Other information in relation to corporate social responsibilities are provided in the section headed "Environmental, Social, and Governance Report" on pages 52 to 80 of this Report.

Waste Disposal

All chemical by-products from our operations are handled and processed by government approved licensed partners to minimize the negative impact on the environment. In addition, these partners are evaluated by us on a regular basis to ensure that the services promised are duly delivered.

Energy Conservation

Re-investments in the latest equipment, building renovations and I.T. infrastructures resulted in significant reduction in our carbon footprint and healthier workshop place for both our customers and employees.

Customer Satisfaction and Protection

Comprehensive surveys and subsequent analysis on customer satisfaction allow us to keep our finger on the pulse of our customers, enabling us to create, modify or eliminate types of services offered to effectively and efficiently serve our clients. Moreover, we highly respect our customers' personal data and have devised a privacy policy on how we handle customers' personal data.

Business Partners

Our business partners set strict operational and financial standards for their network of authorized dealers. These standards are also audited by them regularly and we strictly comply with.

Awards

The Group has been awarded the Caring Company Logo 2023/24, launched by The Hong Kong Council of Social Service, the Caring Company Logo is awarded to companies which demonstrate good corporate citizenship. It aims to promote corporate social responsibility through caring for community, employees and the environment.

Future development and important events after the end of the financial year

Details of future development and important events of the Group after the end of the financial year are provided in the sections headed "Chairman's Statement" on page 4 and "Management Discussion and Analysis" on pages 5 to 11, respectively.

SEGMENTAL INFORMATION

Details of segmental information are set out in note 6 to the consolidated financial statements.

FINANCIAL STATEMENTS

The financial results of the Group for the year ended 31 December 2023 and the state of the Company and the Group's affairs as at that date are set out in the consolidated financial statements on pages 87 to 170 of this Report.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 171.

DIVIDEND POLICY

The dividend policy aims to set out the policy of the Company for the monies to be paid out to the Shareholders in dividend. The Company maintains a reasonable pay-out ratio situation. In the reasonable pay-out ratio situation, the Board considers the financial situation of the Company and maintains a reasonable percentage dividend pay-out ratio with a reference of the dividend pay-out ratios in the market, the same industry and the different industries. The dividend policy will be reviewed from time to time so as to keep in line with the future prospects and capital requirements of the Group and the changes in market conditions. The dividend policy of the Company dated 21 December 2018 is available on the Company's website at www.autoitalia.com.hk.

The Board considered the below factors in relation to the payment of the dividends for the year ended 31 December 2023:

- (i) the financial results of the Company for the year end 31 December 2023;
- (ii) the Shareholders' interests;
- (iii) general business conditions and strategies;
- (iv) our capital requirements;
- (v) contractual restrictions on the payment of dividends by the Company to the Shareholders or by the subsidiaries of the Company to the Company;
- (vi) taxation considerations;
- (vii) possible effects on the Company's creditworthiness; and
- (viii) statutory and regulatory restrictions.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil). No interim dividend was paid during the year ended 31 December 2023 (2022: Nil).

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on Tuesday, 28 May 2024. For further details of the AGM, please refer to the notice of AGM, which will be despatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

In order to determine the identity of the Shareholders who are entitled to attend and vote at the forthcoming AGM, all transfers accompanied by the relevant Share certificates must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Wednesday, 22 May 2024. The register of members of the Company will be closed from Thursday, 23 May 2024 to Tuesday, 28 May 2024 (both dates inclusive), during which period no transfer of Shares will be registered.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Share capital of the Company during the year are set out in note 31 to the consolidated financial statements. Information about the Share options of the Company and details of movements in the Share options of the Company during the year are set out in the "Share Option Schemes" section in this Report and in note 33 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year ended 31 December 2023 are set out in the consolidated statement of changes in equity on page 91 and page 170 of this Report respectively.

DISTRIBUTABLE RESERVES

The Company's reserves available for distributions to Shareholders as at 31 December 2023 comprised the Share premium, Share option reserve plus accumulated losses with an aggregate amount of approximately HK\$97,817,000 (2022: HK\$103,340,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2023 are set out in note 17 to the consolidated financial statements.

DONATIONS

The Group continues its contribution to local communities through donations to various charities for the elderly, youth and the disadvantaged.

During the year, the Group made charitable and other donations of HK\$20,000 (2022: HK\$2,000).

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Details of the Group's borrowings are set out in notes 26, 27, 28 and 30 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest suppliers accounted for 54.3% of the Group's purchases during the year, 23.9% being attributable to the largest supplier. The percentage of turnover attributable to the Group's five largest customers is 61% during the year.

As far as the Directors are aware, no Director, their associates or any Shareholder (who to the knowledge of the Directors owns more than 5% of the Company's Share capital) has interest in the Group's five largest suppliers.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in this Report, there was no contract of significance between the Company or any of its subsidiary companies, and a controlling Shareholder or any of its subsidiaries for the year ended 31 December 2023. There was no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries for the year ended 31 December 2023.

DIRECTORS

The Directors who held office during the year 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

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)

In accordance with Bye-law 99, Mr. LIN Chun Ho Simon and Mr. TO Chun Wai shall retire from office by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

In accordance with Bye-law 102, Dr. SHAM Chung Ping Alain shall retire and, being eligible, offer himself for re-election at the AGM.

The INEDs are also subject to retirement by rotation in accordance with the Bye-laws. The Company has received from each INED a confirmation of his independence pursuant to the independence assessing factors guidelines set out in Rule 3.13 of the Listing Rules. The Company considers the INEDs to be independent.

CHANGES IN INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Upon specific enquiry by the Company, save as disclosed below, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published interim report:

Name of Director	Detail of changes
Mr. TO Chun Wai	Mr. TO Chun Wai was appointed as an independent non-executive Director of DeTai New Energy Group Limited (a company listed on the Main Board of the Stock Exchange, Stock Code: 559) with effect from 18 April 2023
	Mr. TO Chun Wai was appointed as an independent non-executive Director of NOVA Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, Stock Code: 1360) with effect from 12 May 2023

BIOGRAPHIES OF DIRECTORS

Biographical details of the Directors of the Company are set out on pages 12 to 14 of this Report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who is proposed for re-election at the AGM has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF DIRECTORS

Please refer to note 13 of the consolidated financial statements of this Report for details of the emoluments of the Directors.

The emoluments payable to the Directors are determined with reference to responsibilities, years of service and performance of each individual, the results of the Group and the prevailing market rate.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws of the Company, every Director and other officers of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain in or about the execution of their duties in their respective duties or in relation thereto.

The Company has taken out and maintained directors' liability insurance throughout the year ended 31 December 2023, which provides appropriate cover for the Directors and the other officers of the Company. Such provisions were in force during the course of the year ended 31 December 2023 and remained in force as of the date of this Report. The insurance coverage is reviewed on an annual basis.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' INTERESTS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 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 C3 to the Listing Rules, to be notified to the Company and the Stock Exchange are as follows:

Long positions in the Shares and underlying Shares of the Company

Name of Director	Capacity	Nature of Interest	Number of ordinary Shares held	Number of underlying Shares	Total Number of Shares and underlying Shares involved	Approximate percentage of the Company's total issued Shares ^(Note 1)
Mr. CHONG Tin Lung Benny ("Mr. CHONG")	Beneficial owner	personal interest	51,891,000 ^(Note 2)	60,000,000 ^(Note 2)	111,891,000	2.11%
Mr. LIN Chun Ho Simon ("Mr. LIN")	Beneficial owner	personal interest	2,377,500 ^(Note 3)	30,000,000 ^(Note 3)	32,377,500	0.61%
Mr. LI Shaofeng ("Mr. LI")	Beneficial owner	personal interest	209,000,000 ^(Note 4)	–	209,000,000	3.75%

Notes:

- The percentage of shareholding is calculated on the basis of the Company's issued share capital of 5,292,515,390 shares as at 31 December 2023.
- Mr. Chong is beneficially interested in 51,891,000 ordinary shares of the Company and 60,000,000 underlying Shares, representing interests in share options under the share option scheme of the Company, further details of which are set out in the section headed "Share Option Schemes".
- Mr. Lin is beneficially interested in 2,377,500 ordinary shares of the Company and 30,000,000 underlying Shares, representing interests in share options under the share option scheme of the Company, further details of which are set out in the section headed "Share Option Schemes".
- Mr. Li is beneficially interested in 209,000,000 ordinary shares of the Company.

DIRECTORS' INTERESTS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Save as disclosed above, as at 31 December 2023, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (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 as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN ASSETS TRANSACTION AND/OR ARRANGEMENT

At 31 December 2023, none of the Directors had any other direct or indirect interest in any assets which have been acquired or disposed of by or leased to any members of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

At 31 December 2023, there was no other transaction or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Group as a whole.

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in the paragraph headed "**Connected Transaction**" in this report, no other transactions, agreements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries or holding company was a party and in which any Director or the Director's connected entity had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the Reporting Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors (including Independent Non-executive Directors) was interested in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business during the year.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in section of "Share Option Schemes", at no time during the year ended 31 December 2023 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company (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 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 31 December 2023, so far as is known to the Directors, no other person or corporations (other than the Directors or chief executive of the Company) 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)	Nature of Interest	Number of Shares	Approximate % of the total number of issued Shares [#]
Gustavo International Limited	Beneficial owner	304,725,000 ^(Note 1)	5.76%
Maini Investments Limited	Interest of controlled corporation	304,725,000 ^(Note 1)	5.76%
VMSIG	Beneficial owner and interest of controlled corporation	1,519,016,472 ^(Note 1)	28.70%
Ms. MAK Siu Hang Viola	Interest of controlled corporation	1,519,016,472 ^(Note 1)	28.70%
Ms. Lo Ki Yan Karen	Beneficial owner and interest of controlled corporation	525,661,192 ^(Note 2)	9.93%
Green River Associates Limited	Beneficial owner	348,000,000 ^(Note 2)	6.58%
Planetree International Development Limited	Interest of controlled corporation	348,000,000 ^(Note 2)	6.58%
Planetree International Limited	Interest of controlled corporation	348,000,000 ^(Note 2)	6.58%

[#] Based on the total issued Shares of 5,292,515,390 at 31 December 2023.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Notes:

- (1) *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 of the Company 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.

- (2) *Ms. Lo Ki Yan Karen directly held 177,661,192 shares of the Company. Green River Associates Limited held 348,000,000 shares of the Company. Green River Associates Limited was wholly-owned by Planetree International Limited; Planetree International Limited was wholly-owned by Planetree International Development Limited; Planetree International Development was held as to 67% by Ms. Lo Ki Yan Karen. By virtue of the SFO, Planetree International Limited, Planetree International Development Limited and Ms. Lo Ki Yan Karen are deemed to be interested in the shares held by Green River Associates Limited.*

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

Save as disclosed above, as at 31 December 2023, the Company had not been notified by any persons or corporations (other than the Directors or chief executive of the Company) 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 OPTION SCHEMES

Expired Share Option Scheme

The share option scheme (the "**Expired Share Option Scheme**") adopted by the Company on 28 May 2012, expired on 27 May 2022. Save for and except that the rules of the 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.

Under the Expired Share Option Scheme, options were granted to certain Directors, employees and other eligible participants of the Company entitling them to subscribe for Shares of HK\$0.02 each in the capital of the Company.

SHARE OPTION SCHEMES (Continued)

Details of the movement in outstanding Share Options, which have been granted under the Expired Share Option Scheme, during the year ended 31 December 2023 were as below:

Name or category of participants	Date of grant (Note 1)	Exercise price (HK\$)	Exercisable Period	As at 1 January 2023	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year (Note 3)	As at 31 December 2023
(a) Directors								
Mr. CHONG Tin Lung Benny	07/10/2020	0.1754	27/07/2021 to 26/07/2025 (Note 2)	60,000,000	-	-	-	60,000,000
Mr. HUANG Zuie-Chin (resigned on 27 July 2023)	07/10/2020	0.1754	27/07/2021 to 26/07/2025 (Note 2)	60,000,000	-	-	(60,000,000)	-
Mr. NG Siu Wai (resigned on 27 July 2023)	07/10/2020	0.1754	27/07/2021 to 26/07/2025 (Note 2)	60,000,000	-	-	(18,000,000)	42,000,000
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) Other eligible participants								
Consultants of the Group (the "Consultants")	27/07/2020 (Note 4)	0.1754	27/07/2021 to 26/07/2025 (Note 2)	90,700,000	-	-	-	90,700,000
Total				319,400,000	-	-	(96,700,000)	222,700,000

SHARE OPTION SCHEMES (Continued)

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"):

Vesting Date	Percentage of Share Options to vest
First anniversary of the Date of Offer	40% of the total number of options
Second anniversary of the Date of Offer	30% of the total number of options
Third anniversary of the Date of Offer	30% of the total number of options

- (3) The share options were lapsed due to resignation of directors or expiration of the exercisable period during the year.
- (4) These share options are conditionally granted on 27 July 2020 and approved by the Company's special general meeting on 7 October 2020. The Purpose of these share option scheme is to provide incentives to the Consultants to lead, identify and/or exploit business opportunities in the life science sector as, the Consultants are 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 Company's share option scheme to provide incentive rewards to, the Consultants for their contribution to the Group and to retain them to make continuous contribution to the Company.
- (5) 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 date. In addition, 42,000,000 options were lapsed due to his resignation.
- (6) 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 date.

Save as disclosed above, no share option was granted or exercised or cancelled or lapsed under the Expired Share Option Scheme for the year ended 31 December 2023.

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 AGM 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.

CONNECTED TRANSACTION

On 13 February 2023, the Company received a financial assistance by way of an unsecured, interest-free loan of RMB10,000,000 from Mr. Chong Tin Lung Benny which was connected transaction, the details of which is set out in heading under "Loan From A Related Party" of note 28 to the consolidated financial statements. Pursuant to Rule 14A.90 of Chapter 14A of the Listing Rules, such financial assistance received by the Company from connected party is fully exempt from shareholders' approval, annual review and all disclosure requirements.

CONTINUING CONNECTED TRANSACTIONS

On 17 February 2023, the Company entered into a framework agreement (the "**Framework Agreement**") with 運天(中國)投資有限公司 (CTF Automobile (China) Investment Co., Ltd) ("**CTF Automobile**", and together with its subsidiaries, the "**CTF Automobile Group**") in relation to the purchases of cars and auto parts of the brand Maserati® (the "**Automobiles**").

The CTF Automobile Group has substantial car dealership experience in the PRC. Upon customers' requests for a selected model/type of the Automobiles that the Group may not have, the Group shall be able to source it from the CTF Automobile Group. On the other hand, if the CTF Automobile Group has customers' requests for a selected model/type of the Automobiles that the CTF Automobile Group does not have, the CTF Automobile Group will try to source it from the Group. The Framework Agreement will create synergy between the CTF Automobile Group and the Group. Each of the Group and the CTF Automobile Group will enhance its customer experience by providing effective services. Through the strategic cooperation under the Framework Agreement, the Group and the CTF Automobile Group will be able to leverage on each other's strength to capture more business opportunities.

CTF Automobile holds 49% of the entire equity interests of 武漢駿意汽車銷售服務有限公司 (Wuhan Junyi Cars Sales & Service Company Ltd) ("**Wuhan Junyi**"), a non-wholly owned subsidiary of the Company. CTF Automobile is a substantial shareholder of Wuhan Junyi and hence a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, the Framework Agreement and the transactions contemplated thereunder were subject to the reporting and announcement requirements but exempted from the circular, independent financial advice and the Shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

The principal terms of the Framework Agreement are summarized below:

Term:	From the date of the Framework Agreement to 31 December 2025.
Subject:	(i) The purchases of the Automobiles by the CTF Automobile Group from the Group (the " CTF Automobile Purchases "); and (ii) The purchases of the Automobiles by the Group from the CTF Automobile Group (the " Group Automobile Purchases ").
Pricing policy:	<p>The consideration of the purchase of Automobiles will be determined after arm's length negotiations with reference to the average market price of the Automobiles quoted by the independent third parties of the Group.</p> <p>For the Group Automobile Purchases, the Group will ensure that the terms and price of the Automobiles purchased from the CTF Automobile Group are no less favourable to the Group than such terms and price offered by the independent third parties.</p> <p>For the CTF Automobile Purchases, the Group will ensure that the terms and price of the Automobiles sold to the CTF Automobile Group are more favourable to the Group than such terms and price sold to the independent third parties.</p>
Annual caps:	<p>The annual cap for the total consideration of the Group Automobile Purchases payable by the Group to the CTF Automobile Group for each of the three years ending 31 December 2025 will not exceed RMB52,000,000, RMB50,000,000 and RMB40,000,000 respectively.</p> <p>The annual cap for the total consideration of the CTF Automobile Purchases payable by the CTF Automobile Group to the Group for each of the three years ending 31 December 2025 will not exceed RMB30,000,000.</p>

Other details of the Framework Agreement are disclosed in the announcement of the Company dated 17 February 2023.

The total consideration of the Group Automobile Purchases paid by the Group to the CTF Automobile Group for the year ended 31 December 2023 amounted to approximately RMB8,223,000. The total consideration of the CTF Automobile Purchases paid by the CTF Automobile Group to the Group for the year ended 31 December 2023 amounted to approximately RMB41,000.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

The independent non-executive Directors have reviewed the aforementioned continuing connected transactions and confirmed that the transactions were entered into:

- i. in the ordinary and usual course of business of the Group;
- ii. on normal commercial terms or better; and
- iii. according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules. The auditor has confirmed that nothing has come to their attention that causes them to believe that the continuing connected transactions:

- (1) have not been approved by the Company's board of directors;
- (2) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group;
- (3) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
- (4) have exceeded the annual caps as set by the Company.

The aforementioned continuing connected transactions also constitute related party transactions, the details of which are set out in note 38 to the consolidated financial statement.

In the opinion of the Board, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the continuing connected transactions entered into by the Group during the Reporting Period as mentioned above.

PUBLIC FLOAT

At the date of this Report, based on information that is publicly available to the Company, the Directors acknowledge that more than 25% of the issued Share capital of the Company is held by the public.

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 year ended 31 December 2023.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws or the laws in Bermuda although there is no restriction against such rights under the laws in Bermuda.

AUDITOR

During the year ended 31 December 2023, Messrs. Deloitte Touche Tohmatsu was re-appointed as auditor of the Group to hold office until the conclusion of the AGM.

There has been no change in the Company's auditor in any of the preceding three years.

The financial statements for the year were audited by Messrs. Deloitte Touche Tohmatsu who will retire at the AGM and being eligible, offer itself for re-appointment.

For and on behalf of the Board

CHONG Tin Lung Benny

Executive Chairman and Chief Executive Officer

Hong Kong, 22 March 2024

CORPORATE GOVERNANCE REPORT

PURPOSE, CULTURES AND VALUES

The Board has established the Group's purpose, values and strategy and ensures that aligned with the Group's culture. The Company's purpose is to bring long-term returns to shareholders, and committed to building a viable business with sustainable growth.

The Company's strategy in the business development and management are to achieve long-term, steady and sustainable growth, while having due considerations from environment, social and governance aspects. To ensure the Company's work aligns with the organization purpose, values, and business strategies, the Board is responsible for fostering a corporate culture.

Culture of Accountability

The Group established an organizational structure with proper segregation of duties to govern our business operations and to ensure alignment with our corporate strategy and culture. Meanwhile, we encourage teamwork and collaboration to develop trust and accountability.

Culture of Integrity

The Group strives to maintain high standards of business ethics and corporate governance across all our activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly set out in the training materials for all new staff and embedded in various policies such as the anti-corruption policy and the whistleblowing policy of the Group and the Group's employee handbook. Trainings are conducted from time to time to reinforce the required standards in respect of ethics and integrity. In additions, in order to help the new employees to adapt the company culture, the Group arranges various onboarding training activities to them.

Culture of care

The Group believes that the culture of care is essential to workforce development and sustainability. This sets the tone for a strong, productive workforce that attracts, develops, and retains the best talent and produces the highest quality work.

Environmental Friendly Culture

The Group endeavors to cultivate a greener corporate culture by creating awareness and encouraging our employees to control our operation's carbon footprint to enhance our stakeholders' and communities' long-term value.

CORPORATE GOVERNANCE

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 CG Code throughout the year ended 31 December 2023, except for the deviation of code provision C.2.1 of the CG Code which is explained in the sub-section headed "Chairman and Chief Executive Officer" below.

The corporate governance principles of the Company emphasize a quality board, sound internal control, and transparency and accountability to all Shareholders. The Board will continue to review and improve the corporate practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for the Shareholders.

THE MODEL CODE

The Company has adopted the Model Code set out in Appendix C3 of the Listing Rules as standard for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors, during the year ended 31 December 2023, the Directors confirmed that they have complied with the standards set out in the Model Code.

THE BOARD OF DIRECTORS

We are governed by the Board which assumes the responsibility for leadership and control of the Company. Our Directors are collectively responsible for promoting the success of the Company by directing and supervising the affairs of the Company.

As at the date of this Report, the Board comprises six members, of whom three are Executive Directors and three are INEDs.

Directors who held office during the year ended 31 December 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

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)

THE BOARD OF DIRECTORS *(Continued)*

The Listing Rules require every listed issuer to have INEDs who represent at least one-third of the Board, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Mr. KONG Kai Chuen Frankie, one of the INEDs, is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Each INED is required to confirm his independence in accordance with Rule 3.13 of the Listing Rules annually.

None of Directors has any family, financial or business relations with each other.

The Board has established mechanisms to ensure independent views and input are available to the Board. The current composition of the Board has an independence element and provides sufficient balance of skills, experience and diversity of perspectives in leading the Company to achieve its goal. The independent non-executive Directors also exercise objective independent judgment in the Board's overall decision making process. The Board will seek advice from external advisors including legal and other professional advisors, if necessary, to facilitate formulating important and independent decisions. The Board has reviewed the implementation and effectiveness of the board independence mechanisms for the year ended 31 December 2023 and considered them to be effective.

The biographies of our Directors are set out in the section headed "Directors Profiles" in this Report. Details of the biographies of the Directors seeking re-election at the AGM are set out in the circular issued by the Company and sent to our Shareholders together with this Report.

The Company also maintains on its website (www.autoitalia.com.hk) an updated biography of each Director. A list of Directors and their roles and functions has also been published on the websites of the Company and the Stock Exchange respectively.

The Board meets regularly, normally four times each year and additional meetings will be arranged if and when necessary. Notice of each regular Board meeting will be given to all Directors at least 14 days before the meeting. Special Board meetings will be held as and when necessary. Matters on transactions where Directors are considered having conflict of interests or material interests will not be dealt with by way of written resolutions and a separate Board meeting shall be held where INEDs who have no material interests shall be present in the meeting. In addition, Directors considered having conflict of interests or material interests in the matters before the Board are required to declare their interests and abstain from voting for the relevant resolution.

Appropriate notices are given to all Directors for attending regular Board meetings and other meetings. A package containing agenda and all the relevant information is normally despatched to the Directors 3 days in advance of the relevant meetings.

Board meetings involve the active participation, either in person or through electronic means of communication, of a majority of Directors. The Company Secretary assists the Executive Chairman in preparing the meeting agenda, and each Director may request the inclusion of items in the agenda.

Directors are also consulted on matters to be included in the agenda for all regular Board meetings.

THE BOARD OF DIRECTORS *(Continued)*

Minutes of the Board meetings are recorded in detail and draft minutes are circulated to all Directors for review and comment within a reasonable time after the Board meetings are held. All the minutes of the meetings are properly kept by the Company Secretary after approval and are available for inspection following reasonable notice by the Directors.

The Board may delegate the management powers to the management of the Company. However, the delegation of power does not absolve the Directors from their responsibilities of exercising requisite skill, care and diligence in overseeing the performance of the Company. The Board can meet the management of the Company from time to time to discuss the operating issues of the Group.

During the year, the Board had conducted five meetings. During the year 2023, the Board had considered and approved the annual results of the Company for the year ended 31 December 2022; the re-election of retiring Directors and the matters to be considered at the AGM held on 24 May 2023; the re-appointment of auditor of the Company; the interim results of the Company for the period ended 30 June 2023; the appointment of Independent Non-executive Director; the renewal of letter of the INED.

According to code provision C.2.7 of the CG Code, the Executive Chairman held a meeting with the INEDs without the presence of other directors during the year.

Chairman and Chief Executive Officer

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 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. Although the positions of the Executive Chairman and Chief Executive Officer are not separate, the power and authorities have not been concentrated as all major decisions have been made in consultation with the Board and appropriate Board Committee. 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) and three Independent Non-executive Directors as at the Latest Practicable Date 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.

THE BOARD OF DIRECTORS *(Continued)*

Appointments, re-election and removal of Directors

All Directors, including those appointed for a fixed term, are subject to retirement by rotation pursuant to the By-laws. A Director appointed by the Board to fill a casual vacancy or as an addition shall hold office until the next general meeting. According to Code Provision B.2.2 of the CG Code, every director should be subject to retirement by rotation at least once every three years.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

Each newly appointed Director would receive an induction package covering the statutory and regulatory obligation of a director of a listed company. Directors may participate in continuous professional development to develop and refresh their knowledge and skills pursuant to code provision C.1.4 of the CG Code, by attending professional courses organised by registered professional bodies such as The Law Society of Hong Kong, the Hong Kong Institute of Certified Public Accountants, and The Hong Kong Chartered Governance Institute, etc. The Directors receive materials on latest changes in applicable legal and regulatory requirements and corporate governance practices from the Company, from time to time to assist them to discharge their duties.

During the year ended 31 December 2023 and up to the date of this Report, all the Directors, namely Mr. CHONG Tin Lung Benny, Mr. LI Shaofeng, Mr. LIN Chun Ho Simon, Mr. KONG Kai Chuen Frankie and Mr. TO Chun Wai and Dr. SHAM Chung Ping Alain, had participated in appropriate continuous professional development activities by ways of attending trainings organized by professional firm and/or reading materials relevant to the Company's businesses or to the Directors' duties and responsibilities.

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

The Company has also arranged appropriate insurance cover for our Directors in respect of legal actions taken against Directors and officers.

BOARD COMMITTEES

To oversee different aspects of the Company's affairs and to assist in the execution of its responsibilities, the Board has established the following Board Committees namely the Audit Committee, the Remuneration Committee, the Nomination Committee and Executive Directors' Committee. Terms of reference of each of these Committees are available on the Company's website at www.autoitalia.com.hk. All Committees are provided with sufficient resources to discharge their duties, and they are also authorised to obtain external legal or other independent professional advice if they consider it necessary to do so.

BOARD COMMITTEES *(Continued)*

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. Mr. Kong, being an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants, has the appropriate professional qualifications and experience in the financial field. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2023 including the accounting principles and practices adopted by the Group, and discussed the risk management, internal control and financial reporting matters during the review. The terms of reference of the Audit Committee are reviewed annually. The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company. The terms of reference have included the duties set out in Code Provision D.3.3(a) to (n) of the CG Code.

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; to review the dividend policy, internal control and risk management systems of the Group and to provide advices and comments to the Board.

During the year, the Audit Committee conducted two meetings. During the year of 2023, the Audit Committee had reviewed the audit issues raised by the external auditor; considered and recommended to the Board for adoption of new accounting standards; reviewed and recommended to the Board for approval of the audit fee proposal for the Group for 2023; considered the re-appointment of auditor of the Company; reviewed the audited accounts and annual results announcement for the year ended 31 December 2022; reviewed the interim report and the interim results announcement for the six months ended 30 June 2023; reviewed the effectiveness of internal control and risk management systems of the Group; reviewed and considered the report of the annual internal control and risk management reviews of the Group; reviewed and approved the internal controls assessment, enterprise risk management and environmental, social and reporting advisory services for the year 2023; reviewed the whistleblowing policy, the anti-fraud and anti-corruption policy and the compliance of the relevant Listing Rules and accounting policies in relation thereto.

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 written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company. The terms of reference of the Remuneration Committee were adopted with reference to the CG Code, including the specific duties set out in Code Provision E.1.2(a) to (h) of the CG Code.

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

The principal duties of the Remuneration Committee should be to make recommendations to the Board on the Group's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; to have the delegated responsibility to determine the remuneration packages of individual Executive Directors, the senior management and non-executive Directors; and to review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment.

During the year, the Remuneration Committee had conducted two meetings. During the year 2023, the Remuneration Committee had considered and made recommendations to the Board in relation to review the remuneration policy and structure for the Directors and the senior management of the Company; the remuneration package of each Executive Directors and senior management of the Company.

From 2023 onwards, the Remuneration Committee will also review the share option scheme and other share schemes (if any) of the Company on annual basis.

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. It is primarily responsible for making recommendations to the Board on appointment of Directors regarding the qualifications and competency of the candidates. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company. The terms of reference of the Nomination Committee have included the duties set out in Code Provision B.3.1(a) to (d) of the CG Code.

The principal duties of the Nomination Committee should be to review the structure, size, composition and diversity (including the skills, knowledge, ethnicity, gender, cultural and educational background, professional experience and length of service) of the Board annually; to identify individuals suitably qualified to become members of the Board and make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of Independent Non-executive Directors under the Listing Rules; to make nominations to the Board for its consideration and recommendation to the Shareholders for proposing candidates to stand for election at a general meeting; to formulate and review the nomination policy for the Board's consideration and approval and to implement accordingly; and to formulate and review the Board diversity policy, as appropriate and make recommendations on any required changes for the Board's consideration and approval.

During the year, the Nomination Committee had conducted three meetings. During the year 2023, the Nomination Committee had considered and made recommendations to the Board on the matters in relation to the independence of the INEDs; the proposed retirement of Directors by rotation and re-election at last AGM in 2023; reviewed the structure, size and composition of the Board and reviewed the Board diversity policy and nomination policy.

BOARD COMMITTEES *(Continued)*

Executive Directors' Committee

The members of the Executive Directors' Committee comprise Mr. CHONG Tin Lung Benny and Mr. LIN Chun Ho Simon, the Executive Directors. The Executive Directors' Committee is formed for the overall management of the business of the Company, including day-to-day operations and administration of the Company. The written terms of reference of the Executive Directors' Committee are available on the websites of the Stock Exchange and the Company.

The principal duties of the Executive Directors' Committee should be to approve and oversee the execution of the normal and current business and investment activities of the Group in accordance with the needs of the Company for business development; to act on behalf of the Board in the day-to-day management of the Group, including but not limited to its purchasing, marketing, financing, personal and other operating activities; to negotiate, enter into and sign on behalf of the Company all contracts, tenders, agreements and distributorship; to negotiate with bankers for obtaining banking facilities, to enter into any guarantee, contract of indemnity; to lend money to such persons upon such terms and conditions in all respects as they may think fit; to commence, defend or settle any litigation, arbitration, legal proceedings or other claims and to do all such acts including seeking legal advice, making investigation as they may consider necessary in relation to the litigation, arbitration, legal proceedings or other claims; and to authorise the issue and allotment of Shares pursuant to the exercise of options granted under the share option scheme adopted by the Company from time to time and to give instructions to the share registrar of the Company in relation to such issue and allotment of Shares.

During the year, the Executive Directors' Committee had conducted six meetings. During the year 2023, the Executive Directors' Committee had considered and approved the supplemental loan agreement; the banking facilities; the redemption of promissory note and the renewal of the insurances etc.

Nomination Policy

This nomination policy of the Company aims to set out the approach to select the suitable candidates to become the members of the Board. The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to Board and the Shareholders for election as the Directors at general meetings or appoint as Directors to fill casual vacancies.

The selection criteria factors and the nomination procedures are set out in the nomination policy of the Company to be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate to become the member of the Board.

The nomination policy of the Company was adopted and updated on 21 December 2018. It is available on the website of the Company at www.autoitalia.com.hk.

BOARD COMMITTEES *(Continued)*

Board Diversity Policy

This Board diversity policy aims to set out the approach to achieve diversity on the Board with the aim of enhancing Board effectiveness and corporate governance as well as achieving the Company's business objectives and sustainable development.

Summary of the Board Diversity Policy

While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity prospective, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, required expertise, skills, knowledge and length of service of each Board member. All appointments of the Board members will be based on meritocracy and candidates will be considered against objective criteria having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates for directorship will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, required expertise, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Monitor and reporting

The Nomination Committee will review this Policy at least annually to ensure its continued effectiveness. The Nomination Committee will discuss any amendments that may be required and recommend any such amendment(s) to the Board for consideration and approval.

At present, the Nomination Committee considered that the diversity of the Board is sufficient. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Currently, the Board consists of six male Directors and no female Director(s). It will continue to embrace gender diversity when making future appointments to the Board. Under the revised Rule 13.92 of the Listing Rules that came into effect on 1 January 2022, a single gender Board will not be considered by the Stock Exchange to have achieved Board diversity. The Company targets to comply with this new requirement and include a female director to join the Board by no later than 31 December 2024, being the end of the transitional period as specified by the Stock Exchange.

The Board diversity policy of the Company was revised and updated on 10 November 2022. It is available on the website of the Company at www.autoitalia.com.hk.

Corporate Governance Report

BOARD MEETINGS AND COMMITTEES' MEETINGS

The Board held meetings five times in 2023. The attendances of individual Director at these Board meetings and Board Committees' meetings held in 2023 are set out in the table below:

Name of Directors	Number of Board meetings attended/held	Number of Audit Committee meetings attended/held	Number of Remuneration Committee meetings attended/held	Number of Nomination Committee meetings attended/held	Number of Executive Directors' Committee meetings attended/held
<i>Executive Directors:</i>					
Mr. CHONG Tin Lung Benny	5/5	N/A	2/2	3/3	6/6
Mr. HUANG Zuie-Chin (resigned on 27 July 2023)	4/4	N/A	N/A	N/A	N/A
Mr. NG Siu Wai (resigned on 27 July 2023)	4/4	N/A	N/A	N/A	N/A
Mr. LI Shaofeng (appointed on 28 February 2023)	5/5	N/A	N/A	N/A	N/A
Mr. LIN Chun Ho Simon	5/5	N/A	N/A	N/A	6/6
<i>INEDs:</i>					
Mr. KONG Kai Chuen Frankie	5/5	2/2	2/2	3/3	N/A
Mr. LEE Ben Tiong Leong (resigned on 27 May 2023)	3/3	1/1	1/1	2/2	N/A
Mr. TO Chun Wai	5/5	2/2	2/2	3/3	N/A
Dr. SHAM Chung Ping Alain (appointed on 24 May 2023)	3/3	1/1	1/1	2/2	N/A

The Board is responsible for performing the following corporate governance duties as required under CG Code Provision A.2.1 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of the financial statements for each financial year, to ensure that these financial statements give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the applicable statutory requirements and accounting standards. The Directors are responsible for ensuring the maintenance of proper accounting records, safeguarding of the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

EXTERNAL AUDITOR

During the year ended 31 December 2023, Messrs. Deloitte Touche Tohmatsu was re-appointed as external auditor. The statement of the auditor about its reporting responsibilities on the financial statements of the Group is set out in the "Independent Auditor's Report" on pages 81 to 86 of this Report.

During the year of 2023, the auditor had performed audit and non-audit services and their remuneration in respect of audit and non-audit services is HK\$1.45 million and HK\$0.20 million respectively.

RISK MANAGEMENT AND INTERNAL CONTROL

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations.

The Group has established a risk management framework, which consists of the Board, the Audit Committee and the RMTF. The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

The members of RMTF comprises respective division and department heads. Its duties include:

- To assist the Board and the Audit Committee in overseeing the risk management system, ensuring that the risk management culture is fostered and system is implemented effectively in the daily operations and to arbitrate risk management policies that have conflicts between functional divisions.
- To oversee the risk management program and assess the program processes and make decisions on risk management issues escalated to it including:
 - To ensure the Group commits sufficient resources in carrying out the risk management exercise and to ensure risk profiles updates are carried out annually and in a timely manner in accordance with the guidelines and requirements laid down in the risk management policy of the Group as approved by the Board.
 - To review the risk assessment criteria and update the risk inventory, risk ranking and risk mitigation plan for the submission to the Audit Committee and the Board annually.
 - To maintain an oversight of the Group's risk management system, framework and program and propose enhancement(s) needed, including those to fulfill the regulators or governance bodies' statutory requirements, to the Board for approval at least annually.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

The Group has formulated and adopted risk management policy in providing direction in identifying, evaluating and managing significant risks. On an annual basis, the RMTF identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant. In addition, the Group has engaged an independent professional advisor to assist the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. During the year, the Company has arranged the independent professional advisor to perform enterprise risk management advisory services report, identifying areas on improvement of operational procedures. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

Risk management report and internal control report are submitted to the Audit Committee and the Board once a year. The Board had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considers the Group's risk management and internal control systems are effective.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

WHISTLEBLOWING POLICY

The Board adopted a whistleblowing policy (the "**Whistleblowing Policy**") which provides channels and guidance to facilitate the raising of matters of concern by employees of the Group (the "**Employee**") and those who deal with the Group, in confidence, without fear of reprisals. No incident of fraud or misconduct that have material effect on the Group's financial statements or overall operations for the year ended 31 December 2023 has been discovered. The Whistleblowing Policy is reviewed annually by the Audit Committee to ensure its effectiveness.

ANTI-FRAUD AND ANTI-CORRUPTION POLICY

The Board adopted an anti-fraud and anti-corruption policy which sets out the guidelines and responsibilities of the Employees, the Third Parties or fiduciary capacity on behalf of the Group. The Group is committed to maintaining a high standard of integrity, openness and discipline in its business operations. The anti-fraud and anti-corruption policy forms an integral part of the framework, including the Code of Conduct, Anti-corruption Policy and Whistleblowing Policy, outline the Group's expectations and requirement of business ethics, as well as the investigation and reporting mechanism of suspected corruption practices.

The Group complies with requirements of SFO and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. The Company also implements an internal policy on handling inside information which is consistent with the relevant applicable requirements of the Listing Rules. The policy sets out measures and procedures for the Directors and other relevant officers of the Company to assume duty when dealing with inside information and preservation of its confidentiality before proper disclosure. It also sets out guidelines for the Board to disclose any material inside information timely according to the relevant statutory and regulatory requirements. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and understanding the Group's business and performance. To ensure that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company, the Company has established several channels to communicate with the shareholders as follows:

(i) Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's share registrar. Shareholders are, at any time, welcome to raise questions, communicate their views on various matters affecting the Group, and request information (to the extent it is publicly available) from the Company by post.

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

(ii) Corporate Communication

Corporate communication means any documents issued or published by the Company for the information or action of Shareholders, including, but not limited to, the directors' report and annual audited accounts together with a copy of the auditors' report, the interim report, a notice of general meeting, a circular and a proxy form. Corporate communications will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Corporate communication shall be issued and published by the Company to the Shareholders in hard copies or through electronic means from time to time.

(iii) Corporate Website

The Company's website (www.autoitalia.com.hk) provides comprehensive and updated information about the Company, including our financial results, financial statements, announcements, circulars, memorandum of association and amended and restated Bye-laws etc. Information on the Company's website is updated from time to time. Information released by the Company to the Stock Exchange is also published on the Company's website immediately thereafter if appropriate. Such information includes financial statements, results announcements, circulars and notices of general meetings, etc.

(iv) General Meetings of Shareholders

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. At the general meetings, opportunities should be given to the Shareholders to express their opinions or to allow them to ask questions.

The Board members, in particular, the chairmen of Board committees or their representatives, appropriate management executives and representative(s) of external auditors will attend AGM to answer Shareholders' questions.

The Board of the Company reviewed the implementation and effectiveness of the shareholders' communication policy for the year ended 31 December 2023 and considered it to be effective.

The Company follows the practice that at the AGM, a separate resolution is proposed in respect of each separate issue, including the re-election of Directors.

At the last AGM, the Chairman of the Board, the chairman of the Audit Committee, Remuneration Committee and Nomination Committee, Directors and other management of the Company will be present to answer questions from the Shareholders.

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

The Company held an AGM in 2023. The attendance of individual Director at the general meetings held in 2023 is set out in the table below:

Name of Directors	Number of AGM attended/held
<i>Executive Directors:</i>	
Mr. CHONG Tin Lung Benny	1/1
Mr. HUANG Zuie-Chin (resigned on 27 July 2023)	1/1
Mr. NG Siu Wai (resigned on 27 July 2023)	1/1
Mr. LI Shaofeng (appointed on 28 February 2023)	1/1
Mr. LIN Chun Ho Simon	1/1
<i>INEDs:</i>	
Mr. KONG Kai Chuen Frankie	1/1
Mr. LEE Ben Tiong Leong (resigned on 27 May 2023)	1/1
Mr. TO Chun Wai	1/1
Dr. SHAM Chung Ping Alain (appointed on 24 May 2023)	1/1

Pursuant to CG Code Provision F.2.2 of the CG Code, the Company invited representatives of the auditor of the Company to attend the AGM convened on 24 May 2023 to answer Shareholders' questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

All the proposed ordinary resolutions in relation to the proposals for re-election of retiring directors, general mandate to issue new shares and general mandate to buy back Shares of the Company were duly passed by the Shareholders by way of poll at the AGM held on 24 May 2023.

Shareholders' Right

Shareholders may make a requisition to the Board to convene a SGM in accordance with the provisions as set out in the Bye-laws and section 74 of the Companies Act. Shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company have the right to submit a written requisition to the Board requiring a SGM to be called by the Board. The written requisition must state the purpose(s) of the meeting (including the resolutions to be considered at the meeting), and must be signed by the requisitionists and deposited at the Company's principal place of business in Hong Kong at 49th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong for the attention of the Board and the Company Secretary, and may consist of several documents in like form, each signed by one or more requisitionists. If the requisition does not comply with the relevant requirements of the Bye-laws or the Companies Act, the requisitionists will be advised of the same and accordingly, the SGM will not be convened as requested.

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

Shareholders' Right *(Continued)*

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a SGM, the requisitionists or any of them representing more than one-half of the total voting rights of all of them may themselves convene a SGM, but any SGM so convened shall not be held after the expiration of 3 months from the said date of deposit of the requisition. A meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

Sections 79 and 80 of the Companies Act provides that on a requisition of certain Shareholder(s), the Company shall give notice to the Shareholders in respect of any resolution which is intended to be moved at an AGM and/or to circulate a statement in respect of any proposed resolution or business to be considered at a general meeting of the Company.

Under section 79 of the Companies Act, at the expense of the requisitionists unless the Company otherwise resolves, it shall be the duty of the Company on the requisition in writing by such number of Shareholders:

- (a) to give to the Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting;
- (b) to circulate to the Shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The number of Shareholders necessary to make the above-mentioned requisitions to the Company shall be:

- (i) either any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates;
or
- (ii) not less than one hundred Shareholders.

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

Shareholders' Right *(Continued)*

Under section 80 of the Companies Act, the Company shall not be bound to give notice of any resolution or to circulate any statement as mentioned above unless:

- (a) a copy of the requisition signed by the requisitionists, or two or more copies which between them contain the signatures of all the requisitionists, is deposited at the Company's principal place of business in Hong Kong:
 - (i) in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and
 - (ii) in the case of any other requisition, not less than one week before the meeting; and
- (b) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect to the requisition (i.e. the giving of notice of resolution and/or circulation of statement).

Provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the Company's principal place of business in Hong Kong, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the above-mentioned time shall be deemed to have been properly deposited for the purposes thereof.

Procedures for directing Shareholders' enquiries to the Board

Shareholders should direct their enquiries about their shareholdings to Tricor Standard Limited, the Company's Share Registrar and Transfer Office in Hong Kong. Other Shareholders' enquiries can be directed to the Company Secretary from time to time. Enquiring Shareholder has to provide evidence to the Company to identify its identity. Please refer to the section headed "Corporate Information" of this Report for the contact details.

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

Constitutional Documents

To conform to the current requirements of the Listing Rules, including but not limited to the Core Shareholder Protection Standards as set out in Appendix A1 to the Listing Rules and to make some housekeeping amendments, the Board has made certain amendments to the memorandum of association and Bye-laws of the Company. Details of amendments to the Bye-laws were disclosed in the circular of the Company dated 22 April 2022.

A copy of the latest version of the memorandum of association and Bye-laws is available on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.autoitalia.com.hk.

Voting by Poll

The Company informed Shareholders of the procedures for demanding a poll by incorporating them in any circular for an AGM and a SGM, if any. In addition, in every general meeting, the chairman of the meeting provided an explanation of the detailed procedures for conducting a poll at the meeting. The procedures for conducting a poll were incorporated in the circular for the AGM.

COMPANY SECRETARY

Ms. KWONG Yin Ping Yvonne has been appointed as the Company Secretary with effect from 30 May 2018. She is a vice president of SWCS. Ms. Kwong obtained a Bachelor Degree in Accounting from the Hong Kong Polytechnic University. She is a fellow member of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in United Kingdom. Ms. Kwong currently also serves as the company secretary or joint company secretary of several companies listed on the Stock Exchange. She had undertaken no less than 15 hours of relevant profession training during the year ended 31 December 2023.

The contact person of Ms. KWONG Yin Ping Yvonne at the Company is Mr. CHONG Tin Lung Benny, Executive Director, Executive Chairman and Chief Executive Officer.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In accordance with Appendix C2 – Environmental, Social and Governance Reporting Guide (the “ESG Guide”) of the Main Board Listing Rules (the “Listing Rules”) issued by The Stock Exchange of Hong Kong Limited (the “HKEx”), Auto Italia Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”, “We”, “Our” and “Us”) present this Environmental, Social and Governance (“ESG”) Report for the year ended 31 December 2023 (the “Reporting Period”).

REPORTING SCOPE AND PRINCIPLES

With regard to the revenue portion, stakeholders’ interests, operation locations and the ESG-related risks, this report serves to provide details of the Group’s ESG policies of its investment properties and financing businesses in Hong Kong and the car dealership business in Wuhan (“Wuhan Business”), which represent the key geographical and operational segments of the Group, in the Reporting Period. We acquired a new car dealership business focusing on selling and providing after-sales services of Maserati cars in 2023, which has led to a higher degree of fluctuation in our environmental and social key performance indicators when compared to previous financial years.

The report is adhered to several principles, including:

Materiality: Important and relevant information pertaining to environmental and social issues are identified through the stakeholder materiality assessment and disclosed in this report.

Quantitative: Quantitative information with comparative data, where appropriate, are presented to enable an objective assessment of the Company’s ESG performance.

Consistency: Consistent methodologies are adopted in preparation of ESG data and comparison of data to past year results where appropriate.

Balance: ESG performance of the Company is reported in a fair and objective manner.

Transparency: Disclosures of all relevant and material data as mandated by HKEx adhere to a high level of transparency and authenticity.

ESG PERFORMANCE HIGHLIGHTS

In 2023 we achieved:

Petrol consumption intensity decreased by 32% from 2022

91% of employees of the Group have received trainings during the Reporting Period

ESG GOVERNANCE

The Group's governance is built on a strong foundation and belief in which a well-developed corporate governance framework is key to success. Our ESG taskforce, which includes senior management as well as department heads of different functions semi-annually reports to the Board of Directors which provides a main direction for the Group's ESG strategies, oversight of ESG issues and a review of progress made against ESG-related goals and targets, ensuring the effectiveness in the control of ESG-related risks and internal control systems. The Board of Directors has the overall responsibility for the Group's ESG reporting and strategy in achieving green operations for sustainable development.

The responsibility of the ESG taskforce includes but not limited to the followings:

- Establishing long-terms ESG goals and missions of the Group;
- Evaluating, prioritising, monitoring and managing ESG-related risks;
- Evaluating the effectiveness of the Group's ESG management systems; and
- Reporting the ESG objectives achieved to the Board on a regular basis.

The ESG taskforce is provided with sufficient resources by the Board of Directors and is authorised to carry out its ESG-related duties such as stakeholder engagement and materiality assessment. For example, the ESG taskforce could, if necessary, inquire the internal and external stakeholders of the Group, and have professional advice at the expense of the Group.

In addition, we monitor closely updates in relevant laws, regulations and compliance requirements applicable to the Group with an aim to assess and modify our internal ESG initiatives regularly to ensure the compliance of the ESG-related rules, guidelines and regulations.

We have also incorporated our ESG visions into our operation activities. For example, we have implemented a series of environmental-friendly measures in order to reduce the emissions. We have also evaluated our investment decision with regard to the sustainability to the environment and our society.

We perform regular review on our risk management process, and assess our material risks, including ESG-related risks. The ESG taskforce and the Board are responsible to design and implement proper internal control measures to mitigate the ESG risks. This includes enhancing the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit, financial reporting functions as well as the ESG side with the performances and reporting.

Moreover, following our regular review, we would revise and adjust these controls and measures accordingly. This assures that our employees are working efficiently and helping the Company to achieve its ESG objectives for the year. Please refer to the "RISK MANAGEMENT AND INTERNAL CONTROL" section of the Company's "CORPORATE GOVERNANCE REPORT" for details of our risk management and internal control systems.

During this Reporting Period, after the Board's evaluation of performance against the ESG-related targets (including the consideration of factors such as external auditing information and stakeholder feedback), no material exception was noted and the main challenge for the Company in the coming few years is that as there might be new investment or acquisition projects related to new industries, their relevant ESG-related risks need to be closely monitored.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is the process involving internal and external parties that can influence or get influenced by the Group’s decision. The Group takes proactive role in the interaction with stakeholders from various sectors. In order to achieve effective communication among the stakeholders, the Group has adopted the following engagement methods:

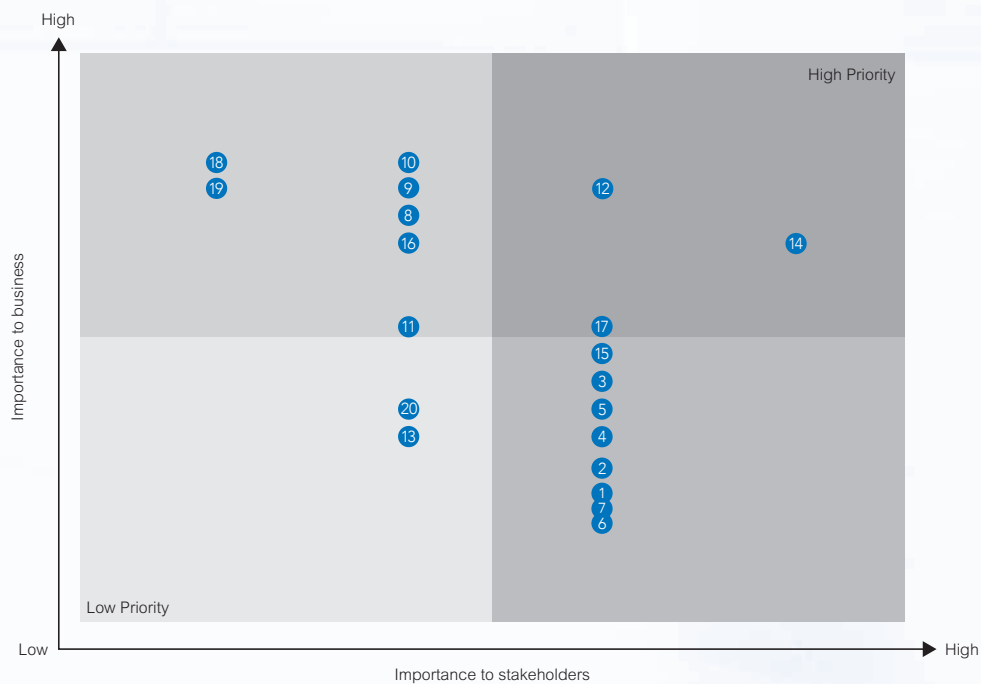
#	Relevant Stakeholders	Engagement Methods
1	Customers 	<ul style="list-style-type: none"> • Corporate website • Client service hotline • Client meetings
2	Employees 	<ul style="list-style-type: none"> • Internal emails and publications • Meetings and briefings • Trainings • Employee activities
3	Suppliers and Business Partners 	<ul style="list-style-type: none"> • Business meetings • Regular audits
4	Investors and Stockholders 	<ul style="list-style-type: none"> • Annual General Meeting • Annual and Interim Reports • Announcements and circulars
5	Government and Supervising Authorities 	<ul style="list-style-type: none"> • Public consultation
6	Social Groups and Public 	<ul style="list-style-type: none"> • Charitable activities
7	Media 	<ul style="list-style-type: none"> • Corporate Website • General Hotline

MATERIALITY ASSESSMENT

We have identified our material ESG issues to be reported by the means of materiality assessment, which was conducted with reference to the recommendations of the ESG Guide. The materiality assessment included the consideration of our business location and industry, and included the following steps:

Stakeholder engagement	We engaged internal stakeholders including department heads and operational staff members through daily communication and interviews to prioritize the major issues, as well as undisclosed issues that are of importance to the Group.
Assessment of the issues	Regarding opinions of the stakeholders, the management of the Group (“the Management”) discussed the relevance of the issues, including the impact and risks related to the Group.
Determination of the material issues	After the discussion by the Management, the ESG issues were ranked in the context of importance and relevance to the Group, and the most material issues would be summarised in this ESG Report.

As a result of the materiality assessment, the material topics identified have remained unchanged from previous year. The summary of materiality assessment results of the Group is as follows:



Environmental, Social and Governance Report

	Material ESG Issues	ESG Guide Reference:
Environmental	1. Greenhouse Gas Emissions	Aspect A1: Emissions
	2. Waste Management	Aspect A1: Emissions
	3. Energy Usage	Aspect A2: Use of Resources
	4. Water Usage	Aspect A2: Use of Resources
	5. Resources Conservation	Aspect A2: Use of Resources
	6. Other Significant Environmental Impacts	Aspect A3: The Environment and Natural Resources
	7. Climate Change and Resilience	Aspect A4: Climate Change
Social	8. Employment Practices	Aspect B1: Employment
	9. Equal Opportunity	Aspect B1: Employment
	10. Workplace Health and Safety	Aspect B2: Health and Safety
	11. Staff Training	Aspect B3: Development and Training
	12. Anti-child and Forced Labour	Aspect B4: Labour Standards
	13. Supply Chain Management	Aspect B5: Supply Chain Management
	14. Product Safety	Aspect B6: Product Responsibility
	15. Products and Services Responsibility	Aspect B6: Product Responsibility
	16. Data Privacy and Protection	Aspect B6: Product Responsibility
	17. Customer Service	Aspect B6: Product Responsibility
	18. Anti-corruption and Money Laundering	Aspect B7: Anti-corruption
	19. Anti-corruption Training	Aspect B7: Anti-corruption
	20. Community Engagement	Aspect B8: Community Investment

Note: The Group did not use any packaging materials in operations during this Reporting Period. Therefore, the disclosure related to the use of packaging materials was not applicable.

A) ENVIRONMENT

Aspect A1:

As part of our aim, we strive to reduce the impact we brought to the environment through adoption of green business practices with minimal pollution to the environment.

In 2023, The Group has recorded an increased in absolute emission of GHG, NOx, SOx and PM. This was a result of the addition of operations in our Wuhan Business. In the future, the Group will continue monitoring the emission levels and striving for our best to reduce emissions.

The Group will aim to maintain practices to keep carbon emission levels as minimal and close to 2023 as possible and continue implementing green efforts in reducing resource consumption from its source. Relevant emission figures will continue to be monitored periodically to ensure the Group is on track to achieve its target.

The Group is committed to complying with environmental laws and regulations such as the Air Pollution Control Ordinance, Waste Disposal Ordinance, Water Pollution Control Ordinance and Noise Control Ordinance in Hong Kong, and the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Energy Conservation.

A) ENVIRONMENT *(Continued)*

Aspect A1: *(Continued)*

No cases of non-compliance with abovementioned environmental laws and regulations were noted during this Reporting Period.

Air Emissions

During this Reporting Period, the emissions of the Group were as follows:

Types of emission ¹	Unit	2023	2022
Nitrogen oxides ("NOx")	kilogram	2.60	2.39
Sulphur oxides ("SOx")	kilogram	0.10	0.09
Particulate matter ("PM")	kilogram	0.19	0.18

To further control emissions from existing vehicles, we have centralised the vehicle management and route planning functions to reduce the travelling distance. Moreover, we prefer using vehicles of higher fuel efficiency to cut down the fuel consumption and hence there is fewer vehicle emissions. We have also monitored closely the conditions of our working vehicles which have passed the annual tests held by the local authority.

We have not received any penalty from the government for excessive emission of our vehicles and no cases of non-compliance with violation of Air Pollution Control Ordinance or with other relevant environmental laws and regulations in Hong Kong and China were noted in this Reporting Period.

Carbon Footprint

The Group is committed to mitigate GHG emissions and reduce negative impacts towards the environment generated during its daily operations. We have continuously tracked and analyzed our carbon footprint in order to identify reduction areas and provide transparency to our stakeholders regarding our progression.

With this year's changes in business model, there has been a significant difference compared to 2022 in GHG emissions with the addition of car dealership business.

¹ The calculation of air emissions was based on the "Reporting Guidance on Environmental KPIs" of The Stock Exchange of Hong Kong Limited.

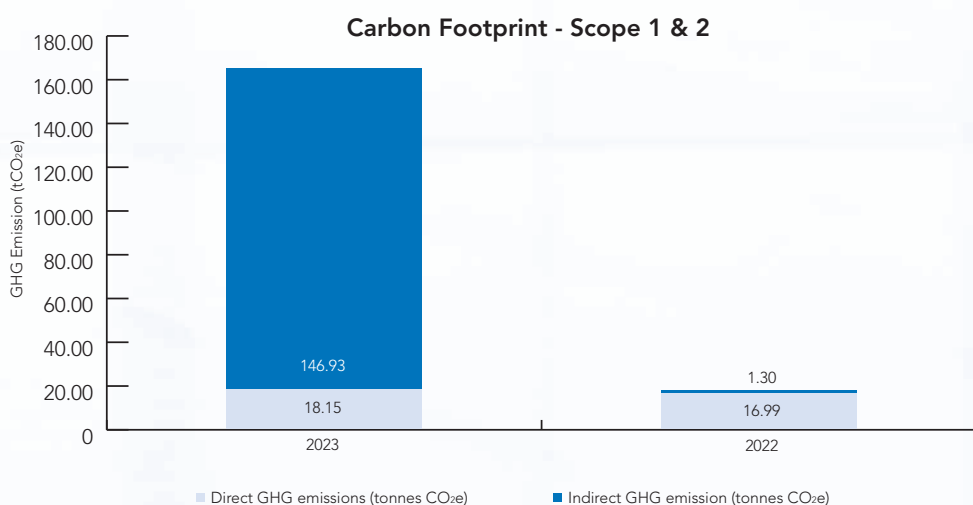
A) ENVIRONMENT *(Continued)*

Aspect A1: *(Continued)*

Carbon Footprint *(Continued)*

The Group has identified two major sources of emission: petrol and electricity. The use of petrol (2023: 6,822 Liters; 2022: 6,273 Liters) covered around 12% of our total carbon footprint in 2023. The use of electricity (2023: 257,333 kWh; 2022: 1,855 kWh) covered around 88% of our total carbon footprint in 2023. The details of our GHG emission are as follows:

Greenhouse gas (“GHG”)² emissions	Unit	2023	2022
Direct GHG emissions (Scope 1)	tonnes of CO ₂ equivalent (tonnes CO ₂ e)	18.15	16.99
Indirect GHG emissions (Scope 2)	tonnes CO ₂ e	146.93	1.30
Total GHG emissions (Scope 1 & 2)	tonnes CO ₂ e	165.08	18.29
GHG emission Intensity (Scope 1 & 2)	tonnes CO ₂ e per HKD1 million of revenue	3.48	0.62



In 2023, our total Scope 1 and Scope 2 emission have increased around 7 times than 2022. This is the result of the addition of the car dealership business in Wuhan. Most of the carbon emission was attributed to the use of electricity, which was necessary to maintain the operation of the business. However, we have policies within the office to switch off equipment after use or leaving the workplace, but also, separate light switches have been added for different light zones and installed motion sensors in areas that are not frequently used. Regular check and maintenance work is performed to ensure efficiency of equipment and appliances. Nonetheless our group will continue identifying emission hotspots and allocating sufficient focus in emission reduction measures.

² When calculating greenhouse gas emission, this Report referred to the national grid average emission factors for 2022 stated by the Ministry of Ecology and Environment of the People’s Republic of China, and the “Reporting Guidance on Environmental KPIs” of The Stock Exchange of Hong Kong Limited.

A) ENVIRONMENT *(Continued)*

Aspect A1: *(Continued)*

Waste Management

Wastes

The Group is committed to minimising the negative environmental impact arising from handling and disposal processes of wastes, if any. We incorporate the waste management principles of “Reduce”, “Reuse”, “Recycle” and “Replace” into our waste management policy. We aim to reduce the generation of wastes from our operations and ensure the waste materials, if any, are handled in an environmental-friendly manner. To achieve these objectives, we have developed and implemented an effective waste management programme in our operations to encourage source separation and promote reuse and recycling practices.

We also emphasise highly on enhancing the awareness of the importance of reducing waste generation through green procurement practices and administrative approaches. Furthermore, it is in our policy that all of our waste handling practices shall comply with the relevant laws and regulations and shall have no harmful effect on the environment and human health.

The major hazardous wastes in our operations are motor oil, antifreeze for engines and old batteries of vehicles. During this Reporting Period, the usage of motor oil, antifreeze and batteries was as follows:

Type	Unit	2023		2022	
		Amount	Intensity (per HKD1 million of revenue)	Amount	Intensity (per HKD1 million of revenue)
Motor oil	Tonnes	0.20	0.004	0	0
Antifreeze	Tonnes	0.05	0.001	0	0
Batteries	Tonnes	0.08	0.002	0	0

As compared to 2022, there are motor oil, antifreeze and batteries as hazardous waste because of the test driving and after-sales services from our Wuhan Business.

Hazardous wastes, if any, from our operations shall be handled and processed by government approved licensed service providers which have been regularly assessed and monitored by us to ensure their services are up to standards.

A) ENVIRONMENT *(Continued)*

Aspect A1: *(Continued)*

Waste Management *(Continued)*

Wastes (Continued)

To further reduce the quantity of waste, energy-saving materials such as light-weight printing papers are used in our operations. The major non-hazardous wastes in 2023 were paper used in office and ink-cartridge. The table below demonstrates the comparison of paper used in 2023 and 2022:

Type	Unit	2023		2022	
		Amount	Intensity (per HKD1 million of revenue)	Amount	Intensity (per HKD1 million of revenue)
Paper	Tonnes	0.08	0.00165	0.03	0.00089
Ink-cartridge	Tonnes	0.01	0.00027	0.00	0.00004

As compared to 2022, the usage of paper in the Reporting Period increased by 200%, which was attributed to the needs of printing paper in the operations of our new Wuhan Business. Going forward, the Group will closely monitor the disposal of wastes and encourage recycling to reduce wastes.

We have been using recycled paper and duplex printing for internal documents and reduced paper communication among offices with electronic communication measures. This year, the Group continues to encourage more operations to be carried out digitally. Instead of printing and scanning documents, we encourage our employees to adopt using electronic files. This enables us to tackle and reduce our last year's main non-hazardous wastes in our operations.

Going forward, the Group aims to ensure that hazardous and non-hazardous wastes to be maintained as close to 2023 levels as possible.

Environmental Commitment

The Group is dedicated to continuous efforts on lowering our carbon footprints, the Hong Kong office has previously set and met some of our targets set in 2022 which gives the Group more confidence in its abilities to execute its initiatives effectively and operate in an optimally sustainable manner. Regarding initiatives, we have adopted various initiatives to control resource usage and raising environmental awareness to our employees.

Please refer to "Resources Conservation" for more details regarding initiatives to control resource usage.

A) ENVIRONMENT *(Continued)*

Aspect A2:

Resources Conservation

The Group conserves resources for environmental and operating efficiency purposes. The major resources used by the Group include electricity and fuels. To encourage participation by all levels of staff, we have increased effort in integrating business performance with environmental and resources efficiency considerations.

We have implemented a number of environmental-friendly measures to control our use of resources in our operations and workplaces. We also monitor closely on the technology advancements in the machinery, systems and infrastructures that we use to achieve better resources efficiency. For example, we use energy-efficient devices and equipment such as LED lights, energy-efficient air-conditioning and air handling systems and appliances with Grade 1 energy labels. Furthermore, we have adopted green office practices such as turning off idle lights and computers and have conveyed green messages to employees regularly through email and signage to promote the concept of resource conservation.

These measures assist the reduction of resources consumption comprehensively from source to end-use, thereby creating both environmental and financial benefits to the Group. Besides, regular monitoring and reporting of electricity and fuels usage have been in place to enable us to evaluate our resources consumption and formulate action plans to conserve these resources. We have formulated a power and water saving policy that everyone is responsible for reducing electricity consumption. A timer has been set on the air-conditioners in our Wuhan office to limit the usage. Moreover, we did not encounter any difficulty in sourcing water.

The following table summarizes our resources consumption during this Reporting Period:

Type of resource	Unit	2023		2022	
		Amount	Intensity (per HKD1 million of revenue)	Amount	Intensity (per HKD1 million of revenue)
Electricity	kWh	257,333	5,417.05	1,855	62.93
Petrol	Litre	6,822	143.61	6,273	212.80
Water	m ³	370	7.79	0	0

We have consumed more electricity in the Reporting Period than the previous year because of the changes in business model. As needed for the operations in our Wuhan Business and given the larger size of its office, its electricity consumption was significantly higher than the Hong Kong office. The water consumption in the Hong Kong office is covered by the leaser who shares the same owner as the Group. Thus, the water consumption data of our Hong Kong office is not included in this report.

A) ENVIRONMENT *(Continued)*

Aspect A2: *(Continued)*

Resources Conservation *(Continued)*

Going forward, the Group is aiming to maintain electricity consumption at 2023 levels and explore opportunities to further reduce electricity consumption, such as collaborating with relevant parties, retrofitting and incorporating sustainable technologies to improve our electricity efficiency. Similarly, regarding water consumption, the Group are also aiming to remain as close to its current levels as possible. Our ESG taskforce will continue to broaden the scope of our green agenda and identify energy improvement opportunities in order to uphold our sustainable development and care for the environment attitude in the workplace.

Aspect A3:

Other Significant Environmental Impacts

In addition to the abovementioned environmental impacts, other negative impacts to the environment and natural resources have been considered while making investment decisions and future development plans. While minor impacts such as light pollution from showrooms' lightning may exist, we deployed proper design, equipment and other measures to further reduce the environmental impacts.

To protect the environment and nature, we must monitor environmental risks relating to our business operations on a regular basis. Periodic evaluations are performed to identify negative environmental impacts. Based on such evaluations, preventive measures are implemented to mitigate the environmental risks and to ensure the Group's compliance with relevant laws and regulations. Save for the above mentioned, the Group has not identified any other significant environmental impacts in our operations such as major pollution incidents or violations against relevant environmental protection laws and regulations in 2023.

Aspect A4:

Climate Resilience

The management of the Company has a controlling interest and will take adequate steps to build its resilience to climate change by identifying and managing climate change risks and opportunities and by developing strategies which are in line with global best practices to adapt to and mitigate the impact of climate change on its operations.

Under the influence of global warming, it is expected Hong Kong will suffer more tropical storms and extreme weather events. Business processes and operations may be intermittently slow down or halted when our staff cannot attend the working places during bad weather conditions. The company has provided guidelines and technical support for staff on how to remotely work at home while maintaining their high-level performance. This includes ways to minimized factors that could affect their working efficiency and effectiveness.

A) ENVIRONMENT *(Continued)*

Aspect A4: *(Continued)*

Climate Resilience *(Continued)*

Closely related to climate change, air pollutants may affect staff health which cause them to be less productive and increase chances of being sick. The company is committed to providing safe and healthy workplace for our employee.

To further mitigate negative impacts on climate change, we will continue to incorporate reduction measures for our carbon footprint through the establishment and implementation of long-term carbon emissions reduction targets. We encourage employees, suppliers and customers to reduce carbon emissions in their daily operations wherever practicable and adopt industry best practices to improve energy efficiency in our operations. We ultimately hope to lead by making a positive impact towards our climate and environment.

B) SOCIAL

Aspect B1:

Employment Practices

We believe our employees are one of the most valuable assets to the Group. To this end, competitive remuneration packages, benefits programmes as well as learning and development opportunities are provided to attract, motivate, and retain talents. In addition, we have developed Human Resources Policies to govern the recruitment, dismissal, promotion, discipline, working hours, leaves, and benefits for our employees.

The level of compensation to our employees is annually reviewed according to their performance with reference to the market standards. A wide range of benefits including comprehensive medical and employee compensation insurance, social security contribution and mandatory provident fund are provided for employees. We focus strongly on the training and development opportunities as well as social activities for all employees. In addition, our Hong Kong office has implemented the "Family-friendly Employment Practices" to help our employees to balance the responsibilities of their work and families. Our Family-friendly Employment Practices include flexible work arrangements and special leaves such as compassionate leave and "Breastfeeding Friendly Workplace".

Meanwhile, the Group respects cultural and individual diversity. We believe that no one should be treated less favourably because of his or her personal characteristics such as gender, pregnancy, marital status, disability, family status, and race. We emphasise equal employment and career development opportunities to all of our employees. The Company aims to comply with the revised listing rule from the HKEx to adopt a new requirement by 31 December 2024, whereby there shall be no single gender board. Moreover, with the new gender diversity target being implemented, the Board is not only looking to expand this gender diversity within the Board, but also across the workforce.

B) SOCIAL *(Continued)*

Aspect B1: *(Continued)*

Employment Practices *(Continued)*

As a responsible employer, we are also committed to complying with all local labour laws concerning employment and employee welfare, such as the Minimum Wage Ordinance, the Employment Ordinance, the Employees' Compensation Ordinance and the Occupational Safety and Health Ordinance of Hong Kong, as well as the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China. Our internal departments monitor closely with the latest updates and announcements from local authorities in order to prevent the Group from violating any relevant laws and regulations.

No cases of non-compliance with employment-related laws and regulations were noted in this Reporting Period.

Aspect B2:

Workplace Health and Safety

Health and safety standards are our priority in conducting the business. We are committed to providing a safe workplace for our employees, and all other people likely to be affected by our operations and activities.

Appropriate training, evacuation exercise, as well as protective equipment in relation to occupational health and safety hazards in accordance with the applicable laws and other related requirements are provided to our employees at offices and workshops. Occupational safety guidelines are updated and communicated to all staff regularly to keep them abreast of the latest safety standards and practices.

The Group recognises the importance of protecting the health and safety of our employees in this post-pandemic era. As part of our effort in managing the risk of public health hazards and pandemic risk and, the ESG taskforce is continuously monitoring the most up-to-date situations of public health and its impact on the health of our employees and operations of the businesses. The Group has established the following measures to mitigate the risks:

- Requirement of wearing surgical face masks in workplace when necessary;
- Provision of hand sanitizers to employees, customers and visitors;
- Issuance of internal notice to all employees to remind them the importance of maintaining personal hygiene;

B) SOCIAL *(Continued)*

Aspect B2: *(Continued)*

Workplace Health and Safety *(Continued)*

- Maintenance of social distancing at all times;
- Daily cleaning of workplace; and
- Implementation of flexible working policy.

These measures are reviewed by our management regularly to ensure they remain effective in preventing health and safety incidents over time. Our employees are required to strictly adhere to all applicable health and safety measures and immediately inform their direct supervisor in the event of any accidents or injuries and relevant reports will be periodically prepared and submitted to management for review and monitoring.

We have shown and will continue to demonstrate our resilience to meet challenges, ensuring business continuity and serving the interests of our stakeholders.

Following the core value on health and wellbeing, we will continue to provide competitive remuneration packages and benefits programs to support our employees and focus on building a reasonable and safe working environment. At the same time continuing to support our employee's continued education and development to uncover their hidden potentials. We will work together with our employees to tackle through unprecedented challenges such as COVID-19 pandemic.

In the past four years (including this Reporting Period), there has been no work-related fatalities or workplace accidents occurred. In addition, there were no lost days due to work injury.

No cases of non-compliance with occupational health and safety-related laws and regulations, including the Law of the People's Republic of China on Work Safety and the Occupational Safety and Health Ordinance in Hong Kong, were noted during this Reporting Period.

B) SOCIAL *(Continued)*

Aspect B3:

Staff Training

The Group acknowledges the importance for our staff to be well prepared in order to cater the needs of our customers. Therefore, we encourage and support our employees to continuously participate in personal and professional training.

A series of training programmes including on-the-job coaching is provided to our staff on a regular basis. We believe that these could enhance the staff's competencies in performing their jobs. As for external training, the policies on examination leave and reimbursement of tuition, seminar or workshop fees have been established and implemented to support our staff's pursuit of professional training.

By the time of reporting, 100% of employees in our Wuhan Business and 75% of existing employees in our Hong Kong office in all job titles and genders have received appropriate amount of relevant training during this Reporting Period. Overall, 91% (2022: 100%) of employees have received trainings during the Reporting Period.

Aspect B4:

Anti-Child and Forced Labour

The Group prohibits child and forced labour of any kind in our operations and services. Internal control procedures such as background check and job interviews are performed on every candidate by us during the recruitment process to ensure no child and forced labour are hired. The Group constantly reviews and assesses its employment practices, as well as engaging employees to avoid child and forced labour. This can ensure compliance with relevant laws such as the Labour Law and Provisions on the Prohibition of Using Child Labour of the People's Republic of China, as well as the Employment Ordinance (Cap. 57) of Hong Kong. Any issues discovered will be reported to the senior management immediately and rectified timely.

No cases of non-compliance with Employment Ordinance or other child and forced labour-related laws and regulations were noted during this Reporting Period.

B) SOCIAL *(Continued)*

Aspect B5:

Supplier Practices

The Group offers support to its suppliers, service providers and/or business partners to remain in a high standard of business ethics and conduct as well as tackling the environment and social issues from their business operations.

We reckon that supply chain management and supplier engagement process is vital to the sustainable development of the Group. The Group expects and requires all of its suppliers to share the similar core values as the Group in terms of corporate social responsibility. ESG performance is incorporated as one of the assessment criteria during this supplier engagement process, to incentivise suppliers to adopt socially and environmentally preferable practices.

The Group has long established a strong stance with a clear message against any form of forced, coerced, or bonded labour since the beginning. Legal minimum age requirements for employment are strictly observed and we require that all our suppliers adopt and implement policies and procedures that prevents bribery, corruption and fraud in their operations.

Policies and guidelines in identifying, assessing and minimizing the environmental and social impacts of our suppliers is the essence of our sustainable supply chain strategy. We are aware that climate and social issues such as unpredictable extreme weathers, labour disputes and unanticipated incidents may greatly affect our supply chain. However, such awareness has only further motivated the Group to optimize its framework in its attempt to control ESG risks along the supply chain.

Regular supplier review and due diligence is performed to aid us in ensuring that we are able to identify potential issues within our supply chain which may require further action. ESG performance has been also continuously monitored and evaluated when suppliers are carrying out their contractual duties. Reports on supplier evaluation and updates on supplier ESG performance will be prepared and submitted to senior management for review and approval if required.

Suppliers are required to always follow the Group's policy regarding corporate social responsibility in all material aspects. Suppliers that fail to fully comply with our standards and requirement is subjected to removal and dissociation in business relationships and future opportunities.

During the Reporting Period, the Group had 1 major supplier which was from Italy.

B) SOCIAL *(Continued)*

Aspect B6:

Data Privacy

The Group respects data privacy of stakeholders including staff, customers and suppliers, and strictly abides by the applicable data and privacy protection laws, such as the Personal Information Protection Law in People's Republic of China and the Personal Data (Privacy) Ordinance in Hong Kong.

In order to implement appropriate measures in data protection and protect the privacy right of our stakeholders. The Information Security Policy and Guideline has been established to set out the principles of data privacy management. The general data and privacy protection principles adopted by the Group are:

- Personal data is collected when we believe to be relevant and necessary;
- Personal data are used only for the purpose for which data is collected unless prior consent has been obtained;
- Transfer or disclose personal data to any entity that is not a member of the Group without consent is strictly prohibited unless it is required by law, or it was previously notified;
- Appropriate security systems and measures designed to prevent unauthorized access to personal data have been implemented; and
- Only designated personnel will be granted the access rights to personal data.

No cases of non-compliance were noted with data privacy-related laws in this Reporting Period.

Customer Services

The Group is committed in providing a high-quality service for our customers. This conduct stringent and routine auditing to the Group to ensure the service quality is up to standard. Any issues found would be rectified immediately through meetings between the senior managements.

Products and Services Responsibility

The Group is responsible for its products and services and emphasizes on sales ethics. The Group does not engage any kind of unfair business activities. Our selling and service delivering processes ensure information regarding products and services is clear and open. Fraud, misleading information, or any acts that destroy customer confidence or infringe customer rights are strictly prohibited.

B) SOCIAL *(Continued)*

Aspect B6: *(Continued)*

Products and Services Responsibility *(Continued)*

To ensure our responsibility, internal assessment for identification and monitoring different risks such as environmental and social risk, anti-money laundering and anti-corruption are enforced throughout the services. Furthermore, our potential clients are processed for checking on these risks associated with their business activities prior reaching a business agreement.

We adhere to product and service, and data privacy-related law and regulations, such as the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, and the Trade Description Ordinance, Sale of Goods Ordinance, Supply of Services (Implied Terms) Ordinance and Personal Data (Privacy) Ordinance of Hong Kong by timely update to staff members and random checking on potential violation. During this Reporting Period, no cases of non-compliance with products and services-related laws and regulations were noted.

As part of our services, we repair and maintain cars in accordance with the qualifications and scope approved by the national administrative department, and in accordance with relevant national maintenance standards and specifications or any other quality requirements agreed upon by customers and us. Our repair and maintenance fees are transparent and strictly follow Maserati's guidance. We follow Maserati's standard service procedures and deliver repaired and maintained cars to the customer within the agreed delivery time.

Quality assurance process and recall procedures

To ensure the quality of our services, we provide a quality assurance period from the date of completion of repairs from the factory. We also provide timely and regular training to our staff and workers for new models listed on the market. Daily meetings among our staff are organized to summarize and analyze the day-to-day operations, formulate improvement plans and make timely adjustments.

During this Reporting Period, no products sold were subject to recalls for safety and health reasons and no cases of service-related complaint were noted.

Intellectual Property Rights

In respect to intellectual property and ownership rights, the Group requires its employees to comply with relevant copyright laws in the course of their employment. The Group takes measures to remind our employees and note areas which may be sensitive and vulnerable to copyright infringement instances in its operations, including: (a) Computer software, (b) Making copies of copyright works and (c) Distribution through the Intranet (LAN) or Internet. Employees are required to follow the Group's strict policies and procedures regarding intellectual property right when making use of materials, pictures, contents as well as all other forms of private intellectual property that are not owned by the Group. Moreover, our employees must comply with relevant laws such as the Patent Law of People's Republic of China and the Patents Ordinance (Cap. 514) of Hong Kong. Failure to do so may result in disciplinary actions.

B) SOCIAL *(Continued)*

Aspect B7:

Anti-Corruption and Money Laundering

The Group is committed to maintaining integrity of its corporate culture. We do not tolerate corruption, money-laundering and other fraudulent activities. We have established the Staff Code of Conduct which stipulates proper work ethics and practices, and we require our staff to strictly follow the Staff Code of Conduct during the ordinary course of business. Misconduct, unethical behaviours, and bribery are prohibited in our business dealings and relationships. Staff are subject to disciplinary actions in case of breach of the Staff Code of Conduct.

Anti-corruption-related trainings are conducted annually. During the Reporting Period, all directors and employees in the Hong Kong office have received online anti-corruption training. The awareness of anti-corruption within the Group has been enhanced.

The Group has also adopted an Anti-Fraud and Anti-Corruption Policy which sets out the expectations and requirements of business ethics of the Group and the investigation and reporting mechanism of corruption practices. The Group is devoted to maintaining a high standard of integrity, openness, and discipline in its business operations.

The Group has formulated a whistleblowing policy for employees to raise concerns, in confidence, about possible improprieties in operation, financial reporting or other matters.

In addition, the Group's whistleblowing policy encourages and provides a well-defined as well as accessible channel to stakeholders (i.e. both internal and external) of the Group to raise concerns over any unlawful conduct, financial malpractice and/or other wrong-doings. Whistle-blowers should generally approach the company's Chief Financial Officer (the "CFO") directly to initiate a thorough investigation. If the CFO is involved in the concern raised, whistle-blowers may choose to report directly to the chairman of Audit Committee instead.

If sufficient evidence is gathered during this investigation, the investigation team is suggested to refer the matter to relevant local authorities. Upon completion, a report including its impact an action plan going forth would be prepared and reviewed by the Audit Committee before making recommendations going forward to the board of directors of the Group. The Group upholds the highest standards in protecting its whistle-blowers from any form of retaliation.

The Group will continue to adhere to anti-corruption and money laundering-related laws and regulations in Hong Kong and China, such as the Prevention of Bribery Ordinance and Anti-Money Laundering and Counter-Terrorist Financing Ordinance of Hong Kong, and the Criminal Law of the People's Republic of China, the Anti-monopoly Law of the People's Republic of China and the Anti-unfair Competition Law of the People's Republic of China. Effectiveness of our internal controls are reviewed at the minimum annually to ensure a sound internal control system is in place to prevent malpractices.

B) SOCIAL *(Continued)*

Aspect B7: *(Continued)*

Anti-Corruption and Money Laundering *(Continued)*

No cases of non-compliance with anti-corruption and money laundering-related laws and regulations and concluded legal cases regarding corrupt practices were brought against the Group or its employees during this Reporting Period.

Aspect B8:

Community Engagement

In an effort of pursuing social commitment, we are dedicated to meeting expectations of our stakeholders, not only to shareholders, customers, business partners as well as our employees. Our goal is to achieve mutual beneficial situations for all stakeholders through demonstrating our care for social well-being and fulfilling social responsibilities.

We continue to participate in various events to demonstrate our care for all walks of life and promote our advocates of social responsibility to raise staff's awareness, thereby magnifying the comprehensive contribution in all areas. During this reporting period, the Group participated in the following charity event:

- The charity donation (\$20,000 Hong Kong Dollars) organized by the Ten Percent Donation Scheme Foundation

Furthermore, we will continue to identify opportunities to contribute to our local community and charity events through active participation and ultimately play an impactful role in improving health and wellbeing for everyone around us. We also encourage our employees to individually participate in community services.

SOCIAL PERFORMANCE

Hong Kong and Wuhan Business	Category	2023	2022
B1. Employment (No. of individuals)¹			
Total workforce by gender	Male	14	5
	Female	8	2
Total workforce by age group	Below 30	3	0
	30-50	16	7
	Over 50	3	0
Total workforce by employment type	Part-time	0	0
	Full-time	22	7
	Temporary	0	0
Employee resigned/terminated by gender	Male	6	1
	Female	8	0
Employee resigned/terminated by age group	Below 30	2	0
	30-50	12	1
	Over 50	0	0
B1. Employment (Turnover Rate)¹			
Employee turnover rate by gender	Male	43%	20%
	Female	100%	0%
Employee turnover rate by age group	Below 30	67%	0%
	30-50	75%	14%
	Over 50	0%	0%
B2. Health and safety			
Work-related fatalities ²	No. of fatalities	0	0
Lost days due to work injury	No. of days	0	0
B3. Development and training (No. of individuals)			
No. of employee trained by gender	Male	12	4
	Female	8	2
Total number of employees (Full-time) by employee category	General Staff	13	3
	Middle management	5	2
	Senior management	4	2
No. of employee trained by employee category	General Staff	11	1
	Middle managers	5	2
	Senior managers	4	3

SOCIAL PERFORMANCE (Continued)

Hong Kong and Wuhan Business	Category	2023	2022
B3. The percentage of employees trained by gender and employee category			
Percentage of employees trained by gender	Male	86%	80%
	Female	100%	100%
Percentage of employees trained by employee category	General Staff	85%	33%
	Middle management	100%	100%
	Senior management	100%	67%
B3. Development and training (Hours)³			
Average training hours by gender	Male	5	18
	Female	7.88	19.75
Average training hours by employee category	General Staff	2.36	17.5
	Middle managers	9	11.75
	Senior managers	13	23.5
B5. Supply chain management (No. of suppliers)			
No. of suppliers by geographical region	Hong Kong	0	0
	Macau	0	0
	Italy	1	0
B6. Product responsibility (Number of cases)			
% of total products sold subject to recall	%	0	0
No. of service-related complaints received	Complaint	0	0
B7. Anti-corruption			
No. of concluded legal cases relating to corruption	Case	0	0
B8. Community investment			
In-kind sponsorship and donations	HKD equivalent	20,000	2,000

- Due to the addition of Wuhan Business in the Reporting Period, there was an increased number of employees. The increased turnover of employees was mostly attributed to the turnover of salespersons in our Wuhan Business, which generally is less stable than other office positions. The turnover rate was calculated as the total number of resigned/terminated employees per category divided by the total number of employees per category.
- For the year ended 31 December 2023, there was no work-related fatalities.
- Compared to 2022, there was a decrease in average training hours during the Reporting Period, this was attributed to the lower average training hours in our Wuhan Business. Going forward, our Group would encourage and provide more trainings to employees as possible.

ENVIRONMENTAL PERFORMANCE

Hong Kong and Wuhan Business	Unit	2023	2022
A1. Emissions			
Direct GHG Emissions (Scope 1)	tCO ₂ e	18.15	16.99
Indirect GHG Emissions (Scope 2)	tCO ₂ e	146.93	1.30
Indirect GHG Emissions (Scope 3)	tCO ₂ e	–	–
GHG Emission Intensity (Scope 1 & 2)	tCO ₂ e/(HKD1 Mill in Revenue)	3.48	0.62
A1.3 Hazardous Waste			
Motor Oil	tonnes	0.20	0
Antifreeze	tonnes	0.05	0
Batteries	tonnes	0.08	0
Hazardous Waste Intensity			
Motor Oil	tonnes/(HKD1 Mill in Revenue)	0.004	0
Antifreeze	tonnes/(HKD1 Mill in Revenue)	0.001	0
Batteries	tonnes/(HKD1 Mill in Revenue)	0.002	0
A1.4 Non-hazardous Waste			
Paper	tonnes	0.08	0.03
Ink-cartridge	tonnes	0.010	0.001
Non-Hazardous Waste Intensity			
Paper	tonnes/(HKD1 Mill in Revenue)	0.00165	0.00089
Ink-cartridge	tonnes/(HKD1 Mill in Revenue)	0.00027	0.00004
A2.1 Energy Consumption			
Electricity	kWh	257,333	1,855
Petrol	Litres	6,822	6,273
Energy Intensity			
Electricity	kWh/(HKD1 Mill in Revenue)	5,417.05	62.93
Petrol	Litres/(HKD1 Mill in Revenue)	143.61	212.80
A2.2 Water Consumption			
Water Consumption	m ³	370	0
Water Intensity			
Water Consumption	m ³ /(HKD1 Mill in Revenue)	7.79	0

CONTENT INDEX FOR HKEX ESG REPORTING GUIDE

General Disclosures and KPIs	Description	Reference (Page Number)	Remarks
Environmental			
Aspect A1: Emissions			
General Disclosure		p.56-60, 74	There were no cases of non-compliance regarding greenhouse gas emissions, water and waste noted during this Reporting Period.
KPI A1.1	The types of emissions and respective emissions data	p.57	
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity	p.58, 74	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity	p.59, 74	
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity	p.60, 74	
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them	p.56-58	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	p.59-60	

CONTENT INDEX FOR HKEX ESG REPORTING GUIDE (Continued)

General Disclosures and KPIs	Description	Reference (Page Number)	Remarks
Aspect A2: Use of Resources			
General Disclosure		p.61-62, 74	The contents within this report includes relevant details regarding material KPIs to the Group under Aspect A2.
KPI A2.1	Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity	p.61, 74	
KPI A2.2	Water consumption in total and intensity	p.61, 74	
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	p.61-62	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	p.61-62	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	N/A	Packaging material is not material to the Group's operations.
Aspect A3: The Environment and Natural Resources			
General Disclosure		p.62	The contents within this report includes relevant details regarding material KPIs to the Group under Aspect A3.
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	p.62	
Aspect A4: Climate Change			
General Disclosure		p.62-63	The contents within this report includes relevant details regarding material KPIs to the Group under Aspect A4.
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	p.62-63	

CONTENT INDEX FOR HKEX ESG REPORTING GUIDE (Continued)

General Disclosures and KPIs		Description	Reference (Page Number)	Remarks
Social				
Aspect B1: Employment				
General Disclosure			p.63-64, 72	The contents within this report includes relevant details regarding material KPIs to the Group under Aspect B1.
KPI B1.1	Total workforce by gender, employment type, age group and geographical region		p.72	
KPI B1.2	Employee turnover rate by gender, age group and geographical region		p.72	
Aspect B2: Health and Safety				
General Disclosure			p.64-65, 72	The contents within this report includes relevant details regarding material KPIs to the Group under Aspect B2.
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year		p.65, 72	No cases of work-related fatalities were noted in the past 3 financial years including this Reporting Period.
KPI B2.2	Lost days due to work injury		p.65, 72	No cases of non-compliance were noted in this Reporting Period.
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored		p.64-65	
Aspect B3: Development and Training				
General Disclosure			p.66, 72-73	The contents within this report includes relevant details regarding material KPIs to the Group under Aspect B3.
KPI B3.1	The percentage of employees trained by gender and employee category		p.66, 73	
KPI B3.2	The average training hours completed per employee by gender and employee category		p.66, 73	

CONTENT INDEX FOR HKEX ESG REPORTING GUIDE (Continued)

General Disclosures and KPIs		Description	Reference (Page Number)	Remarks
Aspect B4: Labour Standards				
General Disclosure			p.66	The contents within this report includes relevant details regarding material KPIs to the Group under Aspect B4.
KPI B4.1		Description of measures to review employment practices to avoid child or forced labor	p.66	
KPI B4.2		Description of steps taken to eliminate such practices when discovered	p.66	No cases of non-compliance were noted in this Reporting Period.
Aspect B5: Supply Chain Management				
General Disclosure			p.67, 73	The contents within this report includes relevant details regarding material KPIs to the Group under Aspect B5.
KPI B5.1		Number of suppliers by geographical region	p.67, 73	
KPI B5.2		Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	p.67	No cases of non-compliance were noted in this Reporting Period.
KPI B5.3		Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	p.67	No cases of non-compliance were noted in this Reporting Period.
KPI B5.4		Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	p.67	No cases of non-compliance were noted in this Reporting Period.

CONTENT INDEX FOR HKEX ESG REPORTING GUIDE (Continued)

General Disclosures and KPIs	Description	Reference (Page Number)	Remarks
Aspect B6: Product Responsibility			
General Disclosure		p.68-69, 73	The contents within this report includes relevant details regarding material KPIs to the Group under Aspect B6.
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	p.69, 73	
KPI B6.2	Number of products and service related complaints received and how they are dealt with	p.69, 73	No cases of complaints were noted in this Reporting Period.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	p.69	
KPI B6.4	Description of quality assurance process and recall procedures	p.69	No cases of recall were noted in this Reporting Period.
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	p.68	
Aspect B7: Anti-corruption			
General Disclosure		p.70-71, 73	The contents within this report includes relevant details regarding material KPIs to the Group under Aspect B7.
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	p.71, 73	No cases of non-compliance were noted in this Reporting Period.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	p.70-71	
KPI B7.3	Description of anti-corruption training provided to directors and staff	p.70	

CONTENT INDEX FOR HKEX ESG REPORTING GUIDE *(Continued)*

General Disclosures and KPIs	Description	Reference (Page Number)	Remarks
Aspect B8: Community Investment			
General Disclosure		p.71, 73	The contents within this report includes relevant details regarding material KPIs to the Group under Aspect B8.
KPI B8.1	Focus areas of contribution	p.71	
KPI B8.2	Resources contributed to the focus area	p.71, 73	

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE SHAREHOLDERS OF AUTO ITALIA HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Auto Italia Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 87 to 170, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Valuation of investment properties located in Scotland

We identified the valuation of investment properties located in Scotland as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant management judgements and estimates associated with determining the fair value.

As set out in note 4 to the consolidated financial statements, the investment properties are located in Scotland with carrying amount of HK\$381,541,000 as at 31 December 2023, which represents approximately 60.7% of total assets of the Group as at 31 December 2023, and net loss from changes in fair value of HK\$47,751,000 was recognised in the consolidated statement of profit or loss for the year then ended.

As disclosed in note 16 to the consolidated financial statements, the Group's investment properties are held at fair value based on the valuation performed by an independent qualified professional valuer ("**Scotland IP valuer**") by using income approach, which is dependent on certain key unobservable inputs including term yield and reversionary yield and market rental with considerably more subjective management judgements and estimates involved. The fair value is adjusted to exclude prepaid or accrued lease income.

Our procedures in relation to valuation of the investment properties included:

- Obtaining the valuation report from management, evaluating the competence, capabilities and objectivity of the Scotland IP valuer;
- Obtaining an understanding of the valuation process and assessing the valuation methodology used by the management and the Scotland IP valuer;
- Engaging our internal valuation specialists to assess the reasonableness of the key unobservable inputs including (i) the term yield and reversionary yield adopted by the Scotland IP valuer, by comparing to the relevant published market data with yield data and (ii) market rental adopted by the Scotland IP valuer, by comparing to the market rental for comparable properties in similar grade and location; and
- Checking the accuracy of rental income and lease terms, on a sample basis, used in the valuation by agreeing those key data to the respective underlying tenancy agreements.

Key audit matter	How our audit addressed the key audit matter
<p><i>Fair value measurement of investment in preferred shares of Chime Biologics Limited ("Chime Biologics") measured at fair value through profit or loss</i></p> <p>We identified the fair value measurement of investment in preferred shares of Chime Biologics measured at fair value through profit or loss as a key audit matter due to the complexity involved in valuing this investment and the significance of the balance to the consolidated financial statements as a whole, combined with the significant management judgements and estimates associated with determining the fair value.</p> <p>As set out in notes 4 and 20 to the consolidated financial statements, the investment in preferred shares of Chime Biologics measured at fair value through profit or loss with carrying amount of HK\$117,122,000 as at 31 December 2023, which represents approximately 18.6% of the total assets of the Group as at 31 December 2023, and fair value loss of the investment in preferred shares of Chime Biologics of HK\$120,591,000 was recognised in the consolidated statement of profit or loss for the year then ended.</p> <p>As disclosed in notes 20 and 39 to the consolidated financial statements, the Group's investment in preferred shares of Chime Biologics is carried at fair value based on the valuation performed by an independent qualified professional valuer, by using market approach and option model, which is dependent on certain key unobservable inputs, including volatility and equity value with the considerably more subjective management judgements and estimates involved.</p>	<p>Our procedures in relation to the fair value measurement of the investment in preferred shares of Chime Biologics included:</p> <ul style="list-style-type: none"> • Obtaining the valuation report from management, evaluating the competence, capabilities and objectivity of the valuer, and obtaining an understanding of the valuation process; • Engaging our internal valuation specialists to perform the following procedures: <ul style="list-style-type: none"> ➤ Evaluating the appropriateness of the valuation methodologies and techniques used by the management and the valuer; ➤ Assessing the reasonableness and relevance of key assumptions and inputs including equity value and volatility, based on data of similar companies in the same industry; and ➤ Checking the mathematical accuracy of the fair value calculations.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Poon Kam Chuen.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

22 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	NOTES	Continuing operations		Discontinued operation		Total	
		2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Revenue from goods and services	5	15,839	–	–	1,342	15,839	1,342
Rental income	5	31,665	28,137	–	–	31,665	28,137
Total revenue		47,504	28,137	–	1,342	47,504	29,479
Cost of sales and services		(18,469)	(5,286)	–	(1,492)	(18,469)	(6,778)
Gross profit (loss)		29,035	22,851	–	(150)	29,035	22,701
Other income	7	452	176	–	382	452	558
Other gains and losses	8	(174,885)	(66,678)	–	–	(174,885)	(66,678)
Selling and distribution costs		(4,132)	–	–	(184)	(4,132)	(184)
Administrative expenses		(33,701)	(20,942)	–	(467)	(33,701)	(21,409)
Other expenses	11	–	(8,826)	–	–	–	(8,826)
Finance costs	9	(23,567)	(12,296)	–	–	(23,567)	(12,296)
Loss before taxation		(206,798)	(85,715)	–	(419)	(206,798)	(86,134)
Taxation	10	901	814	–	(270)	901	544
Loss for the year	11	(205,897)	(84,901)	–	(689)	(205,897)	(85,590)

	NOTE	Total 2023 HK\$'000	2022 HK\$'000
Loss for the year attributable to owners of the Company			
– from continuing operations		(179,285)	(62,716)
– from discontinued operation		–	(689)
		(179,285)	(63,405)
Loss for the year attributable to non-controlling interests			
– from continuing operations		(26,612)	(22,185)
Loss for the year		(205,897)	(85,590)
Loss per share (from continuing and discontinued operations)			
– Basic	14	(HK3.39 cent)	(HK1.20 cent)
– Diluted	14	(HK3.39 cent)	(HK1.20 cent)
Loss per share (from continuing operations)			
– Basic	14	(HK3.39 cent)	(HK1.19 cent)
– Diluted	14	(HK3.39 cent)	(HK1.19 cent)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 HK\$'000	2022 HK\$'000
Loss for the year	(205,897)	(85,590)
Other comprehensive income (expense)		
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	13,999	(23,248)
Other comprehensive income (expense) for the year	13,999	(23,248)
Total comprehensive expense for the year	(191,898)	(108,838)
Total comprehensive expense for the year attributable to:		
Owners of the Company	(172,853)	(74,309)
Non-controlling interests	(19,045)	(34,529)
	(191,898)	(108,838)
Total comprehensive expense for the year attributable to owners of the Company:		
– from continuing operations	(172,853)	(73,620)
– from discontinued operation	–	(689)
	(172,853)	(74,309)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Investment properties	16	438,791	470,211
Property, plant and equipment	17	6,588	1,896
Right-of-use assets	18	2,202	–
Intangible assets	19	–	–
Investment of an associate measured at fair value through profit or loss (“FVTPL”)	20	117,122	237,357
Trade and other receivables	23	7,589	9,558
		572,292	719,022
Current assets			
Inventories	22	1,530	–
Trade and other receivables	23	12,404	4,315
Other financial asset at FVTPL	21	15,308	14,486
Tax recoverable		87	143
Pledged bank deposits	24	5,545	1,498
Bank balances and cash	24	21,373	42,798
		56,247	63,240
Current liabilities			
Trade and other payables	25	18,325	17,143
Bank and other borrowings	26	286,554	331,094
Loan from a non-controlling member of a subsidiary	27	10,577	9,105
Lease liabilities	29	2,252	–
		317,708	357,342
Net current liabilities		(261,461)	(294,102)
Total assets less current liabilities		310,831	424,920

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Capital and reserves			
Share capital	31	105,850	105,850
Reserves		58,775	216,215
Equity attributable to owners of the Company		164,625	322,065
Non-controlling interests		46,658	68,861
Total equity		211,283	390,926
Non-current liabilities			
Bank and other borrowings	26	57,079	5,049
Loan from a related party	28	11,013	–
Promissory note	30	29,700	27,500
Deferred taxation	32	1,756	1,445
		99,548	33,994
		310,831	424,920

The consolidated financial statements on pages 87 to 170 were approved and authorised for issue by the board of directors on 22 March 2024 and are signed on its behalf by:

CHONG Tin Lung Benny
DIRECTOR

LIN Chun Ho Simon
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Property revaluation reserve HK\$'000 (Note a)	Translation reserve HK\$'000	Other reserve HK\$'000 (Note b)	Accumulated losses HK\$'000	Sub-total HK\$'000	Non- controlling interest HK\$'000	Total HK\$'000
At 1 January 2022	105,850	265,726	2,151	21,819	19,246	(2,847)	166,431	(186,714)	391,662	103,390	495,052
Loss for the year	-	-	-	-	-	-	-	(63,405)	(63,405)	(22,185)	(85,590)
Other comprehensive expense for the year	-	-	-	-	-	(10,904)	-	-	(10,904)	(12,344)	(23,248)
Total comprehensive expense for the year	-	-	-	-	-	(10,904)	-	(63,405)	(74,309)	(34,529)	(108,838)
Recognition of equity settled share-based payments, net (note 33)	-	-	-	4,712	-	-	-	-	4,712	-	4,712
Transfer upon lapse of share options	-	-	-	(532)	-	-	-	532	-	-	-
At 31 December 2022	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 year	-	-	-	-	-	-	-	(179,285)	(179,285)	(26,612)	(205,897)
Other comprehensive income for the year	-	-	-	-	-	6,432	-	-	6,432	7,567	13,999
Total comprehensive income (expense) for the year	-	-	-	-	-	6,432	-	(179,285)	(172,853)	(19,045)	(191,898)
Acquisition of a subsidiary (note 34)	-	-	-	-	-	-	-	-	-	11,372	11,372
Share allotment of a subsidiary (note c)	-	-	-	-	-	-	-	14,530	14,530	(14,530)	-
Recognition of equity settled share-based payments, net (note 33)	-	-	-	883	-	-	-	-	883	-	883
Transfer upon lapse of share options	-	-	-	(7,520)	-	-	-	7,520	-	-	-
At 31 December 2023	105,850	265,726	2,151	19,362	19,246	(7,319)	166,431	(406,822)	164,625	46,658	211,283

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.
- On 9 October 2023, the Group's subsidiary allotted new shares for the purpose of repayment of other borrowings and certain non-controlling interest shareholders of the subsidiary have not subscribed the new shares. Following the new share allotment, the Group's shareholding in Dakota RE II increase from 54.98% to 69.15%.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	NOTE	2023 HK\$'000	2022 HK\$'000
OPERATING ACTIVITIES			
Loss before taxation		(206,798)	(86,134)
Adjustments for:			
Depreciation of property, plant and equipment		4,413	630
Depreciation of right-of-use assets		3,230	–
Amortisation of intangible assets		803	–
Impairment loss on intangible assets		3,267	–
Interest income		(11)	(6)
Interest expenses		23,567	12,296
Fair value loss on investment of an associate measured at FVTPL		120,591	12,530
Fair value gain on other financial assets at FVTPL		(1,219)	(936)
Fair value loss of investment properties		52,601	55,449
Share-based payments expense, net		883	4,712
Operating cash flows before movements in working capital		1,327	(1,459)
Decrease in inventories		2,935	1,492
(Increase) decrease in trade and other receivables		(3,326)	1,626
(Decrease) increase in trade and other payables		(5,359)	438
Net cash (used in) from operations		(4,423)	2,097
Income tax refund (paid)		5	(474)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(4,418)	1,623
INVESTING ACTIVITIES			
Placement of pledged bank deposits		(4,047)	(1,498)
Net cash outflow on acquisition of a subsidiary	34	(2,069)	–
Interest received		11	6
Purchase of property, plant and equipment		(770)	(105)
NET CASH USED IN INVESTING ACTIVITIES		(6,875)	(1,597)

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 HK\$'000	2022 HK\$'000
FINANCING ACTIVITIES		
Repayment of bank and other borrowings	(59,896)	(775)
Repayment of promissory note	–	(17,000)
Repayment for lease liabilities	(2,184)	–
Interest paid on bank and other borrowings	(17,278)	(8,111)
Interest paid on promissory note	–	(2,891)
Interest paid on lease liabilities	(123)	–
Advances from a related party	11,604	–
Bank and other borrowings raised	50,000	36,000
Capital injection from NCI	3,535	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(14,342)	7,223
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(25,635)	7,249
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	42,798	39,271
EFFECT OF EXCHANGE RATE CHANGES	4,210	(3,722)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	21,373	42,798

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the trading of cars and related accessories and provision of after sales services in People’s Republic of China (“**PRC**”), property investment and provision of financing. The address of registered office and principal place of business of the Company are disclosed under section “Corporate Information” of this Report.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

New and Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**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 consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
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
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in note 3 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

Except for amendment to HKFRSs mentioned below, the directors of the Company anticipate that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the “2020 Amendments”) and Amendments to HKAS 1 Non-current Liabilities with Covenants (the “2022 Amendments”)

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 “Financial Instruments: Presentation”.
- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity’s right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

The 2020 Amendments and the 2022 Amendments *(Continued)*

The 2022 Amendments also defer the effective date of the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRS issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

As at 31 December 2023, the Group had net current liabilities of HK\$261,461,000 and net operating cash outflow of HK\$4,418,000. In preparing the 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 considerations 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 considerations are as follows.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.1 Basis of preparation of consolidated financial statements *(Continued)*

The Group will be able to renew the other borrowing of HK\$257,487,000 for a period of one year after its maturity on 18 October 2024 given that the Group has a one-year extension option, subject to the fulfillment of certain conditions (mainly financial ratios) by the Group, with the satisfaction of the existing lender. In view of sufficient headroom of pledged investment property located in Scotland with fair value of HK\$381,541,000 over the borrowing amount, the Directors are of the opinion that the Group will be able to fulfill those conditions, with the satisfaction of the existing lender, and the Directors are confident that the extension of the borrowing will be successful.

The Group has a bank term loan of HK\$28,675,000, which contains a repayment on demand clause and pledged by investment properties located in Hong Kong with fair value of HK\$57,250,000 in aggregate as at 31 December 2023. According to the renewed banking facility arranged with the bank during the year and based on the continuous communications between the Group and the bank, if the Group is able to repay HK\$6,937,500 with the period from 1 January 2024 to 31 March 2025, based on the current available financial information of the Group, the bank has no intention to request immediate repayment of the remaining loan balance (which are due after 12 months from the date of approval of the consolidated financial statements).

The Group has available undrawn committed borrowing facilities amounting to HK\$45,000,000 as at 31 December 2023.

The Group may look for better financing options for the Group or seek opportunity to dispose of the Group's assets, if necessary, in order to strengthen the Group's future liquidity and financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.1 Basis of preparation of consolidated financial statements *(Continued)*

The Directors are of the opinion that, taking into account the above-mentioned plans and considerations, 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 consolidated financial statements. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

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

For the financial instrument and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.1 Basis of preparation of consolidated financial statements *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Business combinations *(Continued)*

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.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Information about the Group's accounting policies relating to contracts with customers is disclosed in note 5.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Revenue from contracts with customers *(Continued)*

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

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.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Leases *(Continued)*

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

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss based on effective accrued rentals taking into account of rent free periods and are recognised on a straight-line basis over the term of the relevant lease. Certain rentals received with reference to turnover of tenants are recognised as income when they arise.

Rental income which is derived from the Group's ordinary course of business is presented as revenue.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

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.

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets with finite useful lives are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets (Continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out basis or specific identification method as appropriate. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Cost necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Foreign currencies *(Continued)*

Exchange difference on monetary items are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve.

Taxation

Income tax expense represents the sum of current and deferred income tax expense. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Taxation *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

Current and deferred tax are recognised in profit or loss.

Borrowing costs

Borrowing costs not directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are recognised in profit or loss in the period in which they are incurred.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Retirement benefits scheme

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Share options granted to non-employees

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date/settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

All other financial assets are subsequently measured at FVTPL.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or designated as fair value through other comprehensive income are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets and rent receivables

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including rental deposits, trade and other receivables, loan receivables, pledged bank deposits and bank balances) and rent receivables which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and rent receivables (Continued)

The Group always recognises lifetime ECL for trade receivables from contract with customers and rent receivables. The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward- looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities at amortised cost

Financial liabilities including other borrowings and trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgement in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Investment in preferred shares of Chime Biologics Limited ("Chime Biologics")

In 2020, the Group entered into a subscription agreement for subscription of 51,847,997 Series A Preferred Shares of Chime Biologics at a consideration of US\$32 million. The Group has the right to appoint 1 out of 6 directors of the board of Chime Biologics and therefore the Group has the power to exercise significant influence over Chime Biologics and Chime Biologics becomes an associate of the Group.

In assessing whether the Group's investment in preferred shares should be accounted for using equity method under HKAS 28 "Investments in Associates and Joint Ventures", the directors of the Company consider the key features of the preferred shares which include (i) the holders of preference shares are entitled to non-cumulative dividends at fixed percentage per annum and in preference to the ordinary shareholders on an as-converted basis; (ii) the Series A preferred shareholders are superior to the holders of the ordinary shares in terms of liquidation preference; (iii) the conversion price is subject to downround adjustments and (iv) the preferred shares are automatically converted to ordinary shares only upon consummation of a qualified initial public offering. Taking into account of the above factors and the shareholding structure of Chime Biologics, the directors of the Company consider these preferred shares do not carry rights that are substantially the same as the investee's ordinary shares and accordingly these preferred shares are accounted for as financial instruments measured at fair value through profit or loss under HKFRS 9.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Fair value measurement of investment properties located in Scotland

Investment properties are stated at fair value based on the valuation performed by an independent qualified professional valuer adjusted to exclude any prepaid or accrued lease income. As detailed in note 16, the determination of the fair value of the Group's investment properties located in Scotland are dependent on certain key unobservable inputs including term yield and reversionary yield and market rental with the considerably more subjective management judgements and estimates involved, by comparing to the relevant published research reports with yield data, and market rental for comparable properties in similar grade and location, respectively. In relying on the valuation, management has exercised their judgement and is satisfied that the method of valuation is reflective of the current market conditions at the end of the reporting period.

As at 31 December 2023, included in the carrying amount of the Group's investment properties located in Scotland is HK\$381,541,000 (2022: HK\$408,111,000) which resulted in a net loss from changes in fair value of the investment properties of HK\$47,751,000 (2022: HK\$55,549,000) recognised in the consolidated statement of profit or loss for the year then ended.

Changes to assumptions including implied rental yield which comprises term yield and reversionary yield would result in changes in the fair values of the Group's investment properties located in Scotland and the corresponding adjustments to the amount of fair value gain or loss reported in the consolidated statement of profit or loss.

Fair value measurement of investment in preferred shares of Chime Biologics measured at fair value through profit or loss

The investment in preferred shares of Chime Biologics is measured at FVTPL based on the valuation performed by an independent qualified professional valuer. As detailed in notes 20 and 39, the determination of the fair value are dependent on certain key unobservable inputs including volatility and equity value based on the volatilities and equity value of similar companies with assumptions of certain market conditions involved management judgements and estimates which are considerably more subjective. At 31 December 2023, the fair value of such investment is HK\$117,122,000 (2022: HK\$237,357,000). A net loss from changes in fair value of the investment in preferred shares of Chime Biologics of HK\$120,591,000 (2022: HK\$12,530,000) is recognised in the consolidated statement of profit or loss for the year then ended.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets with finite useful lives are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of CGUs, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2023, based on impairment assessment made by management, an impairment loss of HK\$3,267,000 in respect of intangible assets that have been recognised. Details of the impairment of intangible assets are disclosed in note 19.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. REVENUE

(i) Reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information

	Continuing operations		Discontinued operation		Total	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Trading of cars and related accessories	12,536	–	–	1,342	12,536	1,342
Provision of after sales services	3,303	–	–	–	3,303	–
Revenue from contract with customers	15,839	–	–	1,342	15,839	1,342
Rental income	31,665	28,137	–	–	31,665	28,137
Total revenue	47,504	28,137	–	1,342	47,504	29,479

(ii) Performance obligations for contracts with customers

For trading of cars and related accessories, revenue is recognised when the customer obtains the control of the cars and related accessories, being when the cars and related accessories are handed over to the customers and the titles of cars are passed to the customers. Each unit of car is separately identifiable and represents a distinct performance obligation to which the transaction price is allocated. Performance obligations are satisfied at a point in time once control of the goods has been transferred to the customers. The customers have obtained control on the goods through their ability to direct other use of and obtain substantially all the benefits from the goods. Payment of transaction price is due immediately at the point the cars are delivered to the customers.

For revenue from provision of after sales services, revenue is recognised when the customers simultaneously receives and consumes the benefits provided by the Group's performance, being the time when the Group carries out repair and maintenance works over the cars. The average credit period is 60 days.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. REVENUE (Continued)

(iii) Disaggregation of revenue from contracts with customers

Continued operation

	2023 HK\$'000	2022 HK\$'000
Types of goods and services		
Trading of cars and related accessories	12,536	–
Provision of after sales services	3,303	–
Total	15,839	–
Geographical market		
PRC	15,839	–
Timing of revenue recognition		
A point of time	12,536	–
Overtime	3,303	–
Total	15,839	–

Discontinued operation

	2023 HK\$'000	2022 HK\$'000
Types of goods and services		
Trading of cars and related accessories	–	1,342
Geographical markets		
Hong Kong	–	1,342
Timing of revenue recognition		
A point of time	–	1,342
Overtime	–	–
Total	–	1,342

6. SEGMENT INFORMATION

Information reported to the chief operating decision maker (“**CODM**”), being the executive directors of the Company, for the purposes of resource allocation and assessment of segment performance, focuses on the types of goods or services provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

An operating segment regarding the cars business in Hong Kong was discontinued in 2021. The segment revenue and results reported on the next pages does not include any amounts for this discontinued operation, which is described in more details in note 12.

As at 31 December 2023, the Group has three operating segments for continuing operations under HKFRS 8 “Operating Segments” which are 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 loss represents the profit/loss earned by each segment without fair value gain (loss) on investment of an associate measured at FVTPL, fair value gain on other financial asset measured at FVTPL, share-based payments, certain unallocated corporate expenses and finance costs. This is the measure reported to CODM for the purpose of resource allocation and assessment of segment performance. The accounting policies of this segment are the same as the Group’s accounting policies described in note 3.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

For the year ended 31 December 2023

Continuing operations

	Cars HK\$'000	Property investment HK\$'000	Financial investments and services HK\$'000	Consolidated HK\$'000
SEGMENT REVENUE				
Group's revenue	15,839	31,665	–	47,504
SEGMENT RESULTS				
Segment loss	(13,791)	(37,472)	(354)	(51,617)
Fair value loss on investment of an associate measured at FVTPL				(120,591)
Fair value gain on other financial asset measured at FVTPL				1,219
Recognition of share-based payments, net				(883)
Unallocated corporate expenses				(11,359)
Finance costs				(23,567)
Loss before taxation				(206,798)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2022

Continuing operations

	Property investment HK\$'000	Financial investments and services HK\$'000	Consolidated HK\$'000
SEGMENT REVENUE			
Group's revenue	28,137	–	28,137
SEGMENT RESULTS			
Segment loss	(37,477)	(357)	(37,834)
Fair value loss on investment of an associate measured at FVTPL			(12,530)
Fair value gain on other financial asset measured at FVTPL			936
Recognition of share-based payments, net			(4,712)
Unallocated corporate expenses			(19,279)
Finance costs			(12,296)
Loss before taxation			(85,715)

Note: As at 31 December 2023, the management continues to operate the financial investments and services and will continue to explore business opportunity in this segment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6. 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 31 December 2023

	Cars HK\$'000	Property investment HK\$'000	Financial investments and services HK\$'000	Consolidated HK\$'000
Assets				
Segment assets	10,865	456,264	–	467,129
Bank balances and cash				21,373
Pledged bank deposits				5,545
Tax recoverable				87
Investment of an associate measured at FVTPL				117,122
Other financial asset measured at FVTPL				15,308
Unallocated corporate assets				1,975
Consolidated assets				628,539
Liabilities				
Segment liabilities	14,652	276,754	–	291,406
Promissory note				29,700
Deferred taxation				1,756
Unallocated corporate liabilities				94,394
Consolidated liabilities				417,256

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

At 31 December 2022

	Property investment HK\$'000	Financial investments and services HK\$'000	Consolidated HK\$'000
Assets			
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 measured at FVTPL			14,486
Unallocated corporate assets			514
Consolidated assets			782,262

	Property investment HK\$'000	Financial investments and services HK\$'000	Consolidated HK\$'000
Liabilities			
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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2023

Continuing operations

	Cars HK\$'000	Property investment HK\$'000	Financial investments and services HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment results or segment assets					
Addition to property, plant and equipment	731	39	–	–	770
Depreciation of property, plant and equipment	(3,767)	(646)	–	–	(4,413)
Depreciation of right-of-use assets	(3,230)	–	–	–	(3,230)
Amortization of intangible assets	(803)	–	–	–	(803)
Impairment loss on intangible assets	(3,267)	–	–	–	(3,267)
Fair value loss on investment properties	–	(52,601)	–	–	(52,601)
Amounts regularly provided to the CODM but not included in the measure of segment results or segment assets					
Fair value loss on investment of an associate measured at FVTPL	–	–	–	(120,591)	(120,591)
Fair value gain on other financial asset measured at FVTPL	–	–	–	1,219	1,219

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2022

Continuing operations

	Property investment HK\$'000	Financial investments and services HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment results or segment assets				
Addition to property, plant and equipment	105	–	–	105
Depreciation of property, plant and equipment	(630)	–	–	(630)
Fair value loss on investment properties	(55,449)	–	–	(55,449)
Amounts regularly provided to the CODM but not included in the measure of segment results or segment assets				
Fair value loss on investment of an associate measured at FVTPL	–	–	(12,530)	(12,530)
Fair value gain on other financial asset measured at FVTPL	–	–	936	936

Information about major customers

Continuing operations

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	2023 HK\$'000	2022 HK\$'000
Customers A ¹	11,779	8,575
Customers B ¹	6,474	6,484
Customers C ¹	5,523	5,532

¹ Revenue from Property Investment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6. SEGMENT INFORMATION (Continued)

Geographical information

Continuing operations

Information about the Group's revenue from continuing operations from external customers is presented based on location of customers, irrespective of the origin of the goods/services:

	2023 HK\$'000	2022 HK\$'000
Hong Kong	2,297	2,258
United Kingdom	29,368	25,879
PRC	15,839	–
	47,504	28,137

The following is an analysis of the carrying amount of non-current assets (excluding those relating to discontinued operations and investment of an associate measured at FVTPL) analysed by the geographical areas in which the assets are located:

	2023 HK\$'000	2022 HK\$'000
Hong Kong	57,250	62,100
United Kingdom	390,505	419,565
PRC	7,415	–
	455,170	481,665

7. OTHER INCOME

	2023 HK\$'000	2022 HK\$'000
Continuing operations		
Service income	432	–
Bank interest income	11	6
Government COVID-19 subsidy	–	168
Others	9	2
	452	176

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

8. OTHER GAINS AND LOSSES

	2023 HK\$'000	2022 HK\$'000
Continuing operations		
Net foreign exchange gain	355	365
Fair value loss on investment of an associate measured at FVTPL	(120,591)	(12,530)
Fair value gain on other financial asset measured at FVTPL	1,219	936
Fair value loss on investment properties	(52,601)	(55,449)
Impairment loss on intangible assets	(3,267)	–
	(174,885)	(66,678)

9. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Continuing operations		
Interests on bank and other borrowings	19,755	8,056
Interests on promissory note	2,200	2,891
Interests on loan from a non-controlling member of a subsidiary	967	884
Loan arrangement fee	522	465
Interests on lease liabilities	123	–
	23,567	12,296

10. TAXATION

	2023 HK\$'000	2022 HK\$'000
Continuing operations		
Current tax		
Hong Kong	50	83
Under (over) provision in prior years		
Hong Kong	1	(60)
Deferred taxation (note 32)	(952)	(837)
	(901)	(814)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

10. TAXATION (Continued)

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Dividend distributed from the PRC subsidiary is subject to withholding tax at 10%. Deferred tax in relation to withholding income tax for the undistributed profits of the PRC subsidiary has been provided as set out in note 32.

Non-residents making direct disposals of commercial property in United Kingdom are chargeable to tax on any resultant gains. The property will be rebased to its market value on 5 April 2019 when calculating the gain. The domestic statutory tax rate of the UK is 19%.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the both years.

The taxation for the year from continuing operations can be reconciled to the loss before taxation per the consolidated statement of profit or loss as follows:

	2023 HK\$'000	2022 HK\$'000
Loss before taxation	(206,798)	(85,715)
Tax at the domestic income tax rate of 16.5%	(34,122)	(14,143)
Tax effect of expenses not deductible for tax purpose	32,009	12,401
Tax effect of income not taxable for tax purpose	(2,195)	(1,830)
Under (over) provision in prior years	1	(60)
Tax effect of tax losses not recognised	4,035	2,840
Income tax at concessionary rate	(51)	(66)
Effect of different tax rate of subsidiaries operating in other jurisdictions	(578)	44
Taxation for the year	(901)	(814)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

11. LOSS FOR THE YEAR

	2023 HK\$'000	2022 HK\$'000
Continuing operations		
Loss for the year has been arrived at after charging/(crediting):		
Auditor's remuneration	1,148	1,060
Staff costs:		
Directors' emoluments	6,418	5,625
Share-based payments	1,519	4,712
Other staff costs	4,165	2,797
	12,102	13,134
Rental income from investment properties	31,665	28,137
Less: direct operating expenses	(5,282)	(5,286)
	26,383	22,851
Depreciation of property, plant and equipment	4,413	630
Depreciation of right-of-use assets	3,230	–
Amortization of intangible assets	803	–
Cost of inventories recognised as expense	11,654	–
Other expense (note a)	–	8,826

Note:

- (a) Other expense represents legal and professional fee incurred during the year ended 31 December 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 Consolidated Financial Statements

For the year ended 31 December 2023

12. 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 in April 2021 and accordingly, the Group's cars business in Hong Kong has been presented as discontinued operation.

The results of the discontinued cars business in Hong Kong were set out in consolidated statement of profit or loss.

Loss for the year from discontinued operation has been arrived at after charging:

	2023	2022
	HK\$'000	HK\$'000
Cost of inventory recognised as an expense	–	1,492

The major classes of assets and liabilities of the discontinued cars business as at 31 December 2023, which have been included in the consolidated statement of financial position, were separately shown as follows:

	2023	2022
	HK\$'000	HK\$'000
Trade and other payables	5,833	5,926

During the year ended 31 December 2023, the discontinued cars business used HK\$93,000 (2022: HK\$2,066,000) to the Group's net operating cash flows, no cash flows in respect of investing and financing activities.

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For the year ended 31 December 2023

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEE'S EMOLUMENTS

The emoluments paid or payable to each of nine (2022: seven) directors and the chief executive (the "Chief Executive"), were as follows:

	Other emoluments					Total emoluments HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Share-based payments HK\$'000 (Note f)	Performance related incentive payments HK\$'000 (Note e)	Retirement benefits scheme contributions HK\$'000	
2023						
Executive Directors						
Chong Tin Lung Benny	–	2,885	318	240	18	3,461
Lin Chun Ho Simon	–	1,827	162	149	18	2,156
Huang Zuie-Chin (Note d)	–	–	318	–	–	318
Ng Siu Wai (Note d)	–	–	318	–	–	318
Li Shaofeng (Note a)	–	502	–	42	15	559
Independent						
Non-executive Directors ("INEDs")						
Kong Kai Chuen Frankie	240	–	–	–	–	240
Lee Ben Tiong Leong (Note b)	97	–	–	–	–	97
Sham Chung Ping Alain (Note c)	145	–	–	–	–	145
To Chun Wai	240	–	–	–	–	240
	722	5,214	1,116	431	51	7,534

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEE'S EMOLUMENTS (Continued)

	Fees HK\$'000	Salaries and other benefits HK\$'000	Other emoluments			Total emoluments HK\$'000
			Share-based payments HK\$'000 (Note f)	Performance related incentive payments HK\$'000 (Note e)	Retirement benefits scheme contributions HK\$'000	
2022						
Executive Directors						
Chong Tin Lung Benny	–	2,830	1,014	231	18	4,093
Lin Chun Ho Simon	–	1,755	516	143	18	2,432
Huang Zuie-Chin	–	–	1,013	–	–	1,013
Ng Siu Wai	–	–	1,013	–	–	1,013
Independent Non-executive Directors ("INEDs")						
Kong Kai Chuen Frankie	210	–	–	–	–	210
Lee Ben Tiong Leong	210	–	–	–	–	210
To Chun Wai	210	–	–	–	–	210
	630	4,585	3,556	374	36	9,181

Notes:

- Appointed as executive director on 28 February 2023, the director's emolument disclosed included the amount after the appointment as executive director up to 31 December 2023.
- Resigned as INED on 27 May 2023.
- Appointed as INED on 24 May 2023, the director's emolument disclosed included the amount after the appointment as INED up to 31 December 2023.
- Resigned as executive director on 27 July 2023.
- Performance related incentive payments were determined by the remuneration committee having regard to the performance of directors and the Group's operating result.
- Details of the share option schemes are set out in note 33.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEE'S EMOLUMENTS *(Continued)*

During the year ended 31 December 2022, there are 180,000,000 share options in aggregate held by Chong Tin Lung Benny, Huang Zuie-Chin and Ng Siu Wai not vested ultimately as the performance targets have not been achieved as determined by the remuneration committee of the Company during the vesting period.

Mr Chong Tin Lung, Benny, is also the Chief Executive of the Company. The executive directors' remuneration shown above were for their services in connection with the management of the affairs of the Company and the Group including their emoluments as directors of the discontinued subsidiaries. The INEDs' emoluments shown above were for their services as directors of the Company.

Of the five individuals with the highest emoluments in the Group, three (2022: four) were Directors whose emoluments are included in the disclosures above. The emoluments of the remaining two (2022: one) individuals were as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries and other benefits	1,194	771
Retirement benefits scheme contributions	36	18
	1,230	789

Their emoluments were within the following bands:

	2023 Number of employees	2022 Number of employees
Nil to HK\$1,000,000	2	1

During both years, no emoluments were paid by the Group to the five highest paid individuals (including directors, the chief executive and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors and the chief executive waived any emoluments during the both years.

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14. LOSS PER SHARE

From continuing operations

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

Loss figures are calculated as follows:

	2023 HK\$'000	2022 HK\$'000
Loss for the year attributable to owners of the Company (from continuing and discontinued operations)	(179,285)	(63,405)
Less: Loss for the year from discontinued operation	–	689
Loss for the purpose of basic and diluted loss per share from continuing operations	(179,285)	(62,716)

	2023 Number of share	2022 Number of share
Number of ordinary shares in issue for the purpose of calculating basic and diluted loss per share	5,292,515,390	5,292,515,390

For the year ended 31 December 2023 and 2022, the computation of diluted loss per share from continuing operations do not assume the exercise of the Company's share options because the assumed exercise would result in decrease in loss per share.

From continuing and discontinued operations

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

Loss figures are as follow:

	2023 HK\$'000	2022 HK\$'000
Loss for the purpose of basic and diluted loss per share	(179,285)	(63,405)

The denominator used are the same as those detailed above for both basic and diluted loss per share.

For the year ended 31 December 2023 and 2022, the computation of diluted loss per share from continuing and discontinued operations does not assume the exercise of the Company's share options because the assumed exercise would result in a decrease in loss per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

14. LOSS PER SHARE *(Continued)*

From discontinued operation

For the year ended 31 December 2022, basic loss per share from the discontinued operation is HK0.01 cent per share and diluted loss per share for the discontinued operation is HK0.01 cent per share, based on the loss for the year from the discontinued operation of approximately HK\$689,000 and the denominators detailed above for both basic and diluted loss per share.

15. DIVIDEND

No dividend was paid or proposed for ordinary shares of the Company during the year ended 31 December 2023 (2022: nil), nor has any dividend been proposed since the end of the reporting period (2022: nil).

16. INVESTMENT PROPERTIES

	HK\$'000
At 1 January 2022	579,155
Fair value loss, net	(55,449)
Exchange adjustments	(53,495)
At 31 December 2022	470,211
Fair value loss, net	(52,601)
Exchange adjustments	21,181
At 31 December 2023	438,791

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For the year ended 31 December 2023

16. INVESTMENT PROPERTIES *(Continued)*

The Group leases out offices and car parks under operating leases with rentals payable quarterly or monthly. The leases typically run for initial period of 2 to 10 years (2022: 2 to 10 years). The rental payment of leases of offices and car parks are fixed over the lease term.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes were measured using the fair value model and were classified and accounted for as investment properties. The above investment properties comprised industrial building and a carpark located in Hong Kong, held under medium-term leases, and office building in Scotland held on freehold.

The fair value of the Group's investment properties as at 31 December 2023 and 2022 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.

In determining the fair value of the properties, the independent qualified professional valuer determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent qualified professional valuer to perform the valuation. The chief financial officer of the Company works closely with the independent qualified professional valuer to establish the appropriate valuation techniques and inputs to the model.

In estimating the fair value of the investment properties, with valuation based on income approach, the highest and best use of the properties is their current use. The fair values of investment properties have been adjusted to exclude prepaid or accrued lease income to avoid double counting.

16. INVESTMENT PROPERTIES *(Continued)*

Hong Kong

The fair value of the investment properties located in Hong Kong as at 31 December 2023 and 2022 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. For the fair value of the industrial buildings with total carrying amount of HK\$54,900,000 (2022: HK\$60,100,000), the key unobservable input was the price per square foot, using market direct comparables and taking into account of location, age and other individual factors, which is ranged from \$4,516 to \$4,865 per square foot (2022: from \$5,031 to \$5,297 per square foot). The fair value of a car park of HK\$2,350,000 (2022: HK\$2,000,000) was based on recent transaction price. An increase in the price per square foot and price per car park would result in an increase in fair value measurement of the investment properties and vice versa.

Scotland

The fair values of the investment properties located in Scotland of HK\$381,541,000 (2022: HK\$408,111,000) as at 31 December 2023 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. The term yield, the reversionary yield and the market rental are considered as the key unobservable inputs with considerably more subjective management judgement and estimates.

Term yield is taking into account to the prime investment yield observed by the valuer for similar properties in the locality and adjusted based on the valuer's knowledge of the factors specific to the properties, which was 7.25% (2022: 6.5%) per annum.

Reversionary yield is taking into account to the prime investment yield observed by the valuer for similar properties in the locality and adjusted based on the valuer's knowledge of the factors specific to the properties, which was 7.75% (2022: 7%) per annum.

An increase in the term yield and reversionary yield used would result in a decrease in fair value of the investment properties, and vice versa.

Market rental is taking into account direct market comparable properties observed by the valuer in similar grade and location.

An increase in market rental used would result in an increase in fair value of the investment properties, and vice versa.

There were no transfer into or out of Level 3 during the year.

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17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Machinery and tools HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST					
At 1 January 2022	–	5,778	10,270	2,961	19,009
Exchange adjustments	–	–	(351)	–	(351)
Additions	–	–	105	–	105
At 31 December 2022	–	5,778	10,024	2,961	18,763
Exchange adjustments	(143)	(155)	159	(193)	(332)
Additions	172	254	344	–	770
Acquisition of a subsidiary (Note 34)	2,801	2,053	94	3,786	8,734
At 31 December 2023	2,830	7,930	10,621	6,554	27,935
DEPRECIATION AND IMPAIRMENT					
At 1 January 2022	–	5,778	7,586	2,961	16,325
Exchange adjustments	–	–	(88)	–	(88)
Provided for the year	–	–	630	–	630
At 31 December 2022	–	5,778	8,128	2,961	16,867
Exchange adjustments	(6)	(9)	85	(3)	67
Provided for the year	1,688	1,408	712	605	4,413
At 31 December 2023	1,682	7,177	8,925	3,563	21,347
CARRYING VALUES					
At 31 December 2023	1,148	753	1,696	2,991	6,588
At 31 December 2022	–	–	1,896	–	1,896

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For the year ended 31 December 2023

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold improvements	Shorter of lease terms or 20%
Machinery and tools	20% – 33 $\frac{1}{3}$ %
Furniture, fixtures and equipment	10% – 33 $\frac{1}{3}$ %
Motor vehicles	20% – 25%

At the end of the reporting period, certain property, plant and equipment are fully depreciated and still in use.

18. RIGHT-OF-USE ASSETS

	Leased Properties HK\$'000	
As at 31 December 2023		
Carrying amount		2,202
For the year ended 31 December 2023		
Depreciation charge		3,230
	Year ended 31/12/2023 HK\$'000	Year ended 31/12/2022 HK\$'000
Expense relating to short-term leases	371	376
Total cash outflow for leases	3,047	–
Additions to right-of-use assets	5,712	–

For year ended 31 December 2023, the Group leases office for its operation through acquisition of a subsidiary which is disclosed in note 34. Lease contract is entered into for fixed term of 3 years (2022: Nil). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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19. INTANGIBLE ASSETS

	Dealership Agreement
Cost	
At 1 January 2022, 31 December 2022 and 1 January 2023	–
Exchange realignment	(218)
Acquired on acquisition of a subsidiary (Note 34)	4,283
At 31 December 2023	4,065
AMORTISATION AND IMPAIRMENT	
At 1 January 2022, 31 December 2022 and 1 January 2023	–
Exchange realignment	(5)
Charge for the year	803
Impairment loss recognised	3,267
At 31 December 2023	4,065
CARRYING AMOUNT	
At 31 December 2023	–
At 31 December 2022	–

The above dealership agreement was entered from acquisition of a subsidiary which disclosed in note 34.

Impairment assessment

At 31 December 2023, the management of the Group reviewed the recoverable amount of the CGU, to which intangible assets with remaining carrying amounts of HK\$3,267,000. The recoverable amount of the CGU has been determined based on the value in use. The Group estimates the value in use of the CGU using cash flow forecasts covering the dealership period under the dealership agreement by adopting a pre-tax discount rate of 16.01%. Other key assumptions for the value in use calculation relate to the estimation of cash inflow/outflow which include budgeted sales and gross margin, such estimation is based on past performance and management's expectations for the market development. An impairment loss of HK\$3,267,000 has been recognised in profit or loss during the year.

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For the year ended 31 December 2023

20. INVESTMENT OF AN ASSOCIATE MEASURED AT FVTPL

	2023 HK\$'000	2022 HK\$'000
Investment of an associate measured at FVTPL	117,122	237,357

On 29 January 2020, the Group entered into a subscription agreement for subscription of 51,847,997 Series A Preferred Shares of Chime Biologics at a consideration of US\$32 million. The subscription was completed in February 2020. The principal activity of Chime Biologics 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 Chime Biologics and therefore the Group has the power to exercise significant influence over Chime Biologics and Chime Biologics becomes an associate of the Group.

Details of critical accounting judgement, estimation uncertainty and fair value measurements are set out in notes 4 and 39.

21. OTHER FINANCIAL ASSET AT FVTPL

In 2021, the Group entered into an agreement with 東莞市海柔智能科技有限公司 (“**Hai Robotics**”) to subscribe registered capital of RMB26,443 of Hai Robotics, representing 0.8386% of registered capital, at a consideration of RMB22,641,000 (equivalent to HK\$27,212,000). On same date, the Group entered into a trust agreement with another third party (the “**Trustor**”) and received a sum of RMB11,320,550 (equivalent to HK\$13,606,000) from the Trustor whereby the Trustor appointed the Group to hold on trust of RMB13,222 registered capital of Hai Robotics, representing 0.4193% of registered capital of Hai Robotics, at its original investment cost of RMB11,320,550 (equivalent to HK\$13,606,000) on behalf of the Trustor by the Group. Accordingly, after the trust arrangement, the Group holds 0.4193% of registered capital of Hai Robotics.

Pursuant to the relevant agreement, the Group shall be entitled to receive, an aggregate amount equal to 100% of the investment cost with 8% return per annum in compound interest, plus any declared and accrued by unpaid dividends thereon in case Hai Robotics fails to achieve a qualified initial public offering within six years from 22 September 2021.

Hai Robotics increased its registered capital with new capital injected from other third parties subsequent to the abovementioned subscription, and the equity interest of registered capital of Hai Robotics held by the Group changed to 0.3118%. A fair value gain on other financial asset at FVTPL of HK\$1,219,000 (2022: HK\$936,000) has been recognised in profit or loss for the year. As at 31 December 2023, the Group hold representing 0.3118% of registered capital of Hai Robotics at its fair value of HK\$15,308,000 (2022: HK\$14,486,000). The directors of the Company consider it is highly probable that the other financial asset could be disposed within 12 months after year end.

Details of fair value measurements are set out in note 39.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

22. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Spare parts	1,530	–
	1,530	–

23. TRADE AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Rent receivables	10,096	11,938
	10,096	11,938
Utility and rental deposits	804	130
Value-added tax receivables	1,173	–
Prepayment	3,896	1,681
Other receivables	4,024	124
	19,993	13,873
Less: Amount due more than one year shown under non-current assets	(7,589)	(9,558)
Amount shown under current assets	12,404	4,315

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 rental receivables. Rental income is received from tenants in Scotland and in Hong Kong on a quarterly basis and monthly basis, respectively. Included in the Group's rent receivables as at 31 December 2023 are (i) accrued rent receivables of HK\$7,660,000 over the rent free periods (2022: HK\$9,162,000); (ii) lease incentives paid of HK\$2,436,000 (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.

There is no past due trade and rent receivables as at 31 December 2023 (2022: nil). Details of impairment assessment of rent and other receivables are set out in note 39.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

24. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and carry variable-rate interest at market rates which range from 0.2% to 0.54% (2022: 0.01% to 0.25%) per annum.

Pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group. As at 31 December 2023, deposits amounting to HK\$5,545,000 (2022: HK\$1,498,000) had been pledged to secure short-term bank loans and undrawn short-term facilities and were therefore classified as current assets.

The Group's pledged bank deposits and bank balances and cash denominated in foreign currencies of the relevant group entities are as follows:

	2023 HK\$'000	2022 HK\$'000
USD	21	45
RMB	2	2
EUR	24	23
GBP	1	1

25. TRADE AND OTHER PAYABLES

Trade and other payables comprise amounts outstanding for trade purposes and daily operating costs. The average credit period on purchase of goods is 30 to 90 days. The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period.

	2023 HK\$'000	2022 HK\$'000
31 to 60 days	279	–
61 to 90 days	335	–
91 days to 1 year	280	38
Over 1 year	49	10
Trade payables	943	48
Accrued charges	2,583	3,647
Receipt in advance for rental income	7,411	5,517
Other payables	7,388	7,931
	18,325	17,143

Included in other payables represent an amount of HK\$5,059,000 (2022: HK\$5,114,000) refundable deposits to customers relating to discontinued Hong Kong car business.

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For the year ended 31 December 2023

26. BANK AND OTHER BORROWINGS

	2023 HK\$'000	2022 HK\$'000
Bank borrowing	29,067	30,586
Other borrowings	314,566	305,557
	343,633	336,143
Secured	286,554	331,094
Unsecured	57,079	5,049
	343,633	336,143
	2023 HK\$'000	2022 HK\$'000
Other borrowings		
Carrying amount repayable:		
Within one year	257,487	300,508
Within a period of more than one year but not exceeding two years	57,079	5,049
	314,566	305,557
Bank borrowing		
Carrying amounts that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	1,942	1,911
Within a period of more than one year but not exceeding two years	27,125	1,550
Within a period of more than two years but not exceeding five years	–	27,125
	29,067	30,586
Less: Amounts due within one year shown under current liabilities	(286,554)	(331,094)
	57,079	5,049
Amounts shown under non-current liabilities	57,079	5,049

As at 31 December 2023, other borrowing from a financial institution denominated in GBP amounting to HK\$257,487,000 (2022:HK\$300,508,000) is a secured, fixed-rate borrowing which bears interest rate at 8.5% (2022: 2.3%) per annum and repayable on the repayment date on 18 October 2024. The Group has a one-year extension option, subject to the fulfillment of certain conditions (mainly financial ratios) by the Group, with the satisfaction of the existing lender. The covenant requires the loan to value (the carrying amount of this relevant other borrowing to the carrying amount of the investment properties located in Scotland) does not exceed 75% at any time. The Group has complied with the covenants at 31 December 2023.

During the year ended 31 December 2023, a loan from a bank amounting to HK\$28,675,000 (2022: HK\$31,000,000) which was secured by an investment property in Hong Kong and pledged bank deposits. The loan carries interest at variable market rates of Hong Kong Interbank Offered Rate plus 2% per annum and is repayable in instalments over a period of 3 years and with a repayment on demand clause. During the year, the Group has repaid bank borrowing of HK\$1,550,000 (2022: HK\$775,000). The bank borrowing is subject to some covenants.

Notes to the Consolidated Financial Statements

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26. BANK AND OTHER BORROWINGS *(Continued)*

During the year ended 31 December 2023, the Group obtained an other borrowing of HK\$50,000,000 (2022: HK\$5,000,000) which is a fixed-rate borrowing with maturity date of initially 17 November 2024 and further extended to 17 April 2025 and bears interest rate at 9% per annum.

Details of the pledge of assets to secure the Group's bank and other borrowings were set out in note 37.

27. LOAN FROM A NON-CONTROLLING MEMBER OF A SUBSIDIARY

The loan from a non-controlling member of a subsidiary is an unsecured loan which will mature in October 2024 or after full repayment of the other borrowing of HK\$257,487,000, related to the financing of the acquisition of Dakota RE II in Scotland, whichever earlier, and carries interest at 10% per annum.

28. LOAN FROM A RELATED PARTY

During the year ended 31 December 2023, the Group obtained a loan of RMB10,000,000 from a related party which is interest free with maturity date on 12 February 2025.

29. LEASE LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Lease liabilities payable:	2,252	–
Less: Amount due for settlement within 12 months shown under current liabilities	(2,252)	–
Amount due for settlement after 12 months shown under non-current liabilities	–	–

The weighted average incremental borrowing rates applied to lease liabilities is 3.7% (2022: nil).

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For the year ended 31 December 2023

30. 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 extended the maturity date from original maturity date of three years until March 2024 to a further two years from March 2024 to March 2026 and carries interest at 8% per annum. The Group may redeem all or part of the promissory note at any time to the maturity date at 100% of the face value of the promissory note. During the year ended 31 December 2023, the Group has not repaid any principal (2022: HK\$17,000,000).

31. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.02 each:		
Authorised:		
At 1 January 2022, 31 December 2022 and 31 December 2023	17,500,000,000	350,000
Issued and fully paid:		
At 1 January 2022, 31 December 2022 and 31 December 2023	5,292,515,390	105,850

32. DEFERRED TAXATION

As at 31 December 2023, deferred tax liabilities (assets) represented the temporary differences associated with undistributed earnings of a PRC subsidiary and recognition of intangible assets, rights of use assets and lease liabilities arisen from acquisition of a subsidiary and which disclosed in note 34, and the movements during the current and prior years are:

	Intangible assets HK\$'000	Rights of use assets HK\$'000	Lease Liabilities HK\$'000	Withholding tax on undistributed profit HK\$'000	Revaluation of investment properties/ accrued rent receivables HK\$'000	Total HK\$'000
At 1 January 2022	-	-	-	1,445	837	2,282
Charged to profit or loss	-	-	-	-	(837)	(837)
At 31 December 2022	-	-	-	1,445	-	1,445
Acquisition of a subsidiary (note 34)	1,071	1,428	(1,169)	-	-	1,330
(Charged) credited to profit or loss	(1,018)	(484)	550	-	-	(952)
Exchange adjustments	(53)	(70)	56	-	-	(67)
At 31 December 2023	-	874	(563)	1,445	-	1,756

32. DEFERRED TAXATION *(Continued)*

At 31 December 2023, the Group had unused estimated tax losses of HK\$187,200,000 (2022: HK\$179,031,000) available for offset against future profits for continuing operations which is subject to agreement with the relevant tax authorities. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK\$11,517,000 (2022: HK\$2,507,000) with HK\$2,068,000, HK\$107,000, HK\$3,025,000 and HK\$6,317,000 expiry date in 2024, 2026, 2027 and 2028, respectively. Other losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of HK\$45,695,000 (2022: HK\$46,508,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

33. SHARE OPTION SCHEMES

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 certain conditions were 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.

Under the Expired Share Option Scheme, options were granted to certain Directors, employees and other eligible participants of the Company entitling them to subscribe for Shares of HK\$0.02 each in the capital of the Company.

At 31 December 2023, the number of shares in respect of which options had been granted and remained outstanding under the Expired Share Option Scheme was 222,700,000 (2022: 319,400,000) representing 4.21% (2022: 6.03%) of the shares of the Company in issue at that date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

33. SHARE OPTION SCHEMES (Continued)

The following table details and movements of the Company's share options granted under the Expired Share Option Scheme held by employees (including directors) during the two years ended 31 December 2023 and 2022:

Name or category of participants	Date of grant	Exercise price HK\$	Exercisable period	As at 1 January 2023	Granted during the year	Exercised during the year	Forfeited/ Lapsed during the year (Note 5)	As at 31 December 2023	Exercisable at 31 December 2023
Directors									
Mr Chong Tin Lung Benny	7.10.2020 (Note 3)	0.1754	27.7.2021 to 26.7.2025 (Note 2)	60,000,000	-	-	-	60,000,000	60,000,000
Mr Huang Zuie-Chin (resigned on 27 July 2023)	7.10.2020 (Note 3)	0.1754	27.7.2021 to 26.7.2025 (Note 2)	60,000,000	-	-	(60,000,000)	-	-
Mr Ng Siu Wai (resigned on 27 July 2023)	7.10.2020 (Note 3)	0.1754	27.7.2021 to 26.7.2025 (Note 2)	60,000,000	-	-	(18,000,000)	42,000,000	42,000,000
Mr Lin Chun Ho Simon	15.6.2017	0.0932	15.6.2018 to 14.6.2023 (Note 2)	18,700,000	-	-	(18,700,000)	-	-
	27.7.2020	0.1754	27.7.2021 to 26.7.2025 (Note 2)	30,000,000	-	-	-	30,000,000	30,000,000
Other eligible participants	27.7.2020	0.1754	27.7.2021 to 26.7.2025 (Note 2)	90,700,000	-	-	-	90,700,000	90,700,000
Total				319,400,000	-	-	(96,700,000)	222,700,000	
Weighted average exercise price (HK\$)				0.171	N/A	N/A	0.160	0.1754	

No share options were exercised during the year.

Notes to the Consolidated Financial Statements

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33. SHARE OPTION SCHEMES (Continued)

Name or category of participants	Date of grant	Exercise price HK\$	Exercisable period	As at 1 January 2022	Granted during the year	Exercised during the year	Forfeited/ Lapsed during the year (Note 4)	As at 31 December 2022	Exercisable at 31 December 2022
Directors									
Mr Chong Tin Lung Benny	7.10.2020 (Note 3)	0.1754	27.7.2021 to 26.7.2025 (Note 2)	120,000,000	-	-	(60,000,000)	60,000,000	42,000,000
Mr Huang Zuie-Chin	7.10.2020 (Note 3)	0.1754	27.7.2021 to 26.7.2025 (Note 2)	120,000,000	-	-	(60,000,000)	60,000,000	42,000,000
Mr Ng Siu Wai	7.10.2020 (Note 3)	0.1754	27.7.2021 to 26.7.2025 (Note 2)	120,000,000	-	-	(60,000,000)	60,000,000	42,000,000
Mr Lin Chun Ho Simon	15.6.2017	0.0932	15.6.2018 to 14.6.2023 (Note 2)	18,700,000	-	-	-	18,700,000	18,700,000
	27.7.2020	0.1754	27.7.2021 to 26.7.2025 (Note 2)	30,000,000	-	-	-	30,000,000	21,000,000
Other eligible participants	27.7.2020	0.1754	27.7.2021 to 26.7.2025 (Note 2)	97,000,000	-	-	(6,300,000)	90,700,000	67,900,000
Total				505,700,000	-	-	(186,300,000)	319,400,000	
Weighted average exercise price (HK\$)				0.172	N/A	N/A	0.1754	0.171	

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33. SHARE OPTION SCHEMES (Continued)

Notes:

- (1) The closing prices per share immediately before 27 July 2020 and 7 October 2020 (the dates on which the share options were granted) were HK\$0.172 and HK\$0.17 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**”):

Vesting Date	Percentage of Share Options to vest
First anniversary of the Date of Offer	40% of the total number of options
Second anniversary of the Date of Offer	30% of the total number of options
Third anniversary of the Date of Offer	30% of the total number of options

- (3) These share options are conditionally granted on 27 July 2020 and approved in the Company’s special general meeting on 7 October 2020.
- (4) 180,000,000 share options to directors were forfeited due to failure to achieve the performance targets and the remaining share options were forfeited due to termination of contract with a consultant during the year ended 31 December 2022.
- (5) 18,700,000 share options were lapsed due to expiry of exercisable period and 78,000,000 shares options were forfeited due to resignation as a director on 27 July 2023.

No other feature of the options granted was incorporated into the measurement of fair value.

During the year ended 31 December 2023, share-based payments expense of HK\$883,000 (2022: HK\$4,712,000) has been charged to profit or loss, net of reversal due to forfeited before vesting.

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34. 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). 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)
Satisfied by cash	11,836

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34. 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 year is HK\$13,016,000 attributable to the additional business generated by Wuhan Junyi. Revenue for the year includes HK\$15,839,000 generated from Wuhan Junyi.

Had the acquisition of Wuhan Junyi been completed on 1 January 2023, revenue for the year of the Group from continuing operations would have been HK\$18,387,000, and the loss for the year from continuing operations would have been HK\$6,702,000. 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.

35. RETIREMENT BENEFITS SCHEMES

Defined Contribution Plans

The relevant subsidiaries in Mainland China are required to make contributions to the state-managed retirement schemes in the PRC based on a specific percentage of the payroll costs of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The government in Mainland China is responsible for the pension liability to these retired staff.

In addition, the Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group and each employee employed in Hong Kong are required to make a contribution of 5% on the employees' monthly relevant income with a maximum monthly contribution of HK\$1,500.

For subsidiaries other than in Hong Kong and Mainland China, contributions are made to the defined contribution schemes by the Group at rates specified on the rules of the schemes at the relevant jurisdiction.

The total cost of HK\$272,000 (2022: HK\$123,000) recognised to profit or loss represents contributions payable to these schemes by the Group during the year.

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36. OPERATING LEASING ARRANGEMENT

The Group as lessor

Property rental income earned during the year was HK\$31,665,000 (2022: HK\$28,137,000). All of the properties held have committed tenants for the next seven (2022: eight) years.

Undiscounted lease payments receivable on leases are as follows:

	2023 HK\$'000	2022 HK\$'000
Within one year	25,285	25,885
In the second year	23,015	24,944
In the third year	20,773	23,708
In the fourth year	19,296	22,274
In the fifth year	14,268	22,274
After five years	8,544	26,574
	111,181	145,659

37. PLEDGE OF ASSETS

	2023 HK\$'000	2022 HK\$'000
Pledged bank deposits	5,545	1,498
Investment properties	438,791	470,211
	444,336	471,709

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38. RELATED PARTY TRANSACTIONS

In 2022, the Group entered into the following transaction with VMS Holdings Limited and VMS Securities Limited (“VMS Securities”), companies controlled by the substantial shareholder, Ms. Mak Siu Hang Viola, of the Company who has significant influence to the Company, as she held approximately 28.7% of the total number of issued shares of the Company, and Mr Chong Tin Lung Benny is a director of VMS Holdings Limited and VMS Securities and the Chairman of the Company. Besides, the Group entered into the following transactions with non-controlling shareholder of Wuhan Junyi during the year ended 31 December 2023.

	2023 HK\$'000	2022 HK\$'000
Purchase of automobiles (Note 1)	9,111	–
Sales of automobiles (Note 1)	(45)	–
Other expense paid by VMS Holdings Limited (Note 2)	–	4,493

The office premises of the Group in Hong Kong is provided by VMS Securities at nil (2022: nil) consideration during the year.

Note 1: Automobiles represent cars and auto parts.

Note 2: Other expense represents legal and professional fee paid by VMS Holdings Limited during the year in respect of the Acquisition which was subsequently terminated by a deed of termination dated 25 November 2022.

Compensation of key management personnel

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

	2023 HK\$'000	2022 HK\$'000
Fees	722	630
Salaries and other benefits	5,645	4,959
Share-based payments	1,116	3,556
Retirement benefits scheme contributions	51	36
	7,534	9,181

The remuneration of key management personnel is determined by the directors having regard to the performance of individuals and market trends.

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39. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2023 HK\$'000	2022 HK\$'000
Financial assets		
Amortised costs	31,746	44,467
Other financial asset at FVTPL	15,308	14,486
Investment of an associate measured at FVTPL	117,122	237,357
Financial liabilities		
Amortised costs	403,255	380,727

Financial risk management objectives and policies

The Group's financial instruments include investment of an associate measured at FVTPL, other financial asset at FVTPL, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, bank and other borrowings, loan from a non-controlling member of a subsidiary, loan from a related party and promissory note. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk

Currency risk

The group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies and have bank deposits/balances denominated in foreign currencies.

The Group currently does not have a foreign currency hedging policy. However, the management of the Company monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's major foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
USD	21	45	–	–
RMB	2	2	–	–
EUR	23	23	–	–
GBP	1	1	–	–

Sensitivity analysis

The sensitivity analysis in HK\$ against USD, RMB, EUR and GBP are not presented as the management considers that the exposure of currency risks arising from assets and liabilities denominated in USD, RMB, EUR and GBP are insignificant.

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bank borrowing, loan from a non-controlling member of a subsidiary, lease liabilities and promissory note. The Group's cash flow interest rate risk relates primarily to variable-rate bank balances and bank borrowing (2022: variable-rate bank balances and bank borrowing). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The sensitivity analysis of variable-rate bank balances and bank borrowing (2022: variable-rate bank balances and bank borrowing) are not presented as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances and bank borrowing is insignificant.

Other price risk

The Group is exposed to equity price risk through its investment of an associate measured at FVTPL and other financial asset measured at FVTPL. Investment of an associate measured at FVTPL represents unquoted preference shares of an investee operating in the provision of biologics contract development and manufacturing services sector in which the Group invested for long term strategic purposes which are measured at FVTPL. Other financial asset measured at FVTPL represents unquoted shares of an investee operating in the provision of robotic warehouse automation sector.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade and other receivables, bank balances and pledged bank deposits for the year ended 31 December 2023 and 2022.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade and other receivables

For trade and other receivables, the ECL on these assets are assessed individually for debtors on the recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance since initial recognition by the Group. The Group performs impairment assessment under 12m ECL model. As at 31 December 2023 and 2022, the Group assessed the ECL for trade and other receivables was insignificant as it is considered that the loss given default is minimal after assessing the counterparties' financial background and creditability. Thus no loss allowance was recognised.

Before accepting any new customer, the Group performed internal credit risk assessment procedures to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers were reviewed regularly. Other monitoring procedures were in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. To measure the ECL, trade receivables from contract with customers were assessed individually. As at 31 December 2023 and 2022, the Group does not have any trade receivable.

Pledged bank deposits and bank balances

Credit risk on pledged bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for pledged bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on pledged bank deposits and bank balances is considered to be insignificant.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Category	Description	Trade and rent receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	2023 Gross carrying amount HK\$'000	2022 Gross carrying amount HK\$'000
Financial assets at amortised cost						
Rent receivables	23	N/A	Low risk	12m ECL	10,096	11,938
Other receivables and deposits	23	N/A	(Note 1)	12m ECL	4,828	171
Pledge bank deposits	24	A3 (Note 2)	N/A	12m ECL	5,545	1,498
Bank balances	24	A1-A3 (Note 2)	N/A	12m ECL	21,373	42,798

Notes:

- For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition for other receivables. The entire balance for other receivable is not past due or has no fixed repayment terms.
- External credit ratings are sourced from international credit-rating agencies.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Meanwhile, the directors of the Company also assessed the going concern basis disclosed on Note 3 and are of the opinion that the Group will have sufficient funds to meet its financial obligations that will be due in the coming twelve months from 31 December 2023. The management of the Company monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from contracted interest rate at the end of the reporting period.

	Weighted average interest rate %	Less than 1 year or on demand HK\$'000	1 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 December 2023					
Trade and other payables	–	8,332	–	8,332	8,332
Bank borrowing	6.1	29,067	–	29,067	29,067
Other borrowings	8.6	274,302	61,401	335,703	314,566
Promissory note	8	2,200	30,206	32,406	29,700
Loan from a non-controlling member of a subsidiary	10	11,417	–	11,417	10,577
Loan from a related party	–	–	11,013	11,013	11,013
Lease liabilities	3.7	2,363	–	2,363	2,252
		327,681	102,620	430,301	405,507
As at 31 December 2022					
Trade and other payables	–	7,979	–	7,979	7,979
Bank borrowing	4.2	30,586	–	30,586	30,586
Other borrowings	2.4	303,692	5,351	309,043	305,557
Promissory note	8	2,200	28,006	30,206	27,500
Loan from a non-controlling member of a subsidiary	10	9,413	–	9,413	9,105
		353,870	33,357	387,227	380,727

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Bank borrowing with a repayment on demand clause is included in the “less than 1 year or on demand” time band in the above maturity analysis. As at 31 December 2023, the aggregate carrying amounts of the bank borrowing amounted to HK\$29,067,000 (2022: HK\$30,586,000). Taking into account the Group’s financial position, the management does not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. The management believes that such bank loan will be repaid three years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Maturity Analysis – Bank loan with a repayment on demand clause based on scheduled repayments				Carrying amount HK\$'000
	Less than 1 year HK\$'000	1–2 years HK\$'000	2–5 years HK\$'000	Total undiscounted cash outflows HK\$'000	
	As at 31 December 2023	3,307	27,659	–	
As at 31 December 2022	2,819	2,820	27,511	33,150	30,586

The amounts included above for variable interest rate instruments for financial liabilities is subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

Fair value measurements of financial instruments

Some of the Group’s financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages an independent qualified professional valuers to perform the valuation. The Chief Financial Officer works closely with the independent qualified professional external valuer to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the findings to the directors of the Company at each reporting period to explain the cause of fluctuations in the fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Fair value measurements of financial instruments (Continued)

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 as at 31 December 2023 and 2022

Financial assets	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
	2023 HK\$'000	2022 HK\$'000			
Other financial asset at FVTPL	15,308	14,486	Level 3	Investment cost plus accumulated return	Rate of return of 8% in compound interest (Note 3)
Investment of an associate measured at FVTPL	117,122	237,357	Level 3	Market approach and option model	Volatility of 47.5% (2022: 55%) (Note 1); equity value (Note 2); time to liquidity event (Note 3); and liquidation and conversion probability (Note 3)

Note:

The volatility and equity value is based on the volatilities and equity value of similar companies with assumptions of certain market conditions.

- (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 increase/decrease the fair value by HK\$100,000 (2022: HK\$3,904,000/HK\$3,123,000).
- (2) An increase in the equity value used in isolation would result in an increase in the fair value, and vice versa. 10% (2022: 10%) higher/lower in equity value holding all other variables constant would increase/ decrease the fair value by HK\$24,986,000/HK\$23,424,000 (2022: HK\$28,889,000).
- (3) No sensitivity is provided as the management of the Company considered that the impact arising from this input is insignificant.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Reconciliation of Level 3 fair value measurements of financial assets

	HK\$'000
Balance at 1 January 2022	264,210
Unrealised fair value change recognised to profit or loss	(11,594)
Exchange adjustments	(773)
Balance at 31 December 2022	251,843
Unrealised fair value change recognised to profit or loss	(119,372)
Exchange adjustments	(41)
Balance at 31 December 2023	132,430

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

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 consolidated financial statements approximate their fair values.

40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which represents bank and other borrowings, loan from a non-controlling member of a subsidiary, loan from a related party and promissory note, net with cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves. The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details change in the Group's liabilities arising from financing activities including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank and other borrowings (Note 26) HK\$'000	Loan from a related party (Note 28) HK\$'000	Loan from a non- controlling member of a subsidiary (Note 27) HK\$'000	Promissory note (Note 30) HK\$'000	Lease liabilities (Note 29) HK\$'000	Total HK\$'000
At 1 January 2022	334,529	–	9,205	44,500	–	388,234
Financing cash flows	27,114	–	–	(19,891)	–	7,223
Interest expenses	8,521	–	884	2,891	–	12,296
Exchange adjustment	(34,021)	–	(984)	–	–	(35,005)
At 31 December 2022	336,143	–	9,105	27,500	–	372,748
Arising from an acquisition of a subsidiary	–	–	–	–	4,676	4,676
Financing cash flows	(27,174)	11,604	–	–	(2,307)	(17,877)
Interest expenses	20,277	–	967	2,200	123	23,567
Exchange adjustment	14,387	(591)	505	–	(240)	14,061
At 31 December 2023	343,633	11,013	10,577	29,700	2,252	397,175

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows:

Name of company	Place of incorporation/ establishment/ operations	Class of shares held	Fully paid-up and issued/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
				2023	2022	
				%	%	
Corich Enterprises Inc.	BVI	Ordinary	USD100	100	100	Investment holding
Home Crown Enterprises Ltd.	BVI	Ordinary	USD1	100	100	Investment holding
Smart Apex Holdings Limited [#]	BVI	Ordinary	USD1	100	100	Investment holding
	United States	Common	USD122,672	100	100	Investment holding
	Hong Kong	Ordinary	HK\$100,000	100	100	Trading of cars and related accessories and provision of car repairing services
Auto Italia HK	Hong Kong	Ordinary	HK\$1	100	100	Trading of cars and related accessories and provision of car repairing services
Dakota RE II	BVI	Ordinary	GBP13,199	69.15	54.98	Property Holding
	Hong Kong	Ordinary	HK\$600,000	100	100	Investment holding
Rise Champ Limited	Hong Kong	Ordinary	HK\$1	100	100	Property holding
Technorient Limited	Hong Kong	Ordinary	HK\$46,168,700	100	100	Investment holding
勵快駿投資諮詢（上海）有限公司 [#]	PRC	N/A	HK\$1,000,000	100	100	Investment holding
Taine Holdings Limited	BVI	Ordinary	USD1	100	100	Provision of financial services

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of company	Place of incorporation/ establishment/ operations	Class of shares held	Fully paid-up and issued/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
				2023 %	2022 %	
Auto Italia (Finance) Limited	Hong Kong	Ordinary	HK\$1	100	100	Provision of financial services
Greenroot Investments Limited [#]	BVI	Ordinary	USD1	100	100	Investment holding
Elite Jumbo Limited ("Elite Jumbo")	BVI	Ordinary	USD1	100	100	Investment holding
Zone Key Limited [#]	BVI	Ordinary	USD1	100	100	Investment holding
Colour Path Global Limited	BVI	Ordinary	USD1	100	100	Investment holding
Rainbow Surplus Investments Limited	BVI	Ordinary	USD1	100	100	Investment holding
武漢駿意汽車銷售服務有限公司 ("Wuhan Junyi Cars Sales & Service Company Ltd")	PRC	N/A	RMB20,000,000	51	–	Trading of cars and related accessories and provision of after sales services

[#] These entities are directly held by the Company.

^{##} This entity is wholly foreign owned enterprises registered in PRC.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2023	2022	2023	2022	2023	2022
		%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Dakota RE II Limited*	BVI	30.85%	45.02%	(16,235)	(18,175)	40,668	65,753
<i>Non-wholly owned subsidiary of Dakota RE II Limited</i>							
Dakota Capella LLP	UK	7.25%	7.25%	(4,242)	(4,010)	1,641	3,108
Individually immaterial subsidiary with non-controlling interests				(6,135)	–	4,349	–
				(26,612)	(22,185)	46,658	68,861

* excluding non-controlling interests of Dakota RE II Limited's subsidiary

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts after intragroup eliminations.

Dakota RE II Limited and subsidiary

	2023 HK\$'000	2022 HK\$'000
Current assets	26,852	42,960
Non-current assets	400,600	416,676
Current liabilities	(275,863)	(316,813)
Non-current liabilities	–	–
Equity attributable to owners of the Company	109,280	73,962
Non-controlling interests of Dakota RE II Limited	40,668	65,753
Non-controlling interests of Dakota Capella LLP	1,641	3,108

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests
(Continued)

Dakota RE II Limited and subsidiary (Continued)

	Year ended 31/12/2023 HK\$'000	Year ended 31/12/2022 HK\$'000
Revenue	29,368	25,879
Expenses	(79,416)	(73,984)
Loss for the year	(50,048)	(48,105)
Loss attributable to owners of the Company	(29,571)	(25,920)
Loss attributable to the non-controlling interests of Dakota RE II Limited	(16,235)	(18,175)
Loss attributable to the non-controlling interests of Dakota Capella LLP	(4,242)	(4,010)
Loss for the year	(50,048)	(48,105)
Other comprehensive income (expense) attributable to owners of the Company	6,037	(8,987)
Other comprehensive income (expense) attributable to the non-controlling interests of Dakota RE II Limited	8,602	(11,449)
Other comprehensive income (expense) attributable to the non-controlling interests of Dakota Capella LLP	371	(895)
Other comprehensive income (expense) for the year	15,010	(21,331)
Total comprehensive expense attributable to owners of the Company	(23,534)	(34,907)
Total comprehensive expense attributable to the non-controlling interests of Dakota RE II Limited	(7,633)	(29,624)
Total comprehensive expense attributable to the non-controlling interests of Dakota Capella LLP	(3,871)	(4,905)
Total comprehensive expense for the year	(35,038)	(69,436)
Dividends paid to non-controlling interests of Dakota RE II Limited	–	–
Net cash inflow from operating activities	12,379	10,015
Net cash outflow from investing activities	(39)	(105)
Net cash outflow from financing activities	(33,025)	(7,135)
Net cash (outflow) inflow	(20,685)	2,775

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

43. EVENT AFTER THE REPORTING PERIOD

There are no material subsequent events after the end of the Reporting Period.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 HK\$'000	2022 HK\$'000
Non-current assets		
Unlisted investments in subsidiaries	64,707	64,707
Amounts due from subsidiaries	349,706	308,005
	414,413	372,712
Current assets		
Other receivables	750	514
Amounts due from subsidiaries	3,924	3,335
Pledged bank deposits	851	400
Bank balances and cash	3,166	1,851
	8,691	6,100
Total assets	423,104	378,812
Current liabilities		
Other payables	1,310	1,860
Amounts due to subsidiaries	83,434	83,580
Bank and other borrowings	29,067	30,586
Total liabilities	113,811	116,026
Total assets less current liabilities	309,293	262,786
Capital and reserves		
Share capital	105,850	105,850
Reserves (note)	146,364	151,887
Total equity	252,214	257,737
Non-current liabilities		
Bank and other borrowings	57,079	5,049
	309,293	262,786

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

Reserves of the Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 31 December 2021	265,726	2,151	21,819	46,396	(161,775)	174,317
Loss and total comprehensive expense for the year	-	-	-	-	(27,142)	(27,142)
Recognition of equity settled share-based payments, net	-	-	4,712	-	-	4,712
Transfer upon lapse of share options	-	-	(532)	-	532	-
At 31 December 2022	265,726	2,151	25,999	46,396	(188,385)	151,887
Loss and total comprehensive expense for the year	-	-	-	-	(6,406)	(6,406)
Recognition of equity settled share-based payments, net	-	-	883	-	-	883
Transfer upon lapse of share options	-	-	(7,520)	-	7,520	-
At 31 December 2023	265,726	2,151	19,362	46,396	(187,271)	146,364

FIVE-YEAR FINANCIAL SUMMARY

	2023	2022	2021	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Results					
Revenue	47,504	29,479	79,337	125,901	231,942
Loss for the year	(205,897)	(85,590)	(6,282)	(89,045)	(24,112)
Attributable to:					
Owners of the Company	(179,285)	(63,405)	(7,140)	(89,045)	(24,112)
Non-controlling interests	(26,612)	(22,185)	858	–	–
	(205,897)	(85,590)	(6,282)	(89,045)	(24,112)
Assets and liabilities					
Total assets	628,539	782,262	902,311	534,728	557,375
Total liabilities	(417,256)	(391,336)	(407,259)	(131,694)	(100,458)
Net assets	211,283	390,926	495,052	403,034	456,917
Equity attributable to:					
Owners of the Company	164,625	322,065	391,662	403,034	456,917
Non-controlling interests	46,658	68,861	103,390	–	–
Total equity	211,283	390,926	495,052	403,034	456,917

GLOSSARY OF TERMS

In this annual report, unless the context otherwise requires, the following expressions have the meanings as mentioned below:

“Acquisition”	the acquisition of the entire issued share capital of the Target Company by the Purchaser from the Vendor pursuant to the terms and the conditions of the Agreement;
“AGM”	the annual general meeting of the Company;
“Agreement”	the agreement dated 26 November 2021 entered into among the Purchaser and the Vendor in relation to the Acquisition;
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules;
“Audit Committee”	the audit committee of the Company;
“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“Bye-laws”	the bye-laws of the Company as amended, supplemented or otherwise modified from time to time;
“Capella”	the property known as Capella, 60 York Street, Glasgow, G2 8JX, United Kingdom;
“Car Division”	the business segment of the Group in respect of trading cars and related accessories;
“CBL”	Chime Biologics Limited, a company incorporated in British Virgin Islands with limited liability and which is an associate company of the Company;
“CDMO”	the contract development and manufacturing organisation;
“CG Code”	the Corporate Governance Code contained in Appendix C1 of the Listing Rules;
“Chief Executive Officer”	the chief executive officer of the Company;
“CODM”	the chief operating decision maker of the Company;

“Companies Act”	Companies Act 1981 of Bermuda (as amended), supplemented or otherwise modified from time to time;
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
“Company”	AUTO ITALIA HOLDINGS LIMITED, an exempted company incorporated in Bermuda with limited liability, whose Shares are listed on the main board of the Stock Exchange;
“Company Secretary”	the company secretary of the Company;
“Connected person”	has the same meaning as ascribed to it under the Listing Rules;
“Connected transaction”	has the same meaning as ascribed to it under the Listing Rules;
“Consideration Shares”	the consideration of HK\$960 million, which will be settled by way of allotment and issue to the Vendor 6,956,521,739 new Shares;
“Controlling shareholder”	has the same meaning as ascribed to it under the Listing Rules;
“COVID-19”	the novel coronavirus epidemic;
“CTF Automobile Group”	CTF Automobile and its subsidiaries;
“Director(s)”	the director(s) of the Company;
“ECL”	the expected credit loss;
“EIT Law”	the law of the PRC on enterprise income tax;
“ESG”	the environmental, social and governance;
“ESG Guide”	Environmental, Social and Governance Reporting Guide contained In Appendix C2 of the Listing Rules;
“EUR”	Euro, the lawful currency of European Union;
“Executive Chairman”	the chairman of the Board;
“Executive Director(s)”	the executive director(s) of the Company;
“Executive Directors’ Committee”	the executive directors’ committee of the Company;
“Expired Share Option Scheme”	adopted by the Company on 28 May 2012, expired on 27 May 2022;

Glossary of Terms

“Financial Investments and Services Division”	the business segment of the Group in respect of securities investment, financing and corporate finance services;
“Framework Agreement”	the agreement dated 17 February 2023 entered into between the Company and CTF Automobile in relation to the Automobile Purchases for the three years ending 31 December 2025;
“FVTOCI”	the fair value through other comprehensive income;
“FVTPL”	the fair value through profit or loss;
“GBP”	the Great British pound, the lawful currency of the United Kingdom;
“GEM”	GEM operated by the Stock Exchange under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKFRSs”	Hong Kong Financial Reporting Standards;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Non-executive Director(s)” or “INED(s)”	the independent non-executive director(s) of the Company;
“Latest Practicable Date”	22 March 2024;
“Life Science Investment Division”	the business segment of the Group in respect of life science investment;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time;
“Macau”	the Macau Special Administrative Region of the PRC;
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM;
“Maserati”	an Italian luxury vehicle manufacturer, was initially associated with Ferrari S.p.A., and currently owned by Stellantis N.V.;

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 of the Listing Rules;
“MOP”	Macau Pataca, the lawful currency of Macau;
“Nomination Committee”	the nomination committee of the Company;
“PRC” or “Mainland China” or “China”	The People’s Republic of China, which for the purpose of this report, excluding Hong Kong, Macau and Taiwan;
“Property Investment Division”	the business segment of the Group in respect of property investment;
“Purchaser”	Racing Time Limited, a company incorporated in British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company;
“Remuneration Committee”	the remuneration committee of the Company;
“Report”	the annual report of the Company for the year ended 31 December 2023;
“Reporting Period”	the reporting period for the year ended 31 December 2023;
“RMB”	Renminbi, the lawful currency of the PRC;
“RMTF”	the risk management taskforce;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Company;
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Code”	the stock code on the Main Board and GEM;
“Stock Exchange” or “HKEx”	The Stock Exchange of Hong Kong Limited;

Glossary of Terms

“Subsidiary”	has the same meaning as ascribed to it under the Listing Rules;
“substantial shareholder”	has the same meaning as ascribed to it under the Listing Rules;
“SWCS”	SWCS Corporate Services Group (Hong Kong) Limited, the company secretarial services provider;
“Target Company”	VMS Auto Italia Fin Services Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Vendor;
“US\$”	United States Dollars, the lawful currency of the United States of America;
“Vendor”	VMS Holdings Limited, a company incorporated in the British Virgin Islands and owned as to 92% by Ms. Mak Siu Hang Viola and 8% by VMS Management Partners Limited as per the announcement dated 26 November 2021;
“Vesting Date”	the date or each such date on which the Share Options are to vest;
“Vice-Chairman”	the vice chairman of the Board;
“VMSIG”	VMS Investment Group Limited, the substantial shareholder of the Company;
“Wuhan Junyi Acquisition”	the acquisition agreement with an independent third party in relation to the acquisition of 51% equity interest in Wuhan Junyi Cars Sales & Service Company Ltd for a total consideration of RMB10.2 million; and
“%”	per cent.