



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 2021





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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

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

Mr. LAM Chi Yan (resigned on 13 June 2021)

Mr HUANG Zuie-Chin

Mr NG Siu Wai

Mr. LIN Chun Ho Simon (appointed on 13 June 2021)

### Independent Non-executive Directors

Mr KONG Kai Chuen Frankie

Mr LEE Ben Tiong Leong

Mr TO Chun Wai

## BOARD COMMITTEES

### Audit Committee

Mr KONG Kai Chuen Frankie (*Chairman*)

Mr LEE Ben Tiong Leong

Mr TO Chun Wai

### Remuneration Committee

Mr TO Chun Wai (*Chairman*)

Mr CHONG Tin Lung Benny

Mr KONG Kai Chuen Frankie

Mr LEE Ben Tiong Leong

### Nomination Committee

Mr CHONG Tin Lung Benny (*Chairman*)

Mr KONG Kai Chuen Frankie

Mr LEE Ben Tiong Leong

Mr TO Chun Wai

### Executive Directors' Committee

Mr CHONG Tin Lung Benny (*Chairman*)

Mr. LAM Chi Yan (resigned on 13 June 2021)

Mr. LIN Chun Ho Simon (appointed on 13 June 2021)

## COMPANY SECRETARY

Ms KWONG Yin Ping Yvonne

## AUTHORISED REPRESENTATIVES

Mr CHONG Tin Lung Benny

Ms KWONG Yin Ping Yvonne

## REGISTERED OFFICE

Victoria Place, 5th Floor

31 Victoria Street

Hamilton HM10

Bermuda

## **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

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8 Connaught Place,  
Central, Hong Kong  
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## **PRINCIPAL BANKER**

China CITIC Bank International Limited

## **LEGAL ADVISORS**

### **As to Hong Kong Law**

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

## **STOCK CODE**

The Stock Exchange of Hong Kong Limited: 720

## **WEBSITE ADDRESS**

[www.autoitalia.com.hk](http://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 our Shareholders the annual report of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021.

With the complex domestic and international circumstances and the uncertainties from global geopolitical tensions, 2021 was another year full of challenges for many businesses around the world, and there was no exception to the Group. Amidst the ever-changing environment, we have continued our journey with our restructuring plan and our exploration for new opportunities.

This year, one of our focuses was on comprehensively reducing our operating costs and we are pleased that our conscientious efforts have been reflected in our performance. The Group recorded a significant decrease of consolidated loss attributable to owners of the Company of approximately HK\$7.1 million for the year ended 31 December 2021, as compared to the consolidated loss of approximately HK\$89.0 million for the year ended 31 December 2020.

In our Property Investment Division, the Company acquired additional equity interest in the associate company that owns an investment property in Glasgow in UK. This acquisition has made the associate become an indirect non-wholly owned subsidiary of the Company. We believe that the acquisition could bring long-term yield income and capital appreciation potential for our Shareholders.

While the COVID-19 pandemic continues to pose numerous challenges to many industries, the Group has seen opportunities in the field of biologics and life sciences. In 2020, our Life Science Investment Division was established to focus on investing in life sciences and healthcare industries. Led by an experience management team, we will continue to actively explore investment opportunities in the contract development and manufacturing organisation ("**CDMO**") value chain, including cell line development and chemically defined culture media development. As for the Group's Financial Investments and Services Division, due to the unpredictable factors from the global pandemic to the many geopolitical conflicts, we have adopted a cautious and prudent approach when conducting our financing business.

During the Reporting Period, there was an agreement (the "**Agreement**") entered into by the Group on 26 November 2021, of which the acquisition (the "**Acquisition**") contemplated thereunder constituted a very substantial acquisition and a reverse takeover for the Company under Chapter 14 of the Listing Rules. Racing Time Limited (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company and VMS Holdings Limited (the "**Vendor**") entered into the Agreement, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital of VMS Auto Italia Fin Services Holdings Limited (the "**Target Company**"). The Vendor is beneficially owned as to 92% by Ms. MAK Siu Hang Viola, the substantial shareholder of the Company who is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

## Chairman's Statement

The completion of the Acquisition has yet to take place pending the satisfaction or (as the case may be) waiver of a number of condition precedents. The Company is of the view that the Acquisition is in the interests of the Company and its Shareholders as a whole, as it is in line with the Group's strategy to diversify into the investment business, and it is also expected to significantly enlarge the Group's scale of operations, asset size, and foster sustainable growth of the Group and returns to our Shareholders. For details of the Acquisition, please refer to the announcement of the Company dated 26 November 2021.

Looking ahead, the macro environment is expected to remain challenging for the Group due to the unpredictable factors such as sporadic outbreaks of COVID-19 and its variants, ongoing geopolitical threats and upcoming interest rate hikes. Despite the recent surge in infections in Hong Kong that seriously disrupted a wide range of local economic activities which could pose a drag on the recovery, with the increase in vaccination across the city and the globe, the economy is expected to pick up gradually. The Group will continue to pay close attention to the effect of the lingering impact COVID-19 pandemic, which remains to be a major source of uncertainty. At the same time, the Group will continue striving to reduce our operating costs and identifying potential business opportunities to create greater value for the Group and its Shareholders in the long term perspective.

On behalf of the Board, I would like to express my gratitude to our Shareholders for their loyalty and support amidst the challenging times, as well as our customers, principals, suppliers and business partners for their continued engagement with the Group. I would also like to take this opportunity to extend my appreciation to my management team and the Group's employees for their continuing dedication and valuable contribution during a year full of uncertainties.

**CHONG Tin Lung Benny**

Executive Chairman & Chief Executive Officer

Hong Kong, 30 March 2022

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

#### *Property Investment Division*

For the investment in Capella Building (“**Capella**”), an office building in Glasgow, Scotland, the Group increased the equity interest in Dakota RE II Limited (“**Dakota**”) which indirectly holds 92.75% interest in the registered owner of Capella to 54.98% (2020: 27.49%) on 25 March 2021, by further investment of HK\$53.5 million through issuance of promissory note. After such acquisition, Dakota became a subsidiary of the Group.

For the year ended 31 December 2021, the Property Investment Division recorded a rental income of HK\$23.3 million for leasing the properties of the Group to third parties in Hong Kong and Scotland (2020: HK\$1.9 million). The increase of HK\$21.4 million rental income was mainly contributed by recognition of income derived from Capella after Dakota became a subsidiary of the Group during the year ended 31 December 2021.

#### *Financial Investments and Services Division*

As at 31 December 2021, the loan receivables narrowed to nil from HK\$21.6 million in 2020. Hence, the revenue of Financial Investments and Services Division for the year ended 31 December 2021 decreased to HK\$1.4 million (2020: HK\$3.2 million), representing a decrease of HK\$1.8 million.

#### *Car Division*

For the year ended 31 December 2021, the Car Division’s revenue decreased by 54.8% to HK\$54.6 million (2020: HK\$120.9 million). The business is treated as discontinued operation during the year ended 31 December 2021.

### Cost of Sales and Gross Profit

For the year ended 31 December 2021, gross profit decreased by HK\$13.2 million to HK\$29.2 million (2020: HK\$42.4 million). The decrease is mainly due to the adverse impact caused by the COVID-19 pandemic and close down of Maserati Dealership Business in April 2021.

Gross profit margin increased 3.1 percentage points to 36.8% (2020: 33.7%). The increase is mainly contributed by higher gross margin of Property Investment Division of 81.0%, which was mainly derived from Capella after Dakota became a subsidiary of the Group during the year ended 31 December 2021.

## Management Discussion and Analysis

### Other Income

For the year ended 31 December 2021, other income amounted to HK\$2.5 million (2020: HK\$13.3 million). The net decrease of HK\$10.8 million was mainly caused by decrease in commission income by HK\$2.4 million to HK\$1.6 million (2020: HK\$4.0 million) and non-recurrence of handling fee of HK\$1.2 million, forfeit deposit income of HK\$1.1 million and government subsidy of HK\$4.2 million.

### Other Gains and Losses and Impairment Losses, Net

Other gains and losses amounted to a net gain of HK\$7.0 million (2020: net loss of HK\$4.0 million) which mainly represented net fair value gain of investment properties of HK\$1.2 million (2020: loss of HK\$1.3 million), gain on lease modification of HK\$3.4 million (2020: Nil), fair value gain on investment of an associate measured at FVTPL of HK\$1.4 million (2020: loss of HK\$0.7 million), fair valuation gain on other financial asset at FVTPL of HK\$0.8 million (2020: Nil) and gain on disposal of property, plant and equipment of HK\$0.4 million (2020: loss of HK\$2.0 million).

For the year ended 31 December 2021, there is no impairment loss in respect of right-of-use assets (2020: HK\$16.2 million), goodwill (2020: HK\$2.5 million), and property, plant and equipment (2020: HK\$0.5 million).

### Selling and Distribution Costs and Administrative Expenses

Selling and distribution costs and administrative expenses in 2021 aggregated to HK\$27.3 million (2020: HK\$118.5 million), which accounted for 34.4% (2020: 94.1%) of revenue. The net decrease of HK\$91.2 million was mainly due to decrease in depreciation of right-of-use assets, depreciation of property, plant and equipment resulting from written off of right-of-use assets and property, plant and equipment of Car Division in 2020, reduced staff related cost and share-based payment, caused by our cost optimization and restructuring plan, upon acceptance of termination notice of the Maserati dealership during the year ended 31 December 2021.

### Finance Costs

Finance costs in 2021 were decreased to HK\$11.5 million (2020: HK\$13.6 million) which was mainly contributed by reduced bond interest expense by HK\$10.1 million to HK\$1.8 million (2020: HK\$11.9 million) since the bond principal decreased from HK\$60 million as at 31 December 2020 to nil as at 31 December 2021, partially offset by increase in interest expense of HK\$6.6 million (2020: Nil) incurred by the registered owner of Capella which has become a subsidiary of the Group during the year ended 31 December 2021 and interest of promissory note of HK\$2.9 million (2020: Nil).

### Life Science Investment

For the year ended 31 December 2021, CBL generated unaudited consolidated revenue of US\$21.5 million (2020: US\$14.7 million) and recorded unaudited consolidated operating losses of US\$14.6 million (2020: US\$7.8 million). At 31 December 2021, the fair value of this investment is HK\$249.5 million and represents around approximately 27.7% of the total assets of the Group. The Group presently intends to hold such investment as long-term investment.

### Loss Attributable to Shareholders

Loss attributable to shareholders of the Company for the year was HK\$7.1 million (2020: loss of HK\$89.0 million). The decrease in loss was mainly contributed by decrease in impairment loss of right-of-use assets, goodwill and property, plant and equipment for the Car Division, decrease in expenses, such as staff related cost, due to our cost optimization and reversal of share-based payment and increase in net fair value gain on investment properties.

### Liquidity and Financial Resources

#### Cash Flow

During the year ended 31 December 2021, the Group financed its operations and investments through cash generated from the Group's operations, as well as issuance of promissory note. We have made a net repayment (principal and interests) of bank borrowings of HK\$10.4 million, corporate bonds of HK\$64.3 million, promissory notes of HK\$11.9 million and other borrowings of HK\$5.8 million.

#### Cash and Cash Equivalents

As at 31 December 2021, the Group had cash and cash equivalents (including pledged bank deposits) of HK\$39.3 million as compared with HK\$72.5 million as at 31 December 2020, which were denominated in Pound Sterling (as to 70%), Hong Kong dollars (as to 26%) and Renminbi (as to 4%).

#### Bank and Other Borrowings and Corporate Bonds

As at 31 December 2021, the Group had bank and other borrowings, loan from a non-controlling member of a subsidiary, corporate bonds and promissory note totalling HK\$388.2 million (2020: HK\$72.8 million), all were repayable more than one year (2020: all were repayable within one year). The Group debt to equity ratio for the year ended 31 December 2021 increased to 78.4% from 18.1% for the year ended 31 December 2020 based on the total of bank and other borrowings loan from a non-controlling member of a subsidiary, corporate bonds and promissory note of HK\$388.2 million (2020: HK\$72.8 million) and total equity of HK\$495.1 million (2020: HK\$403.0 million).

The increase is mainly caused by other borrowings under the registered owner of Capella which has become a subsidiary of the Group during the year ended 31 December 2021.

## Management Discussion and Analysis

The promissory note have maturity of 3 years and carry interest at 8% per annum. For the year ended 31 December 2021, the Group incurred interest expense of HK\$2.9 million and repaid principal and interest of HK\$11.9 million, the remaining promissory note balance as at 31 December 2021 is HK\$44.5 million.

The other borrowings and loan from a non-controlling member of a subsidiary have maturity in May 2023 and carry interest at 2.3% and 10% per annum respectively. For the year ended 31 December 2021, the Group incurred interest expense of HK\$5.9 million and HK\$0.7 million and repaid interest of HK\$5.8 million and nil, respectively. The remaining loan balance as at 31 December 2021 are HK\$334.5 million and HK\$9.2 million respectively.

### *Loan Receivables*

During the year, the Group had engaged in financial investment and services business, which included the provision of loan financing. As at 31 December 2021, the Group did not have any outstanding secured loans lent to customers (31 December 2020: HK\$21.6 million).

### **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 weakness of the Pound Sterling over the period, a negative exchange difference arising on translation of foreign operations of approximately HK\$3.0 million was recorded during the year (2020: positive exchange difference of approximately HK\$0.5 million).

### **Pledge of Assets**

As at 31 December 2021, certain of the Group's property totaling HK\$517.2 million (2020: bank deposits and inventories totaling HK\$40.4 million) were pledged as securities for relevant borrowings.

## **CAPITAL EXPENDITURES, COMMITMENTS AND CONTINGENT LIABILITIES**

As at 31 December 2021 and 31 December 2020, the Group had no capital commitment and no significant contingent liabilities.

### EVENTS AFTER THE REPORTING PERIOD

On 26 November 2021, the Group entered into an agreement with VMS Holdings Limited in relation to the acquisition of the entire issued share capital of VMS Auto Italia Fin Services Holdings Limited, details of which are set out under the sections headed “Material Acquisitions” and “Connected Transaction” below. The acquisition constituted a very substantial acquisition and a reverse takeover for the Company under Chapter 14 of the Listing Rules, and the completion of the acquisition has yet to take place subject to the satisfaction or (as the case may be) waiver of a number of condition precedents.

As mentioned in the Company’s announcements dated 17 December 2021, 14 January 2022, 14 February 2022 and 14 March 2022 respectively, the Company is in the course of preparing the new listing application in relation to the reverse takeover. In view of the preparatory works in progress and subject to factors including but not limited to the development of the COVID-19 outbreak and any due diligence issues identified during the process, the Company currently expects to submit the new listing application, and the first proof of the draft circular in relation to, among other things, the very substantial acquisition and the reverse takeover to the Stock Exchange in April 2022.

Save as disclosed above, there are no significant events subsequent to the end of the Reporting Period.

### HUMAN RESOURCES AND CHARITY

As at 31 December 2021, the Group employed a total of 7 employees in Hong Kong. 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 2021 amounted to HK\$12.3 million (2020: HK\$52.7 million), which comprised fixed compensation such as basic salaries and allowances; variable incentives such as commission, 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 due to our cost optimization and net reversal of the share-based payment of HK\$3.6 million recognised (2020: expense of HK\$24 million).

Due to the continued spread of the COVID-19 pandemic during 2021, we have highly maintained various pandemic control measures to ensure our employees and customers can stay safe, such as sanitize regularly touchpoints at offices and common areas, mandatory wearing masks and maintain social distancing, allow work from homes and staggered lunch hours, etc.

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.

In this unprecedented challenge caused by the COVID-19 pandemic, the Group continues to make contributions to local communities through donations.

### LITIGATION

On 31 December 2020, the Group commenced legal proceedings against Maserati S.p.A. ("**Maserati**") as defendant, for wrongful purported termination of dealership agreement in reliance on a purported "Importership and Distributorship Agreement" allegedly signed on 1 October 2018 (the "**Proceedings**").

As announced on 16 April 2021, having considered (i) the substantial time and costs to be involved in pursuing the Proceedings and the associated litigation risk; (ii) the increasingly challenging business environment which has been adversely affecting the Maserati car dealership business (the "**Dealership Business**"); and (iii) the unsatisfactory performance of the Dealership Business in recent years, the board of directors of the Company (the "**Board**") came to the decision that the Group had no option but to accept the termination notice of the Maserati dealership notified by Maserati on 28 October 2020 (the "**Acceptance of Termination**"), with a view to reallocating and focusing its resources to develop the Group's other principal businesses, namely financial investments and services, life sciences investment and property investment. The Dealership Business was terminated on 26 April 2021. As at the date of this report, pursuant to negotiations between Maserati and the Group, the disputes have been settled and resolved out of court and the Group will not be proceeding with the litigation.

### 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 property in Hong Kong, the Group managed to extend the lease for an additional 2 years with the tenant commencing on 1 June 2021 and expiring on 31 May 2023 with an 8% increase in rent despite the challenging economic environment.

Subsequent to our further investment of approximately HK\$53.5 million in March 2021, the Group currently holds 54.98% equity interest in Dakota Capella LLP, which in turn holds 92.75% interest in Capella, an office building located at 60 York Street, Glasgow, G2 8JX, United Kingdom. As the Group is now a controlling shareholder of the investment property, the financial results will be consolidated into the financial results of the Group.

As at 31 December 2021, approximately 93% of the total net internal area of Capella is subject to various tenancy agreements at a total rental of approximately GBP2.9 million per annum with the latest expiry date in February 2030 and a weighted average unexpired lease term to expiry of 6.28 years.

### Financial Investments and Services

As a result of the COVID-19 pandemic outbreak which has impacted the global economic outlook, the US Federal Reserve continued the adoption of easing policy and market interest rates stayed low with adverse impact on investment return of interest-bearing assets. The financial market became more volatile amidst the pandemic situation and elevated Sino-US political and trade disputes.

Faced with the aforementioned challenging operating environment, the Group has continued to adopt a prudent and cautious approach to balance the return and risk of the financing activities. During the year, the Financial Investments and Services Division recorded a revenue of HK\$1.4 million (2020: HK\$3.2 million). As at 31 December 2021, the Group did not have any outstanding secured loan lent to customer.

### Life Sciences Investment

In February 2021, CBL, an associate company of the Group, entered into a convertible bond purchase agreement with VMS Group and Fidelity International (collectively, the “**CB Investors**”) in relation to the proposed issuance of certain convertible bonds by CBL to the CB Investors. To the best of the knowledge of the Directors, the ultimate beneficial owner of VMS Group is Ms Mak Siu Hang Viola, who is a substantial shareholder of the Company. On 19 March 2021, CBL issued the first tranche of convertible bonds due 2024 to the CB Investors in the aggregate principal amount of US\$105 million. On 23 September 2021, CBL issued the second tranche of convertible bond due 2024 to VMS Group in the aggregate principal amount of US\$65 million. The proceeds of the convertible bonds will be mainly used for the expansion of Good Manufacturing Practices (“**GMP**”) manufacturing capacity from 9,000 litres to over 24,000 litres at the operating site of the CBL in Wuhan’s BioLake Biotech Industry Development Zone. The new second GMP facility (GMP-2) will include expanded drug substance capacity with 8 x 2000 litres GMP mammalian cell culture production lines. In addition, lyophilization and prefilled syringes (“**PFS**”) fill & finish drug product lines will add to CBL’s integrated manufacturing capability. The expanded capacity and capability will increase flexibility to scale between early-stage and late-stage production.

In May 2021, CBL announced that they have been selected by Humanigen, Inc. (Nasdaq: HGEN), a clinical-stage biopharmaceutical company in the United States, as a manufacturing partner for ex-US supply of lenzilumab. Currently, lenzilumab is being evaluated by US Food and Drug Administration and United Kingdom’s Medicines and Healthcare Products Regulatory Agency for the treatment of patients hospitalized with COVID-19.

In August 2021, CBL announced the construction of GMP-2 facility and expected to be ready for GMP manufacturing at the end of 2022. The protein science and formulation platforms are also upgraded and expanded, to better support process development, characterization and qualification, to deliver clinical and commercial projects compliant with global standards on time and within budget.

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

## Management Discussion and Analysis

### Maserati

As announced on 16 April 2021, the Board have considered (i) the substantial time and costs to be involved in pursuing the legal proceedings against Maserati for wrongful purported termination of dealership agreement in reliance on a purported "Importership and Distributorship Agreement" allegedly signed on 1 October 2018 and the associated litigation risk; (ii) the increasingly challenging business environment which has been adversely affecting the Dealership Business; and (iii) the unsatisfactory performance of the Dealership Business in recent years, the Board has made a decision that the Group has no option but to accept the Acceptance of Termination, with a view to reallocating and focusing its resources to develop the Group's other principal businesses, namely financial investments and services, life sciences investment and property investment. The Dealership Business was terminated on 26 April 2021.

During the year, the Maserati business delivered 74 new vehicles to customers (2020: 110) included Levante GranSport, Levante Trofeo, Ghibli, Quattroporte, GranTurismo MC and GranCabrio MC. The Group also provided certain aftersales service for our customers until 26 April 2021 to show our business commitment.

### OUTLOOK

Taking into consideration the economic uncertainties owing to the COVID-19 pandemic, the macro environment looks set to remain challenging for the Group. The Group will keep monitoring the effect that could be caused by the COVID-19 on the business operations and financial position of the Group. The Group will continue to identify potential business opportunities with the aim of bringing long-term enhancement of value to our shareholders.

### MATERIAL ACQUISITION

During the Reporting Period, there was an agreement (the "**Agreement**") entered into by the Group on 26 November 2021, of which the acquisition (the "**Acquisition**") contemplated thereunder constituted a very substantial acquisition and a reverse takeover for the Company under Chapter 14 of the Listing Rules. Racing Time Limited (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company and VMS Holdings Limited (the "**Vendor**") entered into the Agreement, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital of VMS Auto Italia Fin Services Holdings Limited (the "**Target Company**") for 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 (the "**Consideration Shares**") at the issue price of HK\$0.138 per Consideration Share. The completion of the Acquisition has yet to take place pending the satisfaction or (as the case may be) waiver of a number of condition precedents. Upon completion of the Acquisition, the Company will hold the entire issued share capital of the Target Company through the Purchaser and the Target Company and its subsidiaries will become subsidiaries of the Company.

The Vendor is beneficially owned as to 92% by Ms. MAK Siu Hang Viola, the substantial shareholder of the Company who is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

For details of the Acquisition, please refer to the announcement of the Company dated 26 November 2021.

# DIRECTORS PROFILES

## EXECUTIVE DIRECTORS

### Mr CHONG Tin Lung Benny

*Executive Director, Executive Chairman and Chief Executive Officer*

**Mr CHONG Tin Lung Benny**, aged 49, 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 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 HUANG Zuie-Chin

*Executive Director*

**Mr HUANG Zuie-Chin** (also known as James Z. Huang), aged 56, has been appointed as an Executive Director of the Company with effect from 27 July 2020. Mr Huang has become a director of Chime Biologics Limited since February 2020. Mr Huang is a managing partner of Kleiner Perkins Caufield & Byers China. He joined that firm in June 2011 and focuses on the firm's life sciences practice. His main investment interests are innovation around China's growing healthcare markets and helping entrepreneurs build companies. Mr Huang has made more than 15 relevant investments in China since 2007. Mr Huang is also the founding managing partner of Panacea Venture since 2017, it is a venture capital focusing on investments in innovative and transformative early and growth stage healthcare and life sciences companies worldwide. Mr Huang was previously a managing partner at Vivo Venture between 2007 and June 2011, he has more than 20 years' working experience with various pharmaceutical and biotech companies as an executive. Mr Huang has been a director of JHL Biotech Inc since January 2013, the shares of which were listed on the Emerging Stock Market of the Taipei Exchange from September 2015 to February 2018. He was also a nonexecutive director of Genscript Biotech Corporation (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, Stock Code: 1548) from August 2015 to January 2018. Mr Huang is currently chairman of the board at Windtree Therapeutics, Inc. (NASDAQ: WINT), and a director of each of CASI Pharmaceuticals, Inc. (NASDAQ: CASI) and Alaunos Therapeutics (NASDAQ: ZIOP). Mr Huang obtained a Bachelor of Science in Chemical Engineering from the University of California, Berkeley in 1988. He obtained a Master of Business Administration from Stanford Graduate School of Business in 1992.

## Directors Profiles

### **Mr NG Siu Wai**

*Executive Director*

**Mr NG Siu Wai**, aged 38, has been appointed as an Executive Director of the Company with effect from 27 July 2020. Mr Ng has become a director of Chime Biologics since February 2020. Mr Ng has become the head of healthcare investment of VMS Group since May 2017, a managing director of VMS Group since March 2018 and has over 13 years of experience in the healthcare industry across Asia and the United States. Mr Ng has established the healthcare practice of VMS Group in 2017 and has led many growth-stage investments for VMS Group across the therapeutics, diagnostics, medical device and contract research organisation (CRO) and contract development and manufacturing organisation (CDMO) verticals. Mr Ng was a non-executive director at New Horizon Health Limited (a company listed on the Main Board of the Stock Exchange, Stock Code: 6606) from May 2019 to June 2021.

Prior to that, Mr Ng served as an analyst and an associate consultant in ZS Associates in the United States, advising global pharmaceuticals on sales and marketing strategy and operations from 2007 to 2010. Between September 2011 and April 2016, Mr Ng served in a number of positions at Barclays Capital Asia Limited, including as an associate and then a vice president of the investment banking division and a lead analyst of China healthcare equity research, providing investment banking and corporate finance advisory service mainly to healthcare companies in the Asia Pacific region. Mr Ng joined a buy-side firm as a vice president from 2016 to 2017.

Mr Ng obtained a Bachelor of Sciences in Operations Research & Engineering and a Master of Engineering in Operations Research & Information Engineering from Cornell University in 2007. Subsequently in 2011, he obtained a Master of Business Administration from Institut Européen d'Administration des Affaires (INSEAD).

### **Mr. LIN Chun Ho Simon**

*Executive Director*

**Mr. LIN Chun Ho Simon**, aged 44, 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.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### **Mr KONG Kai Chuen Frankie**

*Independent Non-executive Director*

**Mr KONG Kai Chuen Frankie**, aged 58, 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.

### **Mr LEE Ben Tiong Leong**

*Independent Non-executive Director*

**Mr LEE Ben Tiong Leong**, aged 60, has been appointed as an Independent Non-executive Director of the Company with effect from 27 February 2015. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr Lee is currently the Managing Partner of IGamiX Management & Consulting Ltd., based in Macau, as well as CEO of Strategic Gaming Solutions Inc, based in Saipan. He is widely acknowledged as one of the region's experts on the Asian gaming market and is a regularly invited speaker at major gaming conferences all around the world. Mr Lee is a multi-skilled senior gaming executive with particular focus on Asian marketing in the gaming space. With extensive gaming experience all over Asia and Australia, Mr Lee spent the last 18 years covering/uncovering new gaming projects around Asia-Pacific and is currently consulting to numerous companies on the latest developments in the region. Mr Lee was awarded a Master of Business Administration and a Postgraduate Diploma in Management Studies from the University of Melbourne in 2000 and 1997, respectively. Mr Lee was also awarded a Graduate Diploma in Japanese from Swinburne University of Technology in 1991 and a Bachelor of Economics from Monash University in 1985.

## Directors Profiles

### **Mr TO Chun Wai**

*Independent Non-executive Director*

**Mr TO Chun Wai**, aged 66, 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, 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) and ISP Holdings Limited (formerly known as Synergis Holdings Limited) (a company listed on the Main Board of the Stock Exchange, Stock Code: 2340). 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.

# DIRECTORS' REPORT

The Directors present this Report and audited consolidated financial statements of the Group for the financial year ended 31 December 2021.

## 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 2021, 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 pages 4 to 6 and "Management Discussion and Analysis" on pages 7 to 14 of this Report respectively. These discussions form part of this Directors' Report.

## Financial key performance indicators

	2021 HK\$'000	2020 HK\$'000	Change percentage
Total Revenue	<b>79,337</b>	125,901	-36.98%
Loss before taxation	<b>(4,137)</b>	(90,698)	95.44%
Bank and other borrowings, corporate bonds, loan from a non-controlling member of a subsidiary, promissory note	<b>388,234</b>	72,811	433.21%
Equity attributable to owners of the Company	<b>391,662</b>	403,034	-2.82%
Loss per Share – Basic	<b>(HK0.13 cent)</b>	(HK1.70 cent)	92.35%
Loss per Share – Diluted	<b>(HK0.13 cent)</b>	(HK1.70 cent)	92.35%
Dividend per Share	<b>0</b>	0	0%
Dividend pay-out ratio	<b>0%</b>	0%	0%
Debt-to-equity ratio	<b>78.4%</b>	18.1%	333.15%

## Possible Risks and Uncertainties

Description of possible risks and uncertainties are provided in the sections headed "Chairman's Statement" on pages 4 to 6, "Management Discussion and Analysis" on pages 7 to 14 and "Corporate Governance Report – Risk Management and Internal Control" on pages 43 to 45, respectively.

### Compliance with Laws and Regulations

As at 31 December 2021 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. However in 2021, staff activities were suspended due to the COVID-19 outbreak.

### 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 by-law, 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 50 to 71 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 its network of authorized dealers. These standards are also audited by them regularly and we strictly comply with.

## Awards

The Group was being awarded a Social Caring Pledge Logo, this logo is awarded by Social Enterprise Research Institute because of our continuous contribution in "Energy Conservation" and "Community Volunteers". The Social Caring Pledge is a voluntary agreement about harnessing enterprises towards social responsibility and care. The purpose of Social Caring Pledge is to ensure public confidence that all people and entities who need care and support services will always be treated with dignity and respect.

The Group has also being awarded the Caring Company Logo 2021/22, launched by The Hong Kong Council of Social Service. This is the fourth time the Group was awarded the Caring Company Logo. 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 pages 4 to 6 and "Management Discussion and Analysis" on pages 7 to 14, 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 2021 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 78 to 178 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 179.

### 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 of the Company dated 21 December 2018 is available on the Company's website at [www.autoitalia.com.hk](http://www.autoitalia.com.hk).

The Board considered the below factors in relation to the payment of the dividends for the year ended 31 December 2021:

- (i) the financial results of the Company for the year end 31 December 2021;
- (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.

## DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil). No interim dividend was paid during the year ended 31 December 2021 (2020: Nil).

## ANNUAL GENERAL MEETING

The forthcoming AGM will be held on Wednesday, 25 May 2022. For further details of the AGM, please refer to the notice of AGM, which will be dispatched 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 18 May 2022. The register of members of the Company will be closed from Thursday, 19 May 2022 to Wednesday, 25 May 2022 (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 Scheme" 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 2021 are set out in the consolidated statement of changes in equity on page 82 and page 178 of this Report respectively.

## DISTRIBUTABLE RESERVES

The Company's reserves available for distributions to Shareholders as at 31 December 2021 comprised the Share premium, Share option reserve plus accumulated losses with an aggregate amount of approximately HK\$125,770,000 (2020: HK\$165,007,000).

### **PROPERTY, PLANT AND EQUIPMENT**

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2021 are set out in note 17a 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\$2,000 (2020: HK\$20,620).

### **BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS**

Details of the Group's borrowings are set out in note 26, 27, 29, 30 to the consolidated financial statements. No interest was capitalized by the Group during the year.

### **MAJOR CUSTOMERS AND SUPPLIERS**

The Group's five largest suppliers accounted for 97.8% of the Group's purchases during the year, 54.1% being attributable to the largest supplier. The percentage of turnover attributable to the Group's five largest customers is less than 26.9% 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**

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 2021. 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 2021.

## 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

Mr LAM Chi Yan (resigned on 13 June 2021)

Mr HUANG Zuie-Chin

Mr NG Siu Wai

Mr LIN Chun Ho Simon (appointed on 13 June 2021)

### Independent Non-executive Directors

Mr KONG Kai Chuen Frankie

Mr LEE Ben Tiong Leong

Mr TO Chun Wai

In accordance with Bye-law 99, Mr KONG Kai Chuen Frankie and Mr LEE Ben Tiong Leong shall retire from office by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

In accordance with Bye-law 102, Mr LIN Chun Ho Simon shall retire and, being eligible, offer themselves 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.

### **BIOGRAPHIES OF DIRECTORS**

Biographical details of the Directors of the Company are set out on pages 15 to 18 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 2021, 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 2021 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 2021, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO; or are required, pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange are as follows:

### Long positions in the shares of the Company

Name of Director	Capacity	Number of ordinary shares held	Approximate Percentage of issued ordinary shares <sup>(Note 1)</sup>
Mr CHONG Tin Lung Benny ("Mr Chong")	Beneficial owner	51,891,000 <sup>(Note 2)</sup>	0.98%
Mr LIN Chun Ho Simon ("Mr Lin")	Beneficial owner	2,377,500 <sup>(Note 3)</sup>	0.04%

#### 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 2021.
- Mr Chong is beneficially interested in 51,891,000 ordinary shares of the Company.
- Mr. Lin is beneficially interested in 2,377,500 ordinary shares of the Company.

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

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

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

Note:

The percentage of shareholding is calculated on the basis of the total number of issued ordinary shares of Chime Biologics of 236,182,295 shares as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, 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 2021, 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 2021, 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 "Material Acquisition" and "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 Scheme", at no time during the year ended 31 December 2021 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 2021, 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)	Number of Shares	Approximate % of the total number of issued Shares <sup>#</sup>
Gustavo International Limited	304,725,000 <i>(Note)</i>	5.76%
Maini Investments Limited	304,725,000 <i>(Note)</i>	5.76%
VMSIG	1,519,016,472 <i>(Note)</i>	28.70%
Ms MAK Siu Hang Viola	1,519,016,472 <i>(Note)</i>	28.70%

<sup>#</sup> Based on the total issued Shares of 5,292,515,390 at 31 December 2021.

Note:

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

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

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

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

Save as disclosed above, as at 31 December 2021, 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 SCHEME**

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

The purpose of the Share Option Scheme is to provide incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any invested entity.

Under the Share Option Scheme, the Board may at their discretion grant options to the following participants of the Company, its subsidiaries and any company in which the Group holds any equity interest, to subscribe for Shares in the Company:

1. eligible employees, including Directors; or
2. suppliers or customers; or
3. any person or entity that provides research, development or other technological support; or
4. Shareholders; or
5. employees, partners or directors of any business partners, joint venture partners, financial advisers and legal advisers.

Options granted to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be approved by the INEDs (excluding any INED who is a grantee of the options).

## SHARE OPTION SCHEME *(Continued)*

The total number of Shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the issued share capital of the Company from time to time. The total number of Shares which may be issued upon exercise of all options granted under the Share Option Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 10% of the issued Share capital of the Company at the adoption date of the Share Option Scheme without prior approval by the Shareholders.

Since the Shareholders approved to refresh the 10% limit on grant of Share options under the Share Option Scheme at the 2015 AGM on 20 May 2015, as at 31 December 2021 the total number of Shares available for issue under the Share Option Scheme is 339,777,839 Shares which represents 6.42% of the issued Share capital of the Company as at the date of this Report. The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total issued Share capital of the Company, without prior approval by the Shareholders.

Options granted to a substantial shareholder of the Company or an Independent Non-executive Director, or any of their respective associates, under the Share Option Scheme and any other share option schemes of the Company would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in any 12-month period in aggregate in excess of 0.1% of the Company's issued Share capital and with an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million must obtain prior approval from the Shareholders.

Options granted must be taken up within 28 days of the date of grant upon payment of HK\$1.00 per each grant of options. The exercise period of the options granted under the Share Option Scheme shall be determined by the Board when such options are granted, provided that such period shall not end later than 6 years from the date of grant.

The subscription price is determined by the Board and will not be lower than the higher of (i) the closing price of the Company's Shares as stated in the Stock Exchange's daily quotations sheets on the date of grant, which must be a trading day, (ii) the average closing price of the Company's Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant, and (iii) the nominal value of a Company's Share.

The Share Option Scheme is valid and effective for a term of ten years commencing from 28 May 2012.

## Directors' Report

### SHARE OPTION SCHEME (Continued)

Details of the movement in outstanding Share Options, which have been granted under the Share Option Scheme, during the year ended 31 December 2021 were as below:

Name or category of participants	Date of grant	Exercise price (HK\$)	Exercisable Period	As at 1 January 2021	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year (Note 3)	As at 31 December 2021
<b>(a) Directors</b>								
Mr CHONG Tin Lung Benny	07/10/2020	0.1754	27/07/2021 to 26/07/2025 (Note 2)	300,000,000	-	-	(180,000,000)	120,000,000
Mr LAM Chi Yan (resigned on 13 June 2021)	15/06/2017	0.0932	15/06/2018 to 14/06/2023 (Note 2)	18,700,000	-	(18,700,000)	-	-
Mr HUANG Zuie-Chin	07/10/2020	0.1754	27/07/2021 to 26/07/2025 (Note 2)	300,000,000	-	-	(180,000,000)	120,000,000
Mr NG Siu Wai	07/10/2020	0.1754	27/07/2021 to 26/07/2025 (Note 2)	240,000,000	-	-	(120,000,000)	120,000,000
Mr LIN Chun Ho Simon (appointed on 13 June 2021)	15/06/2017	0.0932	15/06/2018 to 14/06/2023 (Note 2)	18,700,000	-	-	-	18,700,000
	27/07/2020	0.1754	27/07/2021 to 26/07/2025 (Note 2)	30,000,000	-	-	-	30,000,000
<b>(b) Employees in aggregate</b>	20/04/2015	0.3510	20/04/2016 to 19/04/2021 (Note 2)	260,000	-	-	(260,000)	-
<b>(c) Other eligible participants</b>								
Business associates	15/06/2017	0.0932	15/06/2018 to 14/06/2023 (Note 2)	60,000,000	-	-	(60,000,000)	-
Consultants of the Group (the "Consultants")	27/07/2020 (Note 4)	0.1754	27/07/2021 to 26/07/2025 (Note 2)	97,000,000	-	-	-	97,000,000
<b>Total</b>				1,064,660,000	-	(18,700,000)	(540,260,000)	505,700,000

## SHARE OPTION SCHEME (Continued)

Notes:

- (1) The closing prices per Share immediately before 20 April 2015, 15 June 2017, 27 July 2020 and 7 October 2020 (the dates on which the Share options were granted) were HK\$0.335, HK\$0.093, HK\$0.172 and HK\$0.170 respectively.
- (2) Share options granted under the Share Option Scheme on 20 April 2015, 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 an employee, failure to achieve the performance targets and cancellation of share options of the Business associates 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.

## CONNECTED TRANSACTION

During the Reporting Period, there was an Agreement entered into by the Group on 26 November 2021, of which the Acquisition contemplated thereunder constituted a very substantial acquisition and a reverse takeover for the Company under Chapter 14 of the Listing Rules. The Purchaser, an indirect wholly-owned subsidiary of the Company and the Vendor entered into the Agreement, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital of the Target Company for the Consideration Shares at the issue price of HK\$0.138 per Consideration Share. The completion of the Acquisition has yet to take place pending the satisfaction or (as the case may be) waiver of a number of condition precedents. Upon completion of the Acquisition, the Company will hold the entire issued share capital of the Target Company through the Purchaser and the Target Company and its subsidiaries will become subsidiaries of the Company.

The Vendor is beneficially owned as to 92% by Ms. MAK Siu Hang Viola, the substantial shareholder of the Company who is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

For details of the Acquisition, please refer to the announcement of the Company dated 26 November 2021.

In addition, the Company and its subsidiaries entered into a transaction in the ordinary course of business and on normal commercial terms which was connected transaction, the details of which is set out in the heading under "Related Party Transactions" of note 38 to the consolidated financial statements. The transaction is a de minimis transaction pursuant to Chapter 14A of the Listing Rules and is fully exempt from the reporting, announcement, circular and independent shareholders' approval requirement pursuant to Rule 14A.76 of the Listing Rules.

## Directors' Report

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 connected transaction 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 2021.

### **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 2021, 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, 30 March 2022

# CORPORATE GOVERNANCE REPORT

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 CG Code Provisions throughout the year ended 31 December 2021, except for the deviation of CG Code Provision A.2.1 (which has been renumbered as Code Provision C.2.1 since 1 January 2022) 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 10 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 2021, 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 seven members, of whom four are Executive Directors and three are INEDs.

Directors who held office during the year and up to the date of this Report are:

### Executive Directors

Mr CHONG Tin Lung Benny

Mr LAM Chi Yan (resigned on 13 June 2021)

Mr HUANG Zuie-Chin

Mr LIN Chun Ho Simon (appointed on 13 June 2021)

Mr NG Siu Wai

### Independent Non-executive Directors

Mr KONG Kai Chuen Frankie

Mr LEE Ben Tiong Leong

Mr TO Chun Wai

### 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 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](http://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 2021, the Board had considered and approved the annual results of the Company for the year ended 31 December 2020; the re-election of retiring Directors and the matters to be considered at the annual general meeting of the Company held on 26 May 2021; the re-appointment of auditor of the Company; the appointment of Executive Director; the renewal of service agreement of Executive Director; the renewal of letter of the INED; the interim results of the Company for the period ended 30 June 2021; and the very substantial acquisition and connected transaction.

According to CG Code Provision A.2.7 (which has been renumbered as Code Provision C.2.7 since 1 January 2022) of the CG Code, the Executive Chairman held meeting with the INEDs without the presence of other directors during the year.

### Chairman and Chief Executive Officer

CG Code Provision A.2.1 (which has been renumbered as Code Provision C.2.1 since 1 January 2022) 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. 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 four Executive Directors (including Mr CHONG Tin Lung Benny) and three Independent Non-executive Directors who offer advices and views from different perspectives. Moreover, the Audit Committee has been provided with sufficient resources to perform its duties, including obtaining outside legal or other independent professional advice when it considers necessary. The Company shall nevertheless review the structure from time to time in light of the prevailing circumstances.

### **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 CG Code Provision A.4.2 (which has been renumbered as Code Provision B.2.2 since 1 January 2022) 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. All Directors have participated in continuous professional development to develop and refresh their knowledge and skills in their roles as Directors pursuant to CG Code Provision A.6.5 (which has been renumbered as Code Provision C.1.4 since 1 January 2022) of the CG Code. Attendance to any professional courses recognized 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., are recognised by the Company for this purpose. The Directors are also provided with materials from time to time to keep afresh of the latest legal and regulatory changes to enable them to discharge their duties.

During the year ended 31 December 2021 and up to the date of this Report, all the Directors, namely Mr CHONG Tin Lung Benny, Mr HUANG Zuie-Chin, Mr NG Siu Wai, Mr LIN Chun Ho Simon, Mr KONG Kai Chuen Frankie, Mr LEE Ben Tiong Leong and Mr TO Chun Wai, 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](http://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 and Mr TO Chun Wai, 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 2021 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 terms of reference of the Audit Committee was revised and updated on 21 December 2018. It is available on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.autoitalia.com.hk](http://www.autoitalia.com.hk). The terms of reference have included the duties set out in CG Code Provision C.3.3 (which has been renumbered as Code Provision D.3.3 since 1 January 2022) (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; and 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 2021, 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 2021; considered the re-appointment of auditor of the Company; reviewed the audited accounts and annual results announcement for the year ended 31 December 2020; reviewed the interim report and the interim results announcement for the six months ended 30 June 2021; 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; and reviewed the compliance of the relevant Listing Rules and accounting policies in relation thereto.

### Remuneration Committee

The members of the Remuneration Committee comprise Mr TO Chun Wai, Mr KONG Kai Chuen Frankie and Mr LEE Ben Tiong Leong, 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 terms of reference of the Remuneration Committee was revised and updated on 21 December 2018. It is available on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.autoitalia.com.hk](http://www.autoitalia.com.hk). The terms of reference of the Remuneration Committee were adopted with reference to the CG Code, including the specific duties set out in CG Code Provision B.1.2 (which has been renumbered as Code Provision E.1.2 since 1 January 2022) (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 2021, 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 and the director's remuneration of the appointment of Executive Directors.

#### **Nomination Committee**

The members of the Nomination Committee comprise Mr CHONG Tin Lung Benny, one of the Executive Directors, Mr KONG Kai Chuen Frankie, Mr LEE Ben Tiong Leong and Mr TO Chun Wai, all of whom are INEDs. 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 terms of reference of the Nomination Committee was revised and updated on 21 December 2018. It is available on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.autoitalia.com.hk](http://www.autoitalia.com.hk). The terms of reference of the Nomination Committee have included the duties set out in CG Code Provision A.5.2 (which has been renumbered as Code Provision B.3.1 since 1 January 2022) (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 two meetings. During the year 2021, 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 annual general meeting of the Company in 2021; the review of the structure, size and composition of the Board; the review of Board diversity policy and nomination policy; and the appointment of Executive Director.

## **BOARD COMMITTEES** *(Continued)*

### **Executive Directors' Committee**

The members of the Executive Directors' Committee comprise Mr CHONG Tin Lung Benny, Mr LAM Chi Yan (resigned on 13 June 2021) and Mr LIN Chun Ho Simon (appointed on 13 June 2021), 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 terms of reference of the Executive Directors' Committee was revised and updated on 21 December 2018. It is available on the website of the Company at [www.autoitalia.com.hk](http://www.autoitalia.com.hk).

The principal duties of the Executive 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 registers of the Company in relation to such issue and allotment of Shares.

During the year, the Executive Directors' Committee had conducted twelve meetings. During the year 2021, the Executive Directors' Committee had considered and approved the change of members of Executive Directors' Committee; Change of banks' account of authorized signatories; Supplemental loan agreement; Proposed investment; Opening bank account; redemption of promissory note and 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](http://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.

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 perspectives, 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.

The Board diversity policy of the Company was revised and updated on 21 December 2018. It is available on the website of the Company at [www.autoitalia.com.hk](http://www.autoitalia.com.hk).

#### BOARD AND COMMITTEES MEETINGS

The Board held meetings five times in 2021. The attendances of individual Director at these Board meetings and Board Committees' meetings held in 2021 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	2/2	12/12
Mr LAM Chi Yan (resigned on 13 June 2021)	3/3	N/A	N/A	N/A	7/7
Mr HUANG Zuie-Chin	5/5	N/A	N/A	N/A	N/A
Mr NG Siu Wai	5/5	N/A	N/A	N/A	N/A
Mr LIN Chun Ho Simon (appointed on 13 June 2021)	2/2	N/A	N/A	N/A	5/5
<i>INEDs:</i>					
Mr KONG Kai Chuen Frankie	5/5	2/2	2/2	2/2	N/A
Mr LEE Ben Tiong Leong	5/5	2/2	2/2	2/2	N/A
Mr TO Chun Wai	5/5	2/2	2/2	2/2	N/A

### CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance duties as required under CG Code Provision D.3.1 (which has been renumbered as Code Provision A.2.1 since 1 January 2022) 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 2021, 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 72 to 77 of this Report.

During the year of 2021, the auditor had performed audit and non-audit services and their remuneration in respect of audit and non-audit services is HK\$1.18 million and HK\$0.47 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.

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 AND INTERNAL CONTROL** *(Continued)*

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.

To further enhance control awareness, the Group has also approved launching a whistleblowing policy for our stakeholders to raise any concerns about possible improprieties in any matter related to the Group. The whistleblowing policy of the Company was adopted on 22 October 2019. It is available on the website of the Company at [www.autoitalia.com.hk](http://www.autoitalia.com.hk).

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.

#### **Procedures and internal controls for the handling and dissemination of inside information**

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

#### Effective Communication

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

At the last annual general meeting of the Company, 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.

The Company held an annual general meeting and a SGM in 2021. The attendance of individual Director at the general meetings held in 2021 is set out in the table below:

Name of Directors	Number of annual general meeting attended/held	Number of SGM attended/held
<i>Executive Directors:</i>		
Mr CHONG Tin Lung Benny	1/1	1/1
Mr LAM Chi Yan (resigned on 13 June 2021)	1/1	1/1
Mr HUANG Zuie-Chin	1/1	1/1
Mr NG Siu Wai	1/1	1/1
Mr LIN Chun Ho Simon (appointed on 13 June 2021)	N/A	N/A
<i>INEDs:</i>		
Mr KONG Kai Chuen Frankie	1/1	1/1
Mr LEE Ben Tiong Leong	1/1	1/1
Mr TO Chun Wai	1/1	1/1

Pursuant to CG Code Provision E.1.2 (which has been renumbered as Code Provision F.2.2 since 1 January 2022) of the CG Code, the Company invited representatives of the auditor of the Company to attend the annual general meeting of the Company convened on 26 May 2021 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 annual general meeting of the Company held on 26 May 2021.

## COMMUNICATION WITH SHAREHOLDERS *(Continued)*

### 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 registered office of the Company at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda for the attention of the Board and the Company Secretary of the Company, 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.

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 annual general meeting of the Company 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 annual general meeting 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.

## COMMUNICATION WITH SHAREHOLDERS *(Continued)*

### Shareholders' Right *(Continued)*

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.

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 registered office of the Company:
  - (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 registered office of the Company, an annual general meeting 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.

## COMMUNICATION WITH SHAREHOLDERS *(Continued)*

### 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.

### Constitutional Documents

There was no change to the Company's constitutional documents during the year of 2021. 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](http://www.hkexnews.hk) and the website of the Company at [www.autoitalia.com.hk](http://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 annual general meeting and special general meetings, 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 annual general meeting.

## 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. 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 2021.

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 27 – 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 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 2021 (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, financing, cars and accessories trading, and car repairing service businesses in Hong Kong, which represent the key geographical and operational segments of the Group, in the Reporting Period. It should be noted that the discontinuation of our car dealership business on 26 April 2021 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.

**Data Quantification:** Quantitative information with comparative data, where appropriate, are provided and discussed 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

### Environmental Protection

Compared to 2020, in 2021 we achieved:

Petrol Consumption **-58%**

Electricity Consumption **-67%**

Scope 1 & 2 GHG Emission  
**-65%**

### Employee Development

**100%** of all  
employees trained

**15.4** Average  
training hours per  
employee

### 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 is not limited to the followings:

- Establishing long-terms ESG goals and missions of the Group;
- Evaluating, prioritizing, 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 provided with sufficient resources by the Board of Directors and is authorized 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 (updates in HKEX Appendix 27) 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 environmentally-friendly measures in order to reduce the emissions and harm to the environment. 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. Please refer to the "RISK MANAGEMENT AND INTERNAL CONTROL" section of the Company's "CORPORATE GOVERNANCE REPORT" for details of the 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 was 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"> <li>• Corporate website</li> <li>• Client service hotline</li> <li>• Client experience survey</li> <li>• Client meetings</li> </ul>
2	Employees 	<ul style="list-style-type: none"> <li>• Internal emails and publications</li> <li>• Meetings and briefings</li> <li>• Training</li> <li>• Employee activities</li> </ul>
3	Suppliers and Business Partners 	<ul style="list-style-type: none"> <li>• Business meeting</li> <li>• Regular audit</li> <li>• Trainings</li> </ul>
4	Investors and Stockholders 	<ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Annual and Interim Reports</li> <li>• Press release and announcements</li> </ul>
5	Government and Supervising Authorities 	<ul style="list-style-type: none"> <li>• Public consultation</li> </ul>
6	Social Groups and Public 	<ul style="list-style-type: none"> <li>• Charitable activities</li> </ul>
7	Media 	<ul style="list-style-type: none"> <li>• Press release</li> </ul>

## 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 undiscussed issues that are of importance to the Group.
Assessment of the issues	Regarding opinions of the stakeholders, the management of the Group (“ <b>the Management</b> ”) 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 summarized in this ESG Report.

As a result of the materiality assessment, the summary of material ESG issues of the Group is listed below:

	Material ESG issues	ESG Guide Reference:
<b>Social</b>	Customer Services	Aspect B6: Product Responsibility
	Data Privacy	Aspect B6: Product Responsibility
	Products and Services Responsibility	Aspect B6: Product Responsibility
	Employment Practices	Aspect B1: Employment
	Supplier Practices	Aspect B5: Supply Chain Management
	Anti-Corruption and Money Laundering	Aspect B7: Anti-corruption
	Staff Training	Aspect B3: Development and Training
	Workplace Health and Safety	Aspect B2: Health and Safety
	Anti-Child and Forced Labour	Aspect B4: Labour Standards
Community Engagement	Aspect B8: Community Investment	
<b>Environment</b>	Air Emissions	Aspect A1: Emissions
	Waste Management	Aspect A1: Emissions
	Carbon Footprints	Aspect A1: Emissions
	Resources Conservation	Aspect A2: Use of Resources
	Other Significant Environmental Impacts	Aspect A3: The Environment and Natural Resources
	Climate Resilience	Aspect A4: Climate Change

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.

### B) SOCIAL

#### Aspect B6:

##### **Customer Services**

The Group is committed to providing high quality service for our customers. We strictly adhere to the service guidelines as set out by the auto makers which conduct stringent and routine audits to the Group to ensure the service quality is up to standard.

We have established the "Customer Satisfaction Survey" to understand customer experience in our operation locations. Customers are welcome to score and comment on our services in the survey. The results are reported to the Management for performance evaluation of staff members. Customers' complaints are followed up by the Management to enhance the service quality. We continue to review and improve our sales processes in order to prevent occurrence of undesirable service delivery in the future.

Our product managers provide regular product training to our sales and marketing team in order to keep them updated with the latest product information as well as the service standards.

##### **Data Privacy**

The Group respects data privacy of stakeholders including staff, customers and suppliers. 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. Data Protection Principles from the Personal Data (Privacy) Ordinance are applied to our business operations. The general 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 service and data privacy-related laws in this Reporting Period.

### B) SOCIAL *(Continued)*

#### Aspect B6: *(Continued)*

##### **Products and Services Responsibility**

The Group is responsible for its products and services, and emphasizes on sales ethics. The Group does not engage in 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.

We adhere to product and service, and data privacy-related law and regulations, such as 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 product and services, or data privacy-related laws and regulations were noted.

##### **Quality assurance process and recall procedures**

The after sales service department is responsible for quality assurance process and recall procedures. Pre-delivery inspection would be performed by the staff in the after sales service department before delivering the motor vehicle to the customer in order to ensure the quality has met the standard and no suspicious issues are present. The recall procedures had been established to govern the product recall procedures. Once any recall activities occurred, the Group would mail the recall announcement to the customer.

No products sold were subjected to recalls for safety and health reasons and no cases of complaints were noted during this Reporting Period.

##### **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, and 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 B1:

##### **Employment Practices**

We believe our employees are one of the most valuable asset 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 life insurance, and mandatory provident fund are provided for employees. We also place heavy emphasis on training and development opportunities as well as social activities for all of our employees. In addition, we have implemented the "Family-friendly Employment Practices" to help our employees balance the responsibilities of their work and families. Our Family-friendly Employment Practices include flexible work arrangements, family recreational activities and special leaves such as compassionate leave, living support 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 emphasize equal employment and career development opportunities too all of our employees.

As a responsible employer, we are also committed to complying with all local labour laws such as the Employment Ordinance and Minimum Wage Ordinance. Our internal department monitors 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.

### B) SOCIAL *(Continued)*

#### Aspect B5:

##### **Supplier Practices**

Our suppliers are well-known luxury auto makers with refined craftsmanship. Their products adhere to high production standards and therefore have gained high reputation for their exceptional quality. Furthermore, the local suppliers selected by the Group are required to comply with the auto makers' quality standards in order to fulfil the dealership responsibilities. These guarantee the quality of our products.

During this Reporting Period, The Group had a total of 30 major suppliers that were directly related to the Group's core operations in investment properties, financing, cars and accessories trading, and car repairing service businesses. Out of which 27 were located in Hong Kong, 2 in Macau and 1 in Italy. It should be noted the figures above do not include minor suppliers such as those providing selling, marketing and administrative office supplies.

In addition to the quality aspect, sustainable considerations are an equal focus in The Group's supply chain management and supplier engagement process. 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 better 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 is 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 follow the Group's policy regarding corporate social responsibility in all material aspects at all times. Suppliers that fail to fully comply with our standards and requirement is subjected to removal and dissociation in business relationships and future opportunities.

During this Reporting Period, all major suppliers that were selected are monitored in accordance with the above practices during our supplier engagement and improvement process.

### B) SOCIAL *(Continued)*

#### Aspect B7:

##### ***Anti-Corruption and Money Laundering***

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 this 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.

Online anti-corruption trainings were provided during this Reporting Period, to members of The Group with accordance to the Staff Code of Conduct and anti-corruption training materials produced by the Independent Commission Against Corruption of the Government of the Hong Kong Special Administrative Region covering topics on business ethics.

The Group's whistleblowing policy adopted in October of 2019 established multiple whistle-blowing communication channels for all staff to report suspicions on fraudulent actions to the Management directly. Whistleblowers should generally approach the company's acting Chief Financial Director (the "CFO") directly to initiate a thorough investigation, should concerns be raised involving the CFO whistleblowers 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 then reviewed by the Audit Committee before making recommendations going forward to the board of directors of the company. The Group upholds the highest standards in protecting its whistleblowers from any form of retaliation.

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

No cases of non-compliance with 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.

**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 in-house training, seminars, workshops, regular sharing sessions and on-the-job coaching is provided to our staff on a regular basis. We believe that these could help 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.

In addition to training support offered by the Group, our principal's headquarter has a dedicated training centre for dealer staff which includes not only product training, but also client management training such as customer relationship management and mystery shopper.

By the time of reporting, existing employees in all job titles and gender received appropriate amount of relevant training during this Reporting Period.

**Aspect B2:**

***Workplace Health and Safety***

Health and safety standards are a priority in our 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.

### B) SOCIAL *(Continued)*

#### Aspect B3: *(Continued)*

##### **Workplace Health and Safety** *(Continued)*

Regarding the outbreak of COVID-19, the ESG taskforce is continuously monitoring the most up-to-date situations of infection cases and its impact on the health of our employees and operations of the businesses. The Group has established the following precautionary measures to mitigate this pandemic risk:

- Requirement of wearing surgical face masks in workplace at all times;
- 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;
- Maintenance of social distancing at all times;
- Daily cleaning of workplace; and
- Implementation of flexible working policy.

These precautionary 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 showed and will continue to show our resilience to meet challenges, ensuring business continuity and serving the interests of our stakeholders.

In the past three years (including this Reporting Period), there were 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 were noted during this Reporting Period.

### B) SOCIAL (Continued)

#### 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 and 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.

#### Aspect B8:

##### **Community Engagement**

In an effort of pursuing social commitment, we are dedicated to meeting the expectations of our stakeholders, including but not limited to shareholders, customers, business partners and employees. We aim at achieving mutually beneficial situation 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 effect of community participation. During the Reporting Period, the Group joined the following charity event:

- The charity Donation organized by the Suicide Prevention Services.

##### **Emphasis on Health & Wellbeing**

The Group recognizes that its staff is one of our most important assets, which directs our focus to health & wellbeing. In 2021, we have implemented a variety of pandemic control measures to improve the safety of our employees and customers. (Please refer to **Workplace Health & Safety** for more info)

Following the core value on health & 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 the COVID-19 pandemic, continue to identify opportunities to contribute to our local community charity events through active participation and ultimately play an impactful role in improving health & wellbeing for everyone around us.

## A) ENVIRONMENT

### Aspect A1:

Being the exclusive dealer of world-class premium auto brand in Hong Kong, The Group delivered cars of supreme quality to consumers to satisfy their needs and enjoyment. Good environment attributes to the enjoyment of driving. 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 2021, The Group had achieved an absolute emission reduction of 65% for its Scope 1 & 2 emissions from 2020. The Group now seeks to maintain its carbon emission levels and continue to implement 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.

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

### **Air Emissions**

The major source of air emissions is the vehicles used for customer test drive, parts delivering and towing of cars. During this Reporting Period, the emissions of the Group were as follows:

Types of emission <sup>1</sup>	Unit	2021	2020
Nitrogen oxides ("NOx")	kilogram	6.85	14.86
Sulphur oxides ("SOx")	kilogram	0.16	0.37
Particular matter ("PM")	kilogram	0.50	1.09

As compared to 2020, the decrease of emissions of NOx, SOx and PM of the Group was mainly caused by the reduction in consumption of fuel by vehicles and an overall reduction in vehicles.

To further control emissions from existing vehicles, we centralized 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 the 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 government for excessive emission of our vehicles and no cases of non-compliance with violation of Air Pollution Control Ordinance or with environmental laws and regulations were noted in this Reporting Period.

<sup>1</sup> 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)*

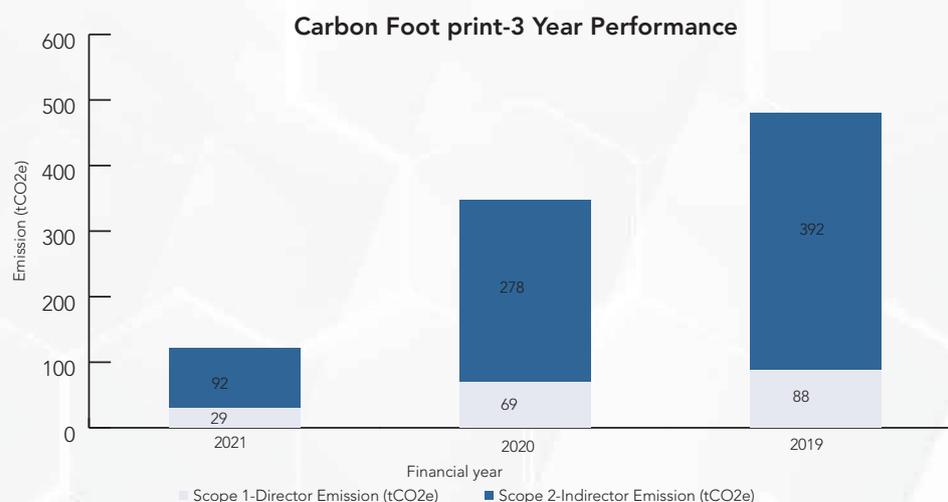
**Aspect A1:** *(Continued)*

**Carbon Footprint**

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.

The Group identifies two major emission hotspots, the top emission hotspot being electricity, which covers around 79% in 2020 (665,238 kWh) and 76% in 2021 (220,401 kWh) of our total carbon footprint, followed by petrol use which covers around 20% in 2020 (25,464 litres) and 24% in 2021 (10,641 litres) of our total carbon footprint. We have converted our energy usage to GHG emissions in the form of Scope 2 indirect emissions using the latest emission factor provided by our suppliers and Scope 1 direct emissions following HKEX's guidelines, the results are as follows:

	Unit	2021	2020
Direct GHG emissions (Scope 1)	tonnes of CO2 equivalent (tonnes CO2e)	<b>28.81</b>	68.95
Indirect GHG emissions (Scope 2)	tonnes CO2e	<b>91.77</b>	278.03
GHG emission Intensity (Scope 1 & 2)	tonnes CO2e per HKD 1 million of revenue	<b>2.08</b>	2.80



In 2021, we have reduced our total Scope 1 and Scope 2 emission by 65%, electricity consumption by 67% and petrol consumption by 58%. Most of the reduction incurred is attributed to the major changes in our business operation in 2021, nonetheless our group will continue identifying emission hotspots and allocate sufficient focus in emission reduction measures.

## A) ENVIRONMENT *(Continued)*

### Aspect A1: *(Continued)*

#### Waste Management

##### Wastes

The Group is committed to minimizing the negative environmental impact arising from the handling and disposal processes of wastes. We incorporate the waste management principles of “Reduce”, “Reuse”, “Recycle” and “Replace” into our waste management policy with an aim to reduce the generation of wastes from our operations, and ensure the waste materials are handled in an environmentally-friendly manner. To achieve the objectives of our policy, we have developed and implemented an effective waste management programme in our operations to encourage source separation and promote reuse and recycling practices. In addition, we understand that some of our waste should be treated with care before disposal therefore we have established guidelines for staff to handle such waste. For example, we enclose debris chute and collection chamber by impervious sheeting, and spray water on debris before it is dumped into a debris chute.

We have also put much emphasis on enhancing the awareness of the importance of reducing waste generation through green procurement practices and administrative approaches. Furthermore, it is 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	2021		2020	
		Amount	Intensity (per HKD 1 million of revenue)	Amount	Intensity (per HKD 1 million of revenue)
Motor oil	Tonnes	2.55	0.044	8.12	0.066
Antifreeze	Tonnes	2.20	0.038	6.50	0.053
Batteries	Tonnes	N/A	N/A	0.18	0.001

As compared to 2020, we discarded less motor oil and antifreeze as hazardous waste because of less frequent after-sales services and data on battery changes are no longer material to The Group.

Hazardous wastes from our operations are 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 the standard. In order to further reduce the quantity of waste, energy-saving materials such as light-weight printing papers and printers with energy label are used in our operations.

**A) ENVIRONMENT** *(Continued)***Aspect A1:** *(Continued)***Waste Management** *(Continued)**Wastes* *(Continued)*

The major non-hazardous waste in our operations is paper used in office. During this Reporting Period, the amount of paper used was as follows:

Type	Unit	2021		2020	
		Amount	Intensity (per HKD 1 million of revenue)	Amount	Intensity (per HKD 1 million of revenue)
Paper	Tonnes	0.19	0.003	0.73	0.006

As compared to 2020, the usage of paper in the Reporting Period decreased by 74% due to the effective adoption of environmental-friendly measures taken by The Group.

We have monitored the paper usage on a monthly basis, designed and implemented action plans such as using recycled paper and duplex printing for internal documents and replacing paper communication among offices with electronic communication measures.

Going forward, The Group is targeting to ensure that hazardous and non-hazardous wastes do not exceed more than 2021 levels, both hazardous and non-hazardous wastes will maintain at 2021 levels.

**Environmental Commitment**

The Group is dedicated to continuous efforts on lowering our carbon footprints, we have previously set and met our 2025 target which only gave 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, fuels and water. To encourage participation by all levels of staff, we have put much effort in integrating business performance with environmental and resources efficiency considerations. Performance-based monitoring of the use of resources provides incentives for staff to execute and follow green practices.

We have implemented a number of environmentally-friendly measures to control our use of resources in our operations and workplaces, and have monitored closely technology advancements in the machinery, systems and infrastructures that we use to achieve better resources efficiency. For example, we have used 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 by means of email and signage to promote the concept of resource conservation.

Wastewater is created in our car-cleaning service. Instead of discharging wastewater directly to the sewage, we work with qualified recycling service suppliers who collect our wastewater on a regular basis. Staff members are also required to alert the locations to carry out the business activities that create wastewater. We have installed water-efficient spray gun to save water resources and reduce the amount of wastewater created.

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, fuels and water usage have been in place to enable us to evaluate the resource consumption and formulate action plans to conserve the resources. Moreover, we do not encounter any difficulty in sourcing water. The following table summarizes our resources consumption during this Reporting Period:

Type of resource	Unit	2021		2020	
		Amount	Intensity (per HKD 1 million of revenue)	Amount	Intensity (per HKD 1 million of revenue)
Electricity	kWh	220,401	3,797.21	665,238	5,374.00
Petrol	Litre	10,641	183.33	25,464	205.70
Diesel	Litre	0	0	0	0
Water	m <sup>3</sup>	153	2.64	645	5.21

### A) ENVIRONMENT *(Continued)*

#### Aspect A2: *(Continued)*

##### **Resources Conservation** *(Continued)*

We consumed less electricity in the Reporting Period than the previous year because of less after-sales services. With our successful energy-saving measures and internal guidelines for our staff members, we achieved a decrease in consumption of electricity, petrol, diesel and water in the Reporting Period when compared to 2020. Petrol and Diesel usage will no longer be material to the company after the current Reporting Period due to changes in business model.

Going forward, The Group is aiming to maintain electricity consumption at 2021 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. For water consumption, The Group is also aiming to maintain at its current levels. 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 taken into account while making investment decisions and future development plans. While minor impacts such as light pollution from showrooms' advertising signs and noise pollution from the workshops may exist, we deployed proper design, equipment and other measures to further reduce the environmental impacts. We perform regular maintenance on our vehicles and machinery in order to minimize the negative impact caused by undesired noise. We also adhere to the requirements under the Construction Noise Permit for use of Powered Mechanical Equipment (PME) therefore we carry out prescribed construction work in restricted hours.

In order to protect the environment and nature, we 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.

### A) ENVIRONMENT *(Continued)*

#### 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, Hong Kong is expected to experience more tropical storms and extreme weather events. Business processes and operations may slow down or halt when our employees are unable to reach areas of business operations during bad weather conditions. The company has provided guidelines and technical support for our employees on how to work remotely at home and optimally perform their duties as much as possible and minimize the impact on working efficiency and effectiveness.

Closely related to climate change, air pollutants may also affect staff health which may lead to a decrease in productivity. Since The Group is highly committed to providing a safe and healthy workplace for our employees and we will constantly seek and provide necessary resources to our employees if needed in order to live up to our core value on valuing health & wellbeing.

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.

## SOCIAL PERFORMANCE

Hong Kong	Category	2021	2020
<b>B1. Employment (No. of individuals)</b>			
Total workforce by gender	Male	6	33
	Female	1	14
Total workforce by age group	Below 30	0	3
	30-50	7	33
	Over 50	0	11
Total workforce by employment type	Part-time	0	0
	Full-time	7	47
	Temporary	0	0
Employee resigned/terminated by gender	Male	27	23
	Female	14	6
Employee resigned/terminated by age group	Below 30	1	5
	30-50	29	12
	Over 50	11	12
<b>B1. Employment (Turnover Rate)<sup>1</sup></b>			
Employee turnover rate by gender	Male	82%	41%
	Female	93%	30%
Employee turnover rate by age group	Below 30	100%	70%
	30-50	79%	28%
	Over 50	100%	45%
<b>B2. Health and safety</b>			
Work-related fatalities	No. of fatalities	0	0
Lost days due to work injury	No. of days	0	0
	No. of days	0	0
<b>B3. Development and training (No. of individuals)</b>			
No. of employee trained by gender	Male	7	12
	Female	2	7
Total number of employees (Full-time) by employee category	General Staff	3	37
	Middle management	1	6
	Senior management	3	4
No. of employee trained by employee category	General	5	15
	Middle managers	1	2
	Senior managers	3	2

**SOCIAL PERFORMANCE** (Continued)

Hong Kong	Category	2021	2020
<b>B3. Development and training (Hours)</b>			
Average training hours by gender	Male	18	116
	Female	5	16
Average training hours by employee category	General	12	64
	Middle managers	1	5
	Senior managers	26	264
<b>B5. Supply chain management (No. of suppliers)</b>			
No. of suppliers by geographical region	Hong Kong	27	44
	Macau	2	9
	Italy	1	1
<b>B6. Product responsibility (Number of cases)</b>			
% of total products sold subject to recall	%	0	0
No. of service-related complaints received	Complaint	0	0
<b>B7. Anti-corruption</b>			
No. of concluded legal cases relating to corruption	Case	0	0
<b>B8. Community investment</b>			
In-kind sponsorship and donations	HKD equivalent	2,000	44,518
Total service hours <sup>2</sup>	Hour	0	0

<sup>1</sup> The turnover rate was calculated by dividing the total number of employees who left the Group voluntarily or due to dismissal or retirement during the period by the total workforce of the Group at the beginning of the reporting year. The closure of Auto Italia's car business in Hong Kong is noted as a material change which significantly affected our employee turnover rate in this reporting period. The Group used employee count at the beginning of this reporting year as our denominator for employee turnover rate calculation to better illustrate this material change and avoid abnormal percentages which would have been derived from using employee count at the end of this reporting period.

<sup>2</sup> Owing to the COVID-19 situation in Hong Kong, community services pose a significantly higher risk than under normal circumstances. After careful consideration for our staff wellbeing, the Group had decided to suspend all community services for this Reporting Period.

## ENVIRONMENTAL PERFORMANCE

Hong Kong	Unit	2021	2020
<b>A1. Emissions</b>			
Direct GHG Emissions (Scope 1)	tCO <sub>2</sub> e	28.81	68.95
Indirect GHG Emissions (Scope 2)	tCO <sub>2</sub> e	91.77	278.03
Indirect GHG Emissions (Scope 3)	tCO <sub>2</sub> e	–	–
GHG Emission Intensity (Scope 1 & 2)	tCO <sub>2</sub> e/(HKD 1 Mill in Revenue)	2.08	2.80
<b>A1.3 Hazardous Waste</b>			
Motor Oil	tonnes	2.55	8.12
Antifreeze	tonnes	2.20	6.50
Batteries	tonnes	0	0.18
<b>Hazardous Waste Intensity</b>			
Motor Oil	tonnes/(HKD 1 Mill in Revenue)	0.044	0.066
Antifreeze	tonnes/(HKD 1 Mill in Revenue)	0.038	0.053
Batteries	tonnes/(HKD 1 Mill in Revenue)	0	0.001
<b>A1.4 Non-hazardous Waste</b>			
Paper	tonnes	0.19	0.73
Ink-cartridge	tonnes	0.001	0.02
<b>Non-Hazardous Waste Intensity</b>			
Paper	tonnes/(HKD 1 Mill in Revenue)	0.00334	0.00593
Ink-cartridge	tonnes/(HKD 1 Mill in Revenue)	0.00001	0.00016
<b>A2.1 Energy Consumption</b>			
Electricity	kWh	220,401	665,238
Petrol	Litres	10,641.00	25,463.56
<b>Energy Intensity</b>			
Electricity	kWh/(HKD 1 Mill in Revenue)	3,797.21	5,374.00
Petrol	Litre/(HKD 1 Mill in Revenue)	183.33	205.70
<b>A2.2 Water Consumption</b>			
Water Consumption	m <sup>3</sup>	153	645
<b>Water Intensity</b>			
Water Consumption	m <sup>3</sup> /(HKD 1 Mill in Revenue)	2.64	5.21

# 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 78 to 178, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the 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 a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 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 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.

## 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

#### ***Fair value measurement of investment properties located in Scotland***

We identified fair value measurement 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\$517,155,000 as at 31 December 2021 which represents approximately 57.3% of total assets of the Group as at 31 December 2021, and net loss from changes in fair value of the investment properties located in Scotland of HK\$5,562,000 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.

Our procedures in relation to fair value measurement 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 research reports 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;
- 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.

## Independent Auditor's Report

### Key audit matter

#### ***Fair value measurement of investment in preferred shares of Chime Biologics Limited ("Chime Biologics") measured at fair value through profit or loss***

We identified 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.

As set out in note 4 and 18b 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\$249,507,000 as at 31 December 2021 which represents approximately 27.7% of the total assets of the Group as at 31 December 2021, and net exchange gain in fair value of the investment in preferred shares of Chime Biologics of HK\$1,427,000 was recognised in the consolidated statement of profit or loss for the year then ended.

As disclosed in notes 18b 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.

### How our audit addressed the key audit matter

Our procedures in relation to the fair value measurement of the investment in preferred shares of Chime Biologics included:

- 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:
  - 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;
  - Checking the mathematical accuracy of the fair value calculations; and
- Evaluating the potential impact on the volatility and equity value based on the reasonably possible changes of the volatility and equity value applied by the management of the Group.

### 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.

- 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 Man Ka Lai.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
30 March 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	NOTES	Continuing operations		Discontinued operation		Total	
		2021 HK\$'000	2020 HK\$'000 (restated)	2021 HK\$'000	2020 HK\$'000 (restated)	2021 HK\$'000	2020 HK\$'000
Revenue from goods and services	5	-	-	54,648	120,861	54,648	120,861
Rental income		23,337	1,888	-	-	23,337	1,888
Interest income from loan receivables		1,352	3,152	-	-	1,352	3,152
<b>Total revenue</b>		<b>24,689</b>	<b>5,040</b>	<b>54,648</b>	<b>120,861</b>	<b>79,337</b>	<b>125,901</b>
Cost of sales and services		(4,453)	-	(45,723)	(83,467)	(50,176)	(83,467)
<b>Gross profit</b>		<b>20,236</b>	<b>5,040</b>	<b>8,925</b>	<b>37,394</b>	<b>29,161</b>	<b>42,434</b>
Other income	7	186	-	2,323	13,275	2,509	13,275
Other gains and losses	8	3,498	(1,870)	3,537	(2,086)	7,035	(3,956)
(Impairment losses) reversal of impairment losses on							
- goodwill	17b	-	-	-	(2,480)	-	(2,480)
- trade and other receivables and loan receivables under expected credit loss ("ECL") model, net		11	158	22	(230)	33	(72)
Selling and distribution costs		-	-	(8,319)	(56,865)	(8,319)	(56,865)
Administrative expenses		(6,026)	(35,323)	(12,939)	(26,277)	(18,965)	(61,600)
Other expense	43	(4,828)	-	-	-	(4,828)	-
Finance costs	9	(11,233)	(11,965)	(298)	(1,673)	(11,531)	(13,638)
Share of result of an associate accounted for using equity method		768	(7,796)	-	-	768	(7,796)
<b>Profit/(Loss) before taxation</b>		<b>2,612</b>	<b>(51,756)</b>	<b>(6,749)</b>	<b>(38,942)</b>	<b>(4,137)</b>	<b>(90,698)</b>
Taxation	10	(2,139)	11	(6)	1,642	(2,145)	1,653
<b>Profit/(Loss) for the year</b>	11	<b>473</b>	<b>(51,745)</b>	<b>(6,755)</b>	<b>(37,300)</b>	<b>(6,282)</b>	<b>(89,045)</b>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

		Total	
	NOTE	2021 HK\$'000	2020 HK\$'000
Loss for the year attributable to owners of the Company			
– from continuing operations		(385)	(51,745)
– from discontinued operation		(6,755)	(37,300)
		(7,140)	(89,045)
Profit for the year attributable to non-controlling interests			
– from continuing operations		858	–
Loss for the year		(6,282)	(89,045)
Loss per share (from continuing and discontinued operations)			
– Basic	14	(HK0.13 cent)	(HK1.70 cent)
– Diluted	14	(HK0.13 cent)	(HK1.70 cent)
Loss per share (from continuing operations)			
– Basic	14	(HK0.01 cent)	(HK0.99 cent)
– Diluted	14	(HK0.01 cent)	(HK0.99 cent)
		2021	2020
		HK\$'000	HK\$'000
Loss for the year		(6,282)	(89,045)
<b>Other comprehensive (expense) income</b>			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(2,464)	1,178
<b>Other comprehensive (expense) income for the year</b>		(2,464)	1,178
<b>Total comprehensive expense for the year</b>		(8,746)	(87,867)
<b>Total comprehensive (expense) income for the year attributable to:</b>			
Owners of the Company		(9,509)	(87,867)
Non-controlling interests		763	–
		(8,746)	(87,867)
<b>Total comprehensive expense for the year attributable to owners of the Company:</b>			
– from continuing operations		(2,754)	(51,272)
– from discontinued operation		(6,755)	(36,595)
		(9,509)	(87,867)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>			
Investment properties	16	579,155	55,200
Property, plant and equipment	17a	2,684	1,903
Goodwill	17b	–	–
Right-of-use assets	17c	–	–
Interest in an associate accounted for using equity method	18a	–	56,285
Investment of an associate measured at fair value through profit or loss ("FVTPL")	18b	249,507	248,080
Other financial asset at FVTPL	19	14,703	–
Rent and other receivables	21	12,948	791
		<b>858,997</b>	<b>362,259</b>
<b>Current assets</b>			
Inventories	20	1,492	61,220
Trade, rent and other receivables	21	2,551	16,502
Loan receivables	22	–	21,599
Tax recoverable		–	636
Pledged bank deposits	23	–	20,000
Bank balances and cash	23	39,271	52,512
		<b>43,314</b>	<b>172,469</b>
<b>Current liabilities</b>			
Trade and other payables	24	16,705	22,807
Contract liabilities	25	–	18,750
Tax payable		38	–
Other borrowings	26	–	10,329
Corporate bonds	27	–	62,482
Lease liabilities	28	–	16,274
		<b>16,743</b>	<b>130,642</b>
<b>Net current assets</b>		<b>26,571</b>	<b>41,827</b>
<b>Total assets less current liabilities</b>		<b>885,568</b>	<b>404,086</b>

## Consolidated Statement of Financial Position

At 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
<b>Capital and reserves</b>			
Share capital	31	105,850	105,476
Reserves		285,812	297,558
<b>Equity attributable to owners of the Company</b>		<b>391,662</b>	403,034
<b>Non-controlling interests</b>		<b>103,390</b>	–
<b>Total equity</b>		<b>495,052</b>	403,034
<b>Non-current liabilities</b>			
Other borrowings	26	334,529	–
Loan from a non-controlling member of a subsidiary	29	9,205	–
Promissory note	30	44,500	–
Deferred taxation	32	2,282	510
Lease liabilities	28	–	542
		<b>390,516</b>	1,052
		<b>885,568</b>	404,086

The consolidated financial statements on pages 78 to 178 were approved and authorised for issue by the board of directors on 30 March 2022 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 2021

	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 2020	104,391	249,345	2,151	17,200	19,246	(1,656)	166,431	(100,191)	456,917	-	456,917
Loss for the year	-	-	-	-	-	-	-	(89,045)	(89,045)	-	(89,045)
Other comprehensive income for the year	-	-	-	-	-	1,178	-	-	1,178	-	1,178
Total comprehensive income (expense) for the year	-	-	-	-	-	1,178	-	(89,045)	(87,867)	-	(87,867)
Exercise of share options	1,085	13,802	-	(4,901)	-	-	-	-	9,986	-	9,986
Recognition of equity settled share-based payments	-	-	-	23,998	-	-	-	-	23,998	-	23,998
Transfer upon lapse of share options	-	-	-	(5,740)	-	-	-	5,740	-	-	-
At 31 December 2020	105,476	263,147	2,151	30,557	19,246	(478)	166,431	(183,496)	403,034	-	403,034
(Loss)/profit for the year	-	-	-	-	-	-	-	(7,140)	(7,140)	858	(6,282)
Other comprehensive expense for the year	-	-	-	-	-	(2,369)	-	-	(2,369)	(95)	(2,464)
Total comprehensive (expense) income for the year	-	-	-	-	-	(2,369)	-	(7,140)	(9,509)	763	(8,746)
Acquisition of a subsidiary (note 34)	-	-	-	-	-	-	-	-	-	102,627	102,627
Exercise of share options	374	2,579	-	(1,210)	-	-	-	-	1,743	-	1,743
Reversal of recognition of equity settled share-based payments, net	-	-	-	(3,606)	-	-	-	-	(3,606)	-	(3,606)
Transfer upon lapse of share options	-	-	-	(3,922)	-	-	-	3,922	-	-	-
At 31 December 2021	105,850	265,726	2,151	21,819	19,246	(2,847)	166,431	(186,714)	391,662	103,390	495,052

Notes:

- (a) The property revaluation reserve represents the change in use of a property from owner-occupied property to investment property in previous years.
- (b) 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.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	NOTE	2021 HK\$'000	2020 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Loss before taxation		(4,137)	(90,698)
Adjustments for:			
(Reversal of) impairment losses on trade and other receivables and loan receivables, net		(33)	72
Allowance of inventories		2,281	4,172
Impairment loss on goodwill		–	2,480
Impairment loss on right-of-use assets		–	16,163
Impairment loss on property, plant and equipment		–	467
Depreciation of property, plant and equipment		558	4,712
Depreciation of right-of-use assets		–	23,139
Interest income		(27)	(226)
Interest expenses		11,531	13,638
Fair value (gain) loss on investment of an associate measured at FVTPL		(1,427)	720
Fair value gain on other financial assets at FVTPL		(818)	–
Fair value (gain) loss of investment properties		(1,238)	1,300
(Gain) loss on disposal of property, plant and equipment		(403)	1,997
(Reversal of) share-based payments		(3,606)	23,998
Gain on lease termination		(3,139)	–
Share of result of an associate accounted for using equity method		(768)	7,796
<b>Operating cash flows before movements in working capital</b>		<b>(1,226)</b>	<b>9,730</b>
Decrease in inventories		57,447	47,187
Decrease in trade, rent and other receivables		10,295	18,197
Decrease in loan receivables		21,610	48,614
Decrease in trade and other payables		(10,719)	(8,530)
Decrease in contract liabilities		(18,750)	(746)
<b>Net cash from operations</b>		<b>58,657</b>	<b>114,452</b>
Income tax refund (paid)		292	(2,919)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>58,949</b>	<b>111,533</b>
<b>INVESTING ACTIVITIES</b>			
Withdrawal of pledged bank deposits		20,000	24,019
Net cash inflow on acquisition of a subsidiary	34	18,290	–
Proceeds from disposal of property, plant and equipment		2,234	8,093
Interest received		27	226
Proceeds from acquiring other financial asset at FVTPL on behalf of a third party	19	13,606	–
Purchase of other financial asset at FVTPL		(27,212)	–
Investment of an associate at FVTPL		–	(248,800)
Purchase of property, plant and equipment		(365)	(6,064)
Dividend received from an associate accounted for using equity method		–	17,890
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>		<b>26,580</b>	<b>(204,636)</b>

## Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
<b>FINANCING ACTIVITIES</b>		
Repayment of corporate bonds	(60,000)	(111,600)
Repayment of bank and other borrowings	(10,316)	(27,230)
Repayment of promissory note	(9,000)	–
Repayment for lease liabilities	(8,127)	(23,021)
Interest paid on corporate bonds	(4,257)	(9,464)
Interest paid on bank and other borrowings	(5,897)	(428)
Interest paid on promissory note	(2,885)	–
Interest paid on lease liabilities	(228)	(1,251)
Exercise of share options	1,743	9,986
Corporate bonds issued	–	171,600
Other borrowing raised	–	32,223
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<b>(98,967)</b>	40,815
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(13,438)</b>	(52,288)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>52,512</b>	104,014
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	<b>197</b>	786
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR,</b> represented by bank balances and cash	<b>39,271</b>	52,512

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 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 provision of financing and property investment. Certain subsidiaries of the Company was previously engaged in the import, marketing and distribution, and provision of after-sales service of Italian branded cars in Hong Kong and Macau. During the year, the Group entered into a transitional services and settlement agreement with Maserati S.p.A. (“**Maserati**”) in relation to the termination of car dealership. The termination was effective on 26 April 2021, accordingly, the Group’s car business is treated as discontinued operation. The address of registered office and principal place of business of the Company are disclosed under section “Corporate Information” to the annual report.

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

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

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to HKFRS 16 “COVID-19-Related Rent Concessions” beyond 30 June 2021.

The application of amendments to HKFRSs in the current year have 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

##### 2.1 *Impacts on early application of Amendment to HKFRS 16 Covid-19- Related Rent Concessions beyond 30 June 2021*

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 Leases ("**HKFRS 16**") by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application of this amendment has had no material impact on the Group's financial positions and performance for the current and prior years since the Group has no rent concessions beyond 30 June 2021.

##### 2.2 *Impacts on application of the agenda decision of the IFRS Interpretations Committee (the "Committee") – Cost necessary to sell inventories (HKAS 2 Inventories)*

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale. The impact of application of the Committee's agenda decision is under review on the Group's financial positions and performance.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

#### New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments <sup>3</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statements 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transactions <sup>2</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

#### Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The 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:

- 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:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- 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.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

As at 31 December 2021, the Group’s right to defer settlement for borrowings of HK\$334,529,000 are subject to compliance with certain financial ratios within 12 months from the reporting date. Such borrowings were classified as non-current as the Group met such ratios at 31 December 2021. Pending clarification on the application of relevant requirements of the amendments, the Group will further assess the potential impacts of the amendments in relation to the borrowings with financial and other covenants. The impacts on application, if any, will be disclosed in the Group’s future consolidated financial statements.

Except for as disclosed above, the application of the amendments will not result in reclassification of the Group’s other liabilities as at 31 December 2021.

### 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

#### Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 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 is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

#### 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.

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, 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.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies

##### ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### ***Business combinations or assets acquisitions***

###### ***Optional concentration test***

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

###### ***Asset acquisitions***

The Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

When the Group obtains control over an associate which does not constitute a business through acquisition of additional interest, the carrying amount of the associate is not remeasured. The total costs of the underlying assets and the related liabilities are measured at the sum of the carrying amount of the relevant associate under equity method, the consideration of the additional interest, the fair value of the interests attributable to non-controlling interests and the related transaction costs.

##### ***Investments in associates***

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.

Investments in associates in the form of ordinary shares (or other shares that are substantively the same as ordinary shares) with significant influence are accounted for using the equity method of accounting, after initially being recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### ***Investments in associates*** *(Continued)*

On acquisition of the investment in an associate that applies equity accounting, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

##### ***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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### **Revenue from contracts with customers** *(Continued)*

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

##### *Refund liabilities*

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

##### *Contract costs*

###### *Incremental costs of obtaining a contract*

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

##### **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.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### **Leases** *(Continued)*

###### *The Group as a lessee*

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

###### *Short-term leases*

The Group applies the short-term lease recognition exemption to leases of car parks and warehouse 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*

The cost of right-of-use assets includes the amount of the initial measurement of the lease liability and any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from COVID-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, 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.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### **Leases** *(Continued)*

##### *The Group as a lessee (Continued)*

##### Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

##### Lease liabilities

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

The lease payments represent fixed payments less any lease incentives receivable.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### **Leases** *(Continued)*

The Group as a lessee *(Continued)*

Lease modifications

Except for COVID-19 related rent-concessions in which the Group applied practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relevant stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

##### *COVID-19-related rent concessions*

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### **Leases** *(Continued)*

##### *COVID-19-related rent concessions (Continued)*

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in profit or loss in the period in which the event occurs.

##### *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 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.

##### Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

##### Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### ***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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets 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 and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the 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.

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.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

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

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.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

##### ***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 operating 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.

##### ***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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### **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.

Exchange differences on monetary items are recognised 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.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

##### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

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.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### **Taxation** *(Continued)*

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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

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.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### **Taxation** *(Continued)*

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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.

##### **Termination benefits**

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

##### **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.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### ***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.

##### ***Government grants***

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

##### ***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 the reporting period, the Group revises its estimates of the number of options that are 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 share option reserve.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### ***Equity-settled share-based payment transactions*** *(Continued)*

##### *Share options granted to employees* *(Continued)*

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).

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(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 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 from trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 Revenue from Contracts with Customers. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at 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 and 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 over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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.

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

##### ***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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(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

The Group performs impairment assessment under ECL model on financial assets (including rental deposits, trade and other receivables, loan receivables, pledged bank deposits and bank balances) 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.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### **Financial instruments** *(Continued)*

##### *Financial assets (Continued)*

##### *Impairment of financial assets (Continued)*

The Group always recognises lifetime ECL for trade receivables from contract with customers. 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.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward- looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### **Financial instruments** *(Continued)*

##### *Financial assets (Continued)*

##### Impairment of financial assets *(Continued)*

(i) Significant increase in credit risk *(Continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### **Financial instruments** *(Continued)*

##### *Financial assets (Continued)*

##### Impairment of financial assets *(Continued)*

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) 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.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

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 and loan receivables where the corresponding adjustment is recognised through a loss allowance account.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### **Financial instruments** *(Continued)*

###### *Financial assets (Continued)*

###### 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.

###### 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 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.

##### 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 an 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

#### ***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 as it is always presumed to be recovered entirely through sale for freehold land.

#### **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. 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 2021, included in the carrying amount of the Group's investment properties located in Scotland is HK\$517,155,000 which resulted in a net loss from changes in fair value of the investment properties of HK\$5,562,000 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 gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

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

##### **Key sources of estimation uncertainty** *(Continued)*

##### ***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 note 18b 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 2021, the fair value of such investment is HK\$249,507,000 (2020: HK\$248,080,000). A net gain from changes in fair value of the investment in preferred shares of Chime Biologics of HK\$1,427,000 (2020: A net loss from changes in fair value of HK\$720,000) is recognised in the consolidated statement of profit or loss for the year then ended.

##### ***Fair value measurement of financial instruments***

Certain of the Group's financial assets as described in note 39 are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 39 for further disclosures.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 5. REVENUE

#### (i) Disaggregation of revenue from contracts with customers

##### *Discontinued operation*

	2021 HK\$'000	2020 HK\$'000
<b>Types of goods and services</b>		
Trading of cars and related accessories	42,356	70,142
Provision of after sales and pre-delivery inspection services	12,292	50,719
Total	54,648	120,861
<b>Geographical markets</b>		
Hong Kong and Macau	54,648	120,213
Mainland China	–	648
Total	54,648	120,861
<b>Timing of revenue recognition</b>		
A point of time	42,356	70,142
Overtime	12,292	50,719
Total	54,648	120,861

#### (ii) Performance obligations for contracts with customers

For sales 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 and pre-delivery inspection 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 and inspection works over the cars. The average credit period is 90 days.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 5. REVENUE (Continued)

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

	Continuing operations		Discontinued operation		Total	
	2021 HK\$'000	2020 HK\$'000 (restated)	2021 HK\$'000	2020 HK\$'000 (restated)	2021 HK\$'000	2020 HK\$'000 (restated)
Trading of cars and related accessories	-	-	42,356	70,142	42,356	70,142
Provision of after sales and pre-delivery inspection services	-	-	12,292	50,719	12,292	50,719
<b>Revenue from contract with customers</b>	-	-	54,648	120,861	54,648	120,861
Rental income	23,337	1,888	-	-	23,337	1,888
Interest income from loan receivables	1,352	3,152	-	-	1,352	3,152
<b>Total revenue</b>	<b>24,689</b>	<b>5,040</b>	<b>54,648</b>	<b>120,861</b>	<b>79,337</b>	<b>125,901</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 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 was discontinued in the current year. 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. The comparative figures in this note have been restated to conform with the current period's presentation.

As at 31 December 2021, the Group has two operating segments for continuing operations under HKFRS 8 Operating Segments which are as follows:

- (i) Financial investments and services – Investments in securities and provision for financing and corporate finance services; and
- (ii) Property investment.

Segment profit/loss represents the profit/loss earned by each segment without allocation of share of result of an associate accounted for using equity method, 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 2021

### 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 2021

##### Continuing operations

	Financial investments and services HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
<b>SEGMENT REVENUE</b>			
Group's revenue	1,352	23,337	24,689
<b>SEGMENT RESULTS</b>			
Segment profit	500	17,109	17,609
Share of result of an associate accounted for using equity method			768
Fair value gain on investment of an associate measured at FVTPL			1,427
Fair value gain on other financial asset measured at FVTPL			818
Reversal of recognition of share-based payments, net			3,606
Unallocated corporate expenses			(10,383)
Finance costs			(11,233)
Profit before taxation			2,612

#### For the year ended 31 December 2020 (restated)

##### Continuing operations

	Financial investments and services HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
<b>SEGMENT REVENUE</b>			
Group's revenue	3,152	1,888	5,040
<b>SEGMENT RESULTS</b>			
Segment loss	(862)	(237)	(1,099)
Share of result of an associate accounted for using equity method			(7,796)
Fair value loss on investment of an associate measured at FVTPL			(720)
Share-based payments			(23,998)
Unallocated corporate expenses			(6,178)
Finance costs			(11,965)
Loss before taxation			(51,756)

Note: As at 31 December 2021, 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 2021

### 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 2021**

	Financial investments and services HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
<b>Assets</b>			
Segment assets	–	596,998	596,998
Assets relating to discontinued operation			1,492
Total segment assets			598,490
Bank balances and cash			39,271
Investment of an associate measured at FVTPL			249,507
Other financial asset measured at FVTPL			14,703
Unallocated corporate assets			340
Consolidated assets			902,311
	Financial investments and services HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
<b>Liabilities</b>			
Segment liabilities	–	350,343	350,343
Liabilities relating to discontinued operation			9,699
Total segment liabilities			360,042
Promissory note			44,500
Deferred taxation			2,282
Tax payable			38
Unallocated corporate liabilities			397
Consolidated liabilities			407,259

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 6. SEGMENT INFORMATION (Continued)

#### Segment assets and liabilities (Continued)

At 31 December 2020 (restated)

	Financial investments and services HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
<b>Assets</b>			
Segment assets	22,008	55,303	77,311
Assets relating to discontinued operation			79,181
Total segment assets			156,492
Bank balances and cash			52,512
Interest in an associate accounted for using equity method			56,285
Investment of an associate measured at FVTPL			248,080
Pledged bank deposits			20,000
Tax recoverable			636
Unallocated corporate assets			723
Consolidated assets			534,728
<b>Liabilities</b>			
Segment liabilities	136	727	863
Liabilities relating to discontinued operation			55,921
Total segment liabilities			56,784
Other borrowings			10,329
Corporate bonds			62,482
Deferred taxation			510
Unallocated corporate liabilities			1,589
Consolidated liabilities			131,694

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, interest in an associate accounted for using equity method, 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, tax payable, corporate bonds, promissory note and other borrowings.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 6. SEGMENT INFORMATION (Continued)

#### Other segment information

For the year ended 31 December 2021

#### Continuing operations

	Financial investments and services HK\$'000	Property investment HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>Amounts included in the measure of segment results or segment assets</b>				
Addition to property, plant and equipment	–	365	–	365
Depreciation of property, plant and equipment	–	(486)	–	(486)
Fair value gain on investment properties	–	1,238	–	1,238
Reversal of impairment losses, net				
– Loan receivable (including interest receivable)	11	–	–	11
<b>Amounts regularly provided to the CODM but not included in the measure of segment results or segment assets</b>				
Fair value gain on investment of an associate measured at FVTPL	–	–	1,427	1,427
Fair value gain on other financial asset measured at FVTPL	–	–	818	818
Share of gain of an associate accounted for using equity method	–	–	768	768

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

#### Other segment information *(Continued)*

For the year ended 31 December 2020 *(Restated)*

#### Continuing operations

	Financial investments and services HK\$'000	Property investment HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>Amounts included in the measure of segment results or segment assets</b>				
Gain on disposal/write-off of property, plant and equipment	–	–	13	13
Fair value loss on investment properties	–	(1,300)	–	(1,300)
Reversal of impairment losses, net				
– Loan receivables (including interest receivables)	158	–	–	158
<b>Amounts regularly provided to the CODM but not included in the measure of segment results or segment assets</b>				
Fair value loss on investment of an associate measured at FVTPL	–	–	(720)	(720)
Share of loss of an associate accounted for using equity method	–	–	(7,796)	(7,796)

#### Information about major customers

No revenue from customers contributing over 10% of total revenue of the Group for both years.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 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:

	2021 HK\$'000	2020 HK\$'000 (restated)
Hong Kong	3,395	5,040
United Kingdom	21,294	–
	<b>24,689</b>	5,040

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

	2021 HK\$'000	2020 HK\$'000 (restated)
Hong Kong	62,000	55,200
United Kingdom	532,787	56,285
	<b>594,787</b>	111,485

### 7. OTHER INCOME

	2021 HK\$'000	2020 HK\$'000 (restated)
<b>Continuing operations</b>		
Bank interest income	21	–
Others	165	–
	<b>186</b>	–

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 8. OTHER GAINS AND LOSSES

	2021 HK\$'000	2020 HK\$'000 (restated)
<b>Continuing operations</b>		
Net foreign exchange gain	15	150
Fair value gain (loss) on investment of an associate measured at FVTPL	1,427	(720)
Fair value gain on other financial asset measured at FVTPL	818	–
Fair value gain (loss) on investment properties	1,238	(1,300)
	<b>3,498</b>	<b>(1,870)</b>

### 9. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000 (restated)
<b>Continuing operations</b>		
Interests on bank and other borrowings	5,903	19
Interests on corporate bonds	1,775	11,946
Interests on promissory note	2,885	–
Interests on loan from a non-controlling member of a subsidiary	670	–
	<b>11,233</b>	<b>11,965</b>

### 10. TAXATION

	2021 HK\$'000	2020 HK\$'000 (restated)
<b>Continuing operations</b>		
Current tax		
Hong Kong	162	92
Other jurisdictions	215	–
	<b>377</b>	<b>92</b>
Overprovision in prior years		
Hong Kong	(10)	(103)
Deferred taxation (note 32)	1,772	–
	<b>2,139</b>	<b>(11)</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 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 profit (loss) before taxation per the consolidated statement of profit or loss as follows:

	2021 HK\$'000	2020 HK\$'000 (restated)
Profit (loss) before taxation	2,612	(51,756)
Tax at the domestic income tax rate of 16.5%	431	(8,540)
Effect of share of result of an associate accounted for using equity method	(127)	1,286
Tax effect of expenses not deductible for tax purpose	497	4,280
Tax effect of income not taxable for tax purpose	(1,205)	(169)
Overprovision in prior years	(10)	(103)
Tax effect of tax losses not recognised	1,854	3,327
Utilisation of tax losses previously not recognised	(182)	–
Income tax at concessionary rate	(78)	(92)
Withholding tax	935	–
Effect of different tax rate of subsidiaries operating in other jurisdictions	70	–
Others	(46)	–
Taxation for the year	2,139	(11)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 11. PROFIT (LOSS) FOR THE YEAR

	2021 HK\$'000	2020 HK\$'000 (restated)
<b>Continuing operations</b>		
Profit (loss) for the year has been arrived at after charging/crediting:		
Auditor's remuneration	315	345
Staff costs:		
Directors' emoluments	(6,301)	23,753
Share-based payments	4,285	3,275
	(2,016)	27,028
Rental income from investment properties	23,337	1,888
Less: direct operating expenses	(4,453)	–
	<b>18,884</b>	1,888
Depreciation of property, plant and equipment	484	–
Gain on disposal of property, plant and equipment	–	13

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 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. The termination was effective in April 2021 and accordingly, the Group's cars business is treated as discontinued operation.

The results for the current year from the discontinued cars business is set out in consolidated statement of profit or loss. The comparative figures in the consolidated statement of profit or loss have been restated to represent the cars business as a discontinued operation.

Loss for the year from discontinued operation has been arrived at after changing (crediting):

	2021 HK\$'000	2020 HK\$'000
Auditor's remuneration	735	805
Depreciation of property, plant and equipment	74	4,712
Cost of inventory recognised as an expense	43,842	81,032
(Gain) loss on disposal of property, plant and equipment	(403)	2,010
Allowance of inventories	2,281	4,172
Termination benefits	3,301	2,635
Gain on lease termination	(3,139)	–
Impairment loss on property, plant and equipment (note a)	–	467
Impairment loss on right-of-use assets (note b)	–	16,163

Note (a): Amount included in administrative expense for the year ended 31 December 2020.

Note (b): Amount of HK\$1,696,000 and HK\$14,467,000 included in administrative expense and selling expenses, respectively, for the year ended 31 December 2020.

The major classes of assets and liabilities of the discontinued cars business as at 31 December 2021, which have been included in the consolidated statement of financial position, are separately shown as follows:

	2021 HK\$'000	2020 HK\$'000
Inventories	1,492	61,220
Trade and other payables	9,189	20,355
Contract liabilities (note 25)	–	18,750

During the year ended 31 December 2021, the cars business contributed HK\$30,046,000 (2020: HK\$68,333,000) to the Group's net operating cash flows, received HK\$22,240,000 (2020: HK\$26,274,000) in respect of investing activities and paid HK\$18,754,000 (2020: HK\$19,641,000) in respect of financing activities.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

The emoluments paid or payable to each of eight (2020: eight) 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 g)	Performance related incentive payments HK\$'000 (Note f)	Retirement benefits scheme contributions HK\$'000	
<b>2021</b>						
<b>Executive Directors</b>						
Chong Tin Lung Benny	-	2,996	(3,278)	-	18	(264)
Lin Chun Ho Simon (note a)	-	1,028	499	-	10	1,537
Lam Chi Yan (note b)	-	1,239	-	-	9	1,248
Huang Zuie-Chin (note c)	-	-	(3,278)	-	-	(3,278)
Ng Siu Wai (note c)	-	-	(1,834)	-	-	(1,834)
<b>Independent</b>						
<b>Non-executive Directors ("INEDs")</b>						
Kong Kai Chuen Frankie	210	-	-	-	-	210
Lee Ben Tiong Leong	210	-	-	-	-	210
To Chun Wai (note d)	210	-	-	-	-	210
	<b>630</b>	<b>5,263</b>	<b>(7,891)</b>	<b>-</b>	<b>37</b>	<b>(1,961)</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

	Other emoluments					Total emoluments HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Share-based payments HK\$'000	Performance related incentive payments HK\$'000 (Note f)	Retirement benefits scheme contributions HK\$'000	
<b>2020</b>						
<b>Executive Directors</b>						
Chong Tin Lung Benny	–	3,046	7,379	–	18	10,443
Lam Chi Yan	–	2,159	61	–	18	2,238
Huang Zuie-Chin (note c)	–	–	7,379	–	–	7,379
Ng Siu Wai (note c)	–	–	5,904	–	–	5,904
<b>INEDs</b>						
Kong Kai Chuen Frankie	210	–	–	–	–	210
Lee Ben Tiong Leong	210	–	–	–	–	210
To Chun Wai (note d)	70	–	–	–	–	70
Santos Antonio Maria (note e)	140	–	–	–	–	140
	630	5,205	20,723	–	36	26,594

Notes:

- Appointed as executive director on 13 June 2021, the director's emolument disclosed included the amount after the appointment as executive director up to 31 December 2021.
- Resigned as executive director on 13 June 2021.
- Appointed as executive directors on 27 July 2020.
- Appointed as INED on 1 September 2020.
- Resigned as INED on 1 September 2020.
- 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. With the inclusion of the net reversal of the equity-settled share-based payments amounting to HK\$8,390,000 for Mr. Chong Tin Lung Benny, Mr Huang Zuie-Chin and Mr. Ng Siu Wai.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

During the year ended 31 December 2021, there are 480,000,000 (2020: nil) 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, two (2020: four) were Directors whose emoluments are included in the disclosures above. The emoluments of the remaining three (2020: one) individuals were as follows:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Salaries and other benefits	<b>2,110</b>	1,634
Share-based payments	–	798
Retirement benefits scheme contributions	<b>36</b>	18
	<b>2,146</b>	2,450

Their emoluments were within the following bands:

	<b>2021</b>	2020
	<b>Number of employees</b>	Number of employees
Nil to HK\$1,000,000	<b>3</b>	–
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$2,500,000	–	1
	<b>3</b>	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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 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:

	2021 HK\$'000	2020 HK\$'000
Loss for the year attributable to owners of the Company (from continuing and discontinued operations)	<b>(7,140)</b>	(89,045)
Less: Loss for the year from discontinued operation	<b>6,755</b>	37,300
Loss for the purpose of basic and diluted loss per share from continuing operations	<b>(385)</b>	(51,745)

	2021 Number of share	2020 Number of share
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<b>5,291,849,363</b>	5,230,366,372

For the year ended 31 December 2021 and 2020, 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:

	2021 HK\$'000	2020 HK\$'000
Loss for the purpose of basic and diluted loss per share	<b>(7,140)</b>	(89,045)

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

For the year ended 31 December 2021 and 2020, 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 2021

### 14. LOSS PER SHARE *(Continued)*

#### From discontinued operation

For the year ended 31 December 2021, basic loss per share from the discontinued operation is HK0.12 cent per share (2020: HK0.71 cent per share) and diluted loss per share for the discontinued operation is HK0.12 cent per share (2020: HK0.71 cent per share), based on the loss for the year from the discontinued operation of approximately HK\$6,755,000 (2020: HK\$37,300,000) 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 2021 (2020: nil), nor has any dividend been proposed since the end of the reporting period (2020: nil).

### 16. INVESTMENT PROPERTIES

	HK\$'000
At 1 January 2020	56,500
Fair value loss	(1,300)
At 31 December 2020	55,200
Acquired through acquisition of a subsidiary	531,168
Fair value gain	1,238
Exchange adjustments	(8,451)
At 31 December 2021	579,155

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 16. INVESTMENT PROPERTIES *(Continued)*

The Group leases out offices and car parks under operating leases with rentals payable monthly. The leases typically run for initial period of 2 to 10 years (2020: 2 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.

During the year ended 31 December 2021, the Group acquired investment property in Scotland through acquisition in 27.49% additional interest in Dakota RE II (see note 34).

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 which has acquired through acquisition of a subsidiary as set out in note 34.

The fair value of the Group's investment properties as at 31 December 2021 and 2020 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.

The fair values of investment properties are estimated using income approach by taking into account the term income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalisation rate.

In estimating the fair value of the investment properties, the highest and best use of the properties is their current use. The fair values of investment properties have been adjusted to exclude prepaid or accrued operation 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 2021 and 2020 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\$60,000,000 (2020: HK\$53,300,000), 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 \$5,012 to \$5,349 per square foot (2020: from \$4,300 to \$4,800 per square foot). The fair value of a car park of HK\$2,000,000 (2020: HK\$1,900,000) 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\$517,155,000 as at 31 December 2021 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 and the reversionary yield and the market rental are considered as the key unobservable inputs.

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 6.0% 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 6.5% per annum. An increase in the term yield used would result in a decrease in fair value of the investment properties, and vice versa. An increase in the reversionary yield used would result in a decrease in fair value of the investment properties, and vice versa.

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 17a. 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
<b>COST</b>					
At 1 January 2020	37,795	11,080	8,575	15,739	73,189
Exchange adjustments	420	317	88	13	838
Additions	136	9	9	5,910	6,064
Disposals/write-off	(10,233)	(5,628)	(1,763)	(15,130)	(32,754)
At 31 December 2020	28,118	5,778	6,909	6,532	47,337
Exchange adjustments	99	–	(42)	–	57
Additions	–	–	365	–	365
Acquisition of subsidiary	–	–	3,038	–	3,038
Disposals/write-off	(28,217)	–	–	(3,571)	(31,788)
At 31 December 2021	–	5,778	10,270	2,961	19,009
<b>DEPRECIATION AND IMPAIRMENT</b>					
At 1 January 2020	35,073	8,123	8,017	9,841	61,054
Exchange adjustments	420	194	81	9	704
Provided for the year	1,030	232	209	3,241	4,712
Impairment loss recognised for the year	116	340	11	–	467
Eliminated on disposals/write-off	(8,521)	(3,111)	(1,409)	(8,462)	(21,503)
At 31 December 2020	28,118	5,778	6,909	4,629	45,434
Exchange adjustments	99	–	(1)	–	98
Provided for the year	–	–	486	72	558
Acquisition of subsidiary	–	–	192	–	192
Eliminated on disposals/write-off	(28,217)	–	–	(1,740)	(29,957)
At 31 December 2021	–	5,778	7,586	2,961	16,325
<b>CARRYING VALUES</b>					
At 31 December 2021	–	–	2,684	–	2,684
At 31 December 2020	–	–	–	1,903	1,903

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 17a. 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% – 20%
Motor vehicles	20% – 25%

### 17b. GOODWILL

For the purposes of impairment testing of goodwill, goodwill is allocated to subsidiaries engaged in trading of cars and related accessories and provision of car repairing services in Hong Kong, Macau and Mainland China (collectively referred to as “**sales of cars**”) represents a group of CGUs. For the impairment testing of property, plant and equipment and right-of-use assets, the Group considered each subsidiary engaged in sales of cars in Hong Kong, Macau and Mainland China as a separate CGU. At 31 December 2020, there was no non-current asset in Mainland China.

On 31 December 2020, Auto Italia (Hong Kong) Limited (“**Auto Italia HK**”), a wholly-owned subsidiary of the Company, as plaintiff commenced legal proceedings (the “**Proceedings**”) in the High Court of Hong Kong (High Court Action Number: HCA2200/2020) against Maserati S.p.A. (“**Maserati**”) as defendant, by the filing of a Writ of Summons, pursuant to which Auto Italia HK claims against Maserati for wrongful purported termination of dealership agreement in reliance on a purported “Importership and Distributorship Agreement” allegedly signed on 1 October 2018.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 17b. GOODWILL *(Continued)*

The basis of the recoverable amount and its major underlying assumptions of the CGUs and the group of CGUs engaged in the sales of cars are summarised below:

At 31 December 2020, after considering the impact of COVID-19 to the Group's sales of cars business in Hong Kong and Macau, the streamline of operations in Mainland China, and the impact of the Proceedings, the directors of the Company concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of property, plant and equipment and right-of-use assets in addition to impairment assessment of goodwill which has been allocated to groups of CGUs engaged in the sales of cars.

For Macau, the property, plant and equipment and right-of-use assets were either written off or impaired as at 31 December 2020. An impairment loss of HK\$1,374,000 in respect of right-of-use assets was recognised during the year ended 31 December 2020.

For Hong Kong, the recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the remaining lease terms with a discount rate of 17% as at 31 December 2020. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on CGU's past performance and management expectations for the market development. The management of the Group determined that the recoverable amount of the CGU in Hong Kong is lower than the carrying amount. Based on the value in use calculation, an impairment of HK\$467,000 and HK\$14,789,000 respectively, has been recognised against the carrying amounts of property, plant and equipment and right-of-use assets respectively in prior year.

No impairment has been recognised for motor vehicles (being corporate assets) of HK\$1,903,000 at 31 December 2020 since the recoverable amount which is determined using fair value less cost to sell is higher than the carrying amount.

For goodwill, management of the Group determined the recoverable amount of the group of the CGUs. Based on the value in use calculation, an impairment loss of HK\$2,480,000 was recognised during the year ended 31 December 2020.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 17c. RIGHT-OF-USE ASSETS

Right-of-use assets was fully impaired and an amount of HK\$16,163,000 was recognised in profit of loss during the year ended 31 December 2020. Depreciation charged in prior year was approximately HK\$23,139,000. No right-of-use assets as at 31 December 2021. During the year, the Group entered into surrender agreements with landlords to early terminate all leases for the car business. The derecognition of lease liabilities upon termination constitutes a non-cash transaction.

	HK\$'000
<b>Gain on lease termination (note 12):</b>	
Lease liabilities as at date of termination	8,689
Less: offset with rental deposit	(5,550)
	<b>3,139</b>
Derecognition of lease liabilities credit to profit or loss	3,139

### 18a. INTEREST IN AN ASSOCIATE ACCOUNTED FOR USING EQUITY METHOD

	2021 HK\$'000	2020 HK\$'000
Cost of interest in an associate	55,053	55,053
Share of post-acquisition profits (losses), net of dividend received	665	(103)
Exchange adjustments	1,978	1,335
Deemed disposal	(57,696)	–
	–	56,285

Details of the Group's associate using equity accounting at the end of the reporting period are as follows:

Name of entity	Country of incorporation	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2021	2020	2021	2020	
Dakota RE II Limited ("Dakota RE II")	British Virgin Islands ("BVI")	United Kingdom	N/A	27.49%	N/A	27.49%	Investment holding

Dakota RE II, through its directly owned subsidiary, is holding shares in Dakota Capella LLP which holds an office building located in Scotland, the United Kingdom earning rental income.

On 25 March 2021, the Group further acquired additional equity interest of 27.49% in Dakota RE II and Dakota RE II became a subsidiary of the Group. Further details are disclosed in note 34.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 18a. INTEREST IN AN ASSOCIATE ACCOUNTED FOR USING EQUITY METHOD

(Continued)

#### Summarised financial information

Summarised financial information of Dakota RE II and its subsidiaries is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs. The associate is accounted for using the equity method in these consolidated financial statements.

	<b>25 March 2021 HK\$'000</b>	31 December 2020 HK\$'000
Current assets	<b>34,933</b>	35,011
Non-current assets	<b>538,211</b>	529,347
Current liabilities	<b>(5,402)</b>	(5,991)
Non-current liabilities	<b>(349,725)</b>	(345,607)
	<b>For the period from 1 January 2021 to 25 March 2021 HK\$'000</b>	For the year ended 31 December 2020 HK\$'000
Profit (loss) and total comprehensive expense for the year	<b>2,829</b>	(31,418)
Dividend received during the year	–	17,890
	<b>25 March 2021 HK\$'000</b>	31 December 2020 HK\$'000
Net assets of Dakota RE II	<b>218,017</b>	212,760
Non-controlling interests of Dakota RE II's subsidiaries	<b>(8,137)</b>	(8,011)
	<b>209,880</b>	204,749
Proportion of the Group's ownership interest in Dakota RE II		
The Group's share of net assets and carrying amount of the Group's interest in Dakota RE II	<b>27.49%</b>	27.49%
	<b>57,696</b>	56,285

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 18b. INVESTMENT OF AN ASSOCIATE MEASURED AT FVTPL

	2021 HK\$'000	2020 HK\$'000
Investment of an associate measured at FVTPL	249,507	248,080

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.

### 19. OTHER FINANCIAL ASSET AT FVTPL

During the year, the Group entered into an agreement with 东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.

During the year, 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 0.3446%. A fair value gain on other financial asset at FVTPL of HK\$818,000 has been recognised in profit or loss for the year. As at 31 December 2021, the Group hold representing 0.3446% of registered capital of Hai Robotics at its fair value of HK\$14,703,000.

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 20. INVENTORIES

	2021 HK\$'000	2020 HK\$'000
Finished goods	1,492	57,174
Spare parts	–	4,046
	<b>1,492</b>	<b>61,220</b>

The carrying amount of HK\$1,492,000 (2020: HK\$61,220,000) was net of accumulated allowance of inventories of HK\$3,024,000 (2020: HK\$5,186,000). An allowance of HK\$2,281,000 (2020: HK\$4,172,000) was recognised in profit or loss during the year.

### 21. TRADE, RENT AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Rent receivables	14,827	–
Trade receivables from contract with customers	–	4,423
Less: Allowance for ECL	–	(22)
	<b>14,827</b>	<b>4,401</b>
Utility and rental deposits	123	6,975
Prepayments and other receivables	549	5,508
Interest receivables	–	409
	<b>15,499</b>	<b>17,293</b>
Less: Amount due more than one year shown under non-current assets	(12,948)	(791)
Amount shown under current assets	<b>2,551</b>	<b>16,502</b>

#### Rent receivables

The Group's rental income are based on effective accrued rentals after taking into account of rent free period which are recognised under straight line method and recorded as rental receivables. Rental income is received from tenants in Scotland and in Hong Kong on a quarter basis and monthly basis, respectively. Included in the Group's rent receivables as at 31 December 2021 are (i) accrued rent receivables of HK\$11,212,000 over the rent free periods (2020: nil); (ii) lease incentives paid of HK\$3,615,000 (2020: nil) 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 rent receivables as at 31 December 2021. Details of impairment assessment of trade and other receivables are set out in note 39.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 21. TRADE, RENT AND OTHER RECEIVABLES *(Continued)*

#### Trade receivables from contract with customers

As at 1 January 2020, trade receivables from contracts with customers amounted to HK\$15,170,000.

The Group allows its trade customers an average credit period of 90 days. No credit period is granted to tenants of rental of premises. The following is an aged analysis of trade receivables from contract with customers net of allowance for ECL presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2021 HK\$'000	2020 HK\$'000
Within 30 days	–	3,311
31 to 60 days	–	546
61 to 90 days	–	42
91 days to 1 year	–	502
	–	4,401

The Group has applied simplified approach on non-credit impaired trade receivables from contracts with customers to provide for ECL. In determining the recoverability of a trade receivable from contract with customers, the Group considers changes in the credit quality of the trade receivable from contract with customers from the date of credit initially granted up to the end of the reporting period.

At 31 December 2020, included in the Group's trade receivables from contract with customers balance were debtors with aggregate carrying amount of HK\$502,000 which had been past due 90 days or more and were not considered as in default in view of the credit qualities of debtors, management's historical experience on the settlement patterns and on-going business relationships with the Group.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 22. LOAN RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Fixed-rate loans	–	21,610
Less: Allowance for ECL	–	(11)
	–	21,599

As at 31 December 2020, loan receivable amounted to HK\$14,000,000 with original maturity in July 2018, further extended to July 2021, carrying interest rate of 10% per annum was secured by listed shares in Hong Kong with fair values of HK\$40,416,000.

As at 31 December 2020, loan receivable amounted to HK\$7,610,000 with original maturity in August 2018, further extended to August 2021, carrying interest rate of 12% per annum was secured by second legal charge of residential properties located in Hong Kong with fair values of HK\$22,024,000. The fair value was determined based on direct comparison method making reference to comparable sales transactions as available in relevant markets.

As at 31 December 2020, there were loan receivables of HK\$7,610,000 which carried interest at 12% per annum and secured by a residential property, HK\$14,000,000 which carried interest at 10% per annum and secured by listed shares in Hong Kong. The fair values of residential property and listed shares were higher than the carrying amounts of respective loan receivables. All these loans were fully repaid during the year ended 31 December 2021. Details of impairment assessment of loan receivables are set out in note 39.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 23. 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 0.01% to 0.30% (2020: 0.01% to 1.00%) per annum.

Pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group. As at 31 December 2020, deposits amounting to HK\$20,000,000 had been pledged to secure short-term bank loans and undrawn short-term facilities and were therefore classified as current assets. The pledged bank deposits carried fixed interest rate of 0.01% to 0.5% per annum. No pledged bank deposits as at 31 December 2021.

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

	2021 HK\$'000	2020 HK\$'000
USD	87	48
RMB	3	13
EUR	25	62
GBP	16	16

### 24. 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.

	2021 HK\$'000	2020 HK\$'000
Within 30 days	–	15,286
31 to 60 days	–	265
61 to 90 days	–	1
91 days to 1 year	–	8
Over 1 year	10	–
Trade payables	10	15,560
Advance payments from customers	236	388
Accrued charges	2,903	4,366
Receipt in advance for rental income	5,114	–
Other payables	8,442	2,493
	<b>16,705</b>	<b>22,807</b>

Included in other payables represent an amount of HK\$7,281,000 (2020: nil) refundable deposits to customers relating to discontinued car business.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 25. CONTRACT LIABILITIES

	2021 HK\$'000	2020 HK\$'000
Receipt in advances for sales of cars	–	18,750

As at 1 January 2020, contract liabilities amounted to HK\$19,496,000.

The following table shows how much of the revenue from sale of cars recognised in the current year relates to carried-forward contract liabilities. The remaining balance of contract liabilities has been reclassified to other payables due to discontinued car business during the year ended 31 December 2021.

	2021 HK\$'000	2020 HK\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	4,812	13,072

### 26. OTHER BORROWINGS

	2021 HK\$'000	2020 HK\$'000
Trust receipt loans	–	1,143
Other borrowings	334,529	9,186
Secured	334,529	10,329

	2021 HK\$'000	2020 HK\$'000
Carrying amount repayable:		
On demand or within one year	–	10,329
Within a period of more than one year but not exceeding two years	334,529	–
	334,529	10,329
Less: Amounts due within one year shown under current liabilities	–	(10,329)
Amounts shown under non-current liabilities	334,529	–

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 26. OTHER BORROWINGS (Continued)

As at 31 December 2020, included in the carrying amount repayable on demand or within one year is a balance of HK\$10,329,000 that contains a repayable on demand clause.

As at 31 December 2020, a trust receipt loan of HK\$1,143,000 is a variable-rate borrowing which bears effective interest rate at 5.5% per annum. The trust receipt loan was fully repaid during 2021.

As at 31 December 2020, the other borrowings from a financial institution of HK\$9,186,000 at are variable-rate borrowings with maturity from January 2021 to March 2021, which bear effective interest rate at 4.75% per annum. The loans were fully repaid during 2021.

As at 31 December 2021, Other borrowings from a financial institution denominated in GBP amounting to HK\$334,529,000 at is a secured, fixed-rate borrowing which bears interest rate at 2.3% per annum and repayable on the final repayment date on 23 May 2023. 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 80% at any time. The Group has complied with the covenants throughout the reporting period.

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

### 27. CORPORATE BONDS

	2021 HK\$'000	2020 HK\$'000
Corporate bonds	–	62,482
Unsecured	–	62,482
Carrying amount repayable:		
On demand or with one year	–	62,482

On 2 February 2020, the Group issued unsecured corporate bonds amounted to HK\$171,600,000 in Hong Kong to finance the investment in Chime Biologics as set out in note 18b. The unsecured corporate bonds with maturity in August 2021 and interest bearing at 10% per annum. During the year ended 31 December 2020, the Group early repaid HK \$111,600,000 after mutually agreed with the bond holders. During the year ended 31 December 2021, the remaining amount of corporate bonds was fully repaid.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 28. LEASE LIABILITIES

	2021 HK\$'000	2020 HK\$'000
<b>Lease liabilities payable:</b>		
Within one year	–	16,274
Within a period of more than one year but not more than two years	–	542
Within a period of more than two years but not more than five years	–	–
	–	16,816
Less: Amounts due for settlement with 12 months shown under current liabilities	–	(16,274)
Amounts due for settlement after 12 months shown under non-current liabilities	–	542

The weighted average incremental borrowing rate applied by the Group as at 31 December 2020 is 4.43% per annum.

### 29. LOAN FROM A NON-CONTROLLING MEMBER OF A SUBSIDIARY

Through the acquisition of Dakota RE II as set out in note 34, a loan from a non-controlling member of a subsidiary increased by HK\$8,681,000. The unsecured loan will mature in May 2023 or after full repayment of the other borrowing, related to the financing of the acquisition of Dakota RE II in Scotland as set out in note 34, whichever earlier, and carries interest at 10% per annum.

### 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 as set out in note 34. The unsecured promissory note has maturity of three years until March 2024 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 2021, the Group early repaid principal of HK\$9,000,000.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 31. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.02 each:		
Authorised:		
At 1 January 2020, 31 December 2020 and 31 December 2021	17,500,000,000	350,000
Issued and fully paid:		
At 1 January 2020	5,219,541,190	104,391
Exercise of share options	54,274,200	1,085
At 31 December 2020	5,273,815,390	105,476
Exercise of share options	18,700,000	374
At 31 December 2021	5,292,515,390	105,850

During the year ended 31 December 2021, 18,700,000 shares of HK\$0.02 each were issued at HK\$0.0932 per share (2020: 54,274,200 shares of HK\$0.02 each were issued at HK\$0.184 per share) upon exercise of the share options under the 2012 Scheme (as defined in note 33) by share option holders and all these shares rank pari passu with other shares of the Company in all respects.

### 32. DEFERRED TAXATION

As at 31 December 2021, deferred tax liabilities represented the temporary differences associated with undistributed earnings of a PRC subsidiary and the movements during the current and prior years are:

	Withholding tax on undistributed profit HK\$'000	Revaluation of investment properties/ accrued rent receivables HK\$'000	Total HK\$'000
At 1 January 2020	1,593	–	1,593
Credited to profit or loss	(1,083)	–	(1,083)
At 31 December 2020	510	–	510
Charged to profit or loss	935	837	1,772
At 31 December 2021	1,445	837	2,282

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 32. DEFERRED TAXATION *(Continued)*

At 31 December 2021, the Group had HK\$165,427,000 (2020: HK\$155,290,000) unused estimated tax losses or 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\$2,175,000 (2020: HK\$2,068,000) with HK\$2,068,000 and HK\$107,000 expiry date in 2024 and 2026, respectively. Other losses may be carried forward indefinitely.

### 33. SHARE OPTION SCHEMES

A share option scheme (the “**2012 Scheme**”) was adopted pursuant to a resolution passed by the shareholders of the Company on 28 May 2012. The purpose of the 2012 Scheme is to provide incentives or rewards to the participants for their contribution to the Group and enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any companies in which the Group holds any equity interest. The 2012 Scheme will expire on the 10th anniversary of the date of adoption. Under the 2012 Scheme, the Board may at their discretion grant options to the following participants of the Company, its subsidiaries and any company in which the Group holds any equity interest, to subscribe for shares in the Company:

- (1) eligible employees, including directors; or
- (2) suppliers or customers; or
- (3) any person or entity that provides research, development or other technological support; or
- (4) shareholders; or
- (5) employees, partners or directors of any business partners, joint venture partners, financial advisers and legal advisers.

Options granted to a director, Chief Executive or substantial shareholder of the Company, or any of their respective associates, shall be approved by the INED (excluding any INED who is a grantee of the options).

The total number of shares which may be issued upon exercise of all outstanding options granted under the 2012 Scheme and any other share option schemes of the Company must not exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options granted under the 2012 Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 10% of the issued share capital of the Company at the adoption date of the 2012 Scheme without prior approval by the shareholders of the Company.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 33. SHARE OPTION SCHEMES (Continued)

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total issued share capital of the Company, without prior approval by the shareholders of the Company. Options granted to a substantial shareholder of the Company or an Independent Non-executive Director, or any of their respective associates, under the 2012 Scheme and any other share option schemes of the Company which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised and outstanding) to such person in any 12-month period in aggregate in excess of 0.1% of the Company's issued share capital and with an aggregate value, based on the closing price of the shares of the Company at the date of each grant, in excess of HK\$5 million must obtain prior approval from the shareholders of the Company.

Options granted must be taken up within 28 days of the date of grant upon payment of HK\$1 per each grant of options. The exercise period of the options granted under the 2012 Scheme shall be determined by the board of Directors (the "**Board**") when such options are granted, provided that such period shall not end later than 6 years from the date of grant. The subscription price is determined by the Board and will not be lower than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets on the date of grant, (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant, and (iii) the nominal value of a Company's share.

During the year ended 31 December 2020, share options are granted under the 2012 Scheme to a total of 9 eligible grantees to subscribe for up to 982,000,000 new shares. Among the share options granted in 2020, share options to subscribe for up to a total number of 840,000,000 new shares are conditionally granted to 3 directors on 27 July 2020 and approved by independent shareholders under specific mandate in the Company's special general meeting on 7 October 2020. The remaining 142,000,000 share options are made under the general scheme limit given by the Shareholders at the Company's annual general meeting held on 20 May 2015.

At 31 December 2021, the number of shares in respect of which options had been granted and remained outstanding under the 2012 Scheme was 505,700,000 (2020: 1,064,660,000) representing 9.56% (2020: 20.19%) of the shares of the Company in issue at that date.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 33. SHARE OPTION SCHEMES (Continued)

The following table details and movements of the Company's share options granted under the 2012 Scheme held by employees (including directors) during the two years ended 31 December 2021 and 2020:

Name or category of participants	Date of grant	Exercise price HK\$	Exercisable period	As at 1 January 2021	Granted during the year	Exercised during the year	Forfeited/ Lapsed during the year (Note 6)	Transfer during the year (Note 7)	As at 31 December 2021	Exercisable at 31 December 2021
<b>Directors</b>										
Mr. Chong Tin Lung Benny	7.10.2021 (Note 5)	0.1754	27.7.2021 to 26.7.2025 (Note 2)	300,000,000	-	-	(180,000,000)	-	120,000,000	24,000,000
Mr. Lam Chi Yan	15.6.2017	0.0932	15.6.2018 to 14.6.2023 (Note 2)	18,700,000	-	(18,700,000)	-	-	-	-
Mr. Huang Zuie-Chin	7.10.2020 (Note 5)	0.1754	27.7.2021 to 26.7.2025 (Note 2)	300,000,000	-	-	(180,000,000)	-	120,000,000	24,000,000
Mr. Ng Siu Wai	7.10.2021 (Note 5)	0.1754	27.7.2021 to 26.7.2025 (Note 2)	240,000,000	-	-	(120,000,000)	-	120,000,000	24,000,000
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	12,000,000
<b>Employees in aggregate</b>	20.4.2015	0.3510	20.4.2016 to 19.4.2021 (Note 2)	260,000	-	-	(260,000)	-	-	-
	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)	-	-
<b>Other eligible participants</b>	15.6.2017	0.0932	15.6.2018 to 14.6.2023 (Note 2)	60,000,000	-	-	(60,000,000)	-	-	-
	27.7.2020	0.1754	27.7.2021 to 26.7.2025 (Note 2)	97,000,000	-	-	-	-	97,000,000	38,800,000
<b>Total</b>				1,064,660,000	-	(18,700,000)	(540,260,000)	-	505,700,000	
Weighted average exercise price (HK\$)				0.168	N/A	0.0932	0.166		0.172	

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HK\$0.167 (2020: HK\$0.174).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 33. SHARE OPTION SCHEMES (Continued)

Name or category of participants	Date of grant	Exercise price HK\$ (Note 1)	Exercisable period	As at 1 January 2020	Granted during the year	Exercised during the year	Forfeited/ Lapsed during the year (Note 4)	As at 31 December 2020	Exercisable at 31 December 2020
<b>Directors</b>									
Mr. Chong Tin Lung Benny	16.10.2014	0.1840	16.10.2015 to 15.10.2020 (Note 2)	51,891,000	-	(51,891,000)	-	-	-
	7.10.2020 (Note 5)	0.1754	27.7.2021 to 26.7.2025 (Note 2)	-	300,000,000	-	-	300,000,000	-
Mr. Lam Chi Yan	16.10.2014	0.1840	16.10.2015 to 15.10.2020 (Note 2)	18,700,000	-	-	(18,700,000)	-	-
	15.6.2017	0.0932	15.6.2018 to 14.6.2023 (Note 2)	18,700,000	-	-	-	18,700,000	18,700,000
Dr. Santos Antonio Maria	16.10.2014	0.1840	16.4.2015 to 15.4.2020 (Note 3)	1,500,000	-	-	(1,500,000)	-	-
Mr. Kong Kai Chuen Frankie	16.10.2014	0.1840	16.4.2015 to 15.4.2020 (Note 3)	1,500,000	-	-	(1,500,000)	-	-
Mr. Huang Zuie-Chin	7.10.2020 (Note 5)	0.1754	27.7.2021 to 26.7.2025 (Note 2)	-	300,000,000	-	-	300,000,000	-
Mr. Ng Siu Wai	7.10.2020 (Note 5)	0.1754	27.7.2021 to 26.7.2025 (Note 2)	-	240,000,000	-	-	240,000,000	-
<b>Employees in aggregate</b>	16.10.2014	0.1840	16.10.2015 to 15.10.2020 (Note 2)	4,671,200	-	(2,383,200)	(2,288,000)	-	-
	20.4.2015	0.3510	20.4.2016 to 19.4.2021 (Note 2)	260,000	-	-	-	260,000	260,000
	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	-
<b>Other eligible participants</b>	16.10.2014	0.1840	16.10.2015 to 15.10.2020 (Note 2)	40,000,000	-	-	(40,000,000)	-	-
	15.6.2017	0.0932	15.6.2018 to 14.6.2023 (Note 2)	60,000,000	-	-	-	60,000,000	60,000,000
	27.7.2020	0.1754	27.7.2021 to 26.7.2025 (Note 2)	-	112,000,000	-	(15,000,000)	97,000,000	-
<b>Total</b>				<b>215,922,200</b>	<b>982,000,000</b>	<b>(54,274,200)</b>	<b>(78,988,000)</b>	<b>1,064,660,000</b>	
Weighted average exercise price (HK\$)				0.143	0.175	0.184	0.182	0.168	

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 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 2012 Scheme on 16 October 2014, 20 April 2015, 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"):

<u>Vesting Date</u>	<u>Percentage of Share Options to vest</u>
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) Share options granted under the 2012 Scheme on 16 October 2014 shall vest in the grantees in accordance with the date falling on the end of the sixth month from the date of grant.
- (4) 63,988,000 share options were lapsed due to resignation of an employee and expiry upon end of exercisable period and the remaining share options were forfeited due to termination of contract with a consultant during the year ended 31 December 2020.
- (5) These share options are conditionally granted on 27 July 2020 and approved in the Company's special general meeting on 7 October 2020.
- (6) 480,000,000 share options were forfeited due to failure to achieve the performance targets and the remaining share options were lapsed due to resignation of an employee and cancellation of share options during the year ended 31 December 2021.
- (7) The transfer of share option represented the appointment of director for Mr. Lin Chun Ho Simon during the year. The respective share options are transferred from employees to directors

For the year ended 31 December 2020, 870,000,000 share options were granted to and accepted by directors and employees of the Group on 27 July 2020, for which 840,000,000 share options are conditionally granted on 27 July 2020 and approved by independent shareholders under specific mandate in the Company's special general meeting on 7 October 2020. The total estimated fair value of the options is HK\$78,016,000. 112,000,000 share options offered to other eligible participants on 27 July 2020 were granted and accepted on 27 July 2020. The estimated fair value of the options is HK\$8,391,000.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 33. SHARE OPTION SCHEMES (Continued)

The fair value of the share options granted was estimated as at the date of grant using Trinomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	27/07/2020 Senior executive and other eligible participants	7/10/2020 Executive directors
Dividend yield (%)	0	0
Expected volatility (%)	71.47	72.67
Risk-free interest rate (%)	0.16	0.25
Expected life of options (year)	5.00	4.80
Spot price (HK\$ per share)	0.172	0.17
Exercise price (HK\$ per share)	0.1754	0.1754
Early exercise multiple	2.36 (for senior executives) 2.01 (for other eligible participants)	2.36

The expected life of the options is based on the historical data over the past five years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

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

During the year ended 31 December 2021, a reversal of administrative expense of HK\$3,606,000 has been credited to profit or loss for year ended 31 December 2021 in relation to share options granted by the Company as certain share options were lapsed due to certain performance conditions not met. During the year ended 31 December 2020, an administration expense of HK\$23,998,000 charged to profit or loss.

## Notes to the Consolidated Financial Statements

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### 34. ACQUISITION OF A SUBSIDIARY

On 25 March 2021, the Group acquired 27.49% additional interest in Dakota RE II at a consideration of HK\$53,500,000 by issue of promissory note as set out in note 30. One of an indirect subsidiaries of Dakota RE II holds an office building which is located in Scotland.

The Group elected to apply the optional concentration test in accordance with HKFRS 3 Business Combinations and concluded that:

- (a) The land and building components of each office unit, together with the in-place leases, are considered a single identifiable asset; and
- (b) The group of office units is a group of similar identifiable assets because the assets are similar in nature and risks associated with managing and creating outputs are not significantly different.

Consequently, the Group determined that substantially all of the fair value of the gross assets (excluding cash and cash equivalents and deferred tax assets and goodwill resulting from the effects of deferred tax liabilities) acquired is concentrated in a group of similar identifiable assets and concluded that the acquired set of activities and assets is not a business.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

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

	HK\$'000
Property, plant and equipment	2,846
Investment properties	531,168
Trade and other receivables	14,804
Bank balances and cash	18,290
Trade and other payables	(5,392)
Tax payable	(9)
Other borrowings	(339,203)
Loan from a non-controlling member of a subsidiary	(8,681)
	213,823
Less: non-controlling interests (Note)	(102,627)
	111,196
Satisfied by:	
Interest in an associate accounted for using equity method (Note)	57,696
Promissory note	53,500
	111,196

#### Net cash inflows arising on acquisition of Dakota RE II

	HK\$'000
Consideration paid in cash	–
Less: bank balances and cash acquired	18,290
	18,290

Note: The carrying amounts of interest in an associate accounted for using equity method and non-controlling interests approximate the respective fair values.

## Notes to the Consolidated Financial Statements

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### 35. RETIREMENT BENEFITS SCHEMES

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\$368,000 (2020: HK\$978,000) recognised to profit or loss represents contributions payable to these schemes by the Group during the year.

### 36. OPERATING LEASING ARRANGEMENT

#### The Group as lessor

Property rental income earned during the year was HK\$23,337,000 (2020: HK\$1,888,000). All of the properties held have committed tenants for the next nine (2020: three) years.

Undiscounted lease payments receivable on leases are as follows:

	2021 HK\$'000	2020 HK\$'000
Within one year	30,096	2,043
In the second year	28,779	2,258
In the third year	27,838	941
In the fourth year	26,459	–
In the fifth year	24,858	–
After five year	54,515	–
	192,545	5,242

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 37. PLEDGE OF ASSETS

	2021 HK\$'000	2020 HK\$'000
Inventories	–	20,355
Pledged bank deposits	–	20,000
Investment properties	517,155	–
	517,155	40,355

### 38. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transaction with VMS Securities Limited (“**VMS Securities**”), a company controlled by the substantial shareholders of the Company and Mr. Chong Tin Lung Benny is a director of VMS Securities and the Chairman of the Company.

	2021 HK\$'000	2020 HK\$'000
Financial advisory services fee to VMS Securities	200	–

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

#### Compensation of key management personnel

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

	2021 HK\$'000	2020 HK\$'000
Fees	630	630
Salaries and other benefits	5,263	6,839
Share-based payments	(7,891)	21,521
Retirement benefit scheme contributions	37	54
	(1,961)	29,044

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 39. FINANCIAL INSTRUMENTS

#### Categories of financial instruments

	2021 HK\$'000	2020 HK\$'000
Financial assets		
Amortised costs	39,834	110,117
Other financial asset at FVTPL	14,703	–
Investment of an associate measured at FVTPL	249,507	248,080
Financial liabilities		
Amortised costs	396,922	91,252

#### Financial risk management objectives and policies

The Group's financial instruments include investment of an associate measured at FVTPL, other financial asset at FVTPL, rental deposits, trade and other receivables, loan receivables, pledged bank deposits, bank balances and cash, trade and other payables, other borrowings, loan from a non-controlling member of a subsidiary 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 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 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	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
USD	87	1,809	–	14,945
RMB	3	79	–	–
EUR	25	1,505	–	925
GBP	16	16	–	–

##### 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 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 loan receivables, pledged bank deposits, other borrowings, loan from a non-controlling member of a subsidiary, promissory note and lease liabilities. The Group's cash flow interest rate risk relates primarily to variable-rate bank balances (2020: variable-rate bank balances and certain other borrowings). 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 (2020: variable-rate bank balances and certain other borrowings) are not presented as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances 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 in which the Group invested for long term strategic purposes which are measured at FVTPL.

### 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, rent and other receivables, loan receivables, bank balances and pledged bank deposits for the year ended 31 December 2021 and 2020.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with loan receivables are mitigated because they are secured by properties and listed securities.

##### *Trade, rent and other receivables*

For rent 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 and the Group. The Group performs impairment assessment under 12m ECL model. As at 31 December 2021 and 2020, the Group assessed the ECL for rent 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.

For trade receivables from contract with customers in car business which was discontinued during the year, 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 2021, the Group does not have any trade receivable from car business. At 31 December 2020, 41% and 98% of the total trade receivables was due from the Group's largest debtor and the five largest debtors respectively.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

#### Financial risk management objectives and policies *(Continued)*

##### **Credit risk and impairment assessment** *(Continued)*

###### *Loan receivables*

Before accepting any new customer, the Group performs internal credit risk assessment procedures to assess the potential customer's credit quality and defines loan amounts and loan interest rates by customer. Loan amounts granted to customers and quality of the collaterals are reviewed regularly. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The directors of the Company estimate the estimated loss rates of loan receivables based on the financial background, current credit worthiness and past payments of the debtors as well as the fair value of the collaterals pledged by the customers to the loan receivables. Based on assessment by the directors of the Company, the loss given default is low in view of the estimated realised amount of ultimate disposal of the collaterals and the ECL for loan receivables are assessed individually. During the year ended 31 December 2021, a reversal of impairment allowance for loan receivables (including interest receivables) amounting to HK\$11,000 was recognised in profit or loss (2020: HK\$158,000). At 31 December 2021, there is no accumulated impairment allowance for loan receivables (including interest receivables) (2020: HK\$11,000).

The Group has significant concentration of credit risk on loan receivables as 65% of total loan receivables was due from a borrower as at 31 December 2020. In order to minimise credit risk, the management closely monitored the settlement record of the individual loan and interest and assessed impairment with reference to fair value of the collateralised listed securities and a residential property located in Hong Kong. Also, the management might request for highly liquid collaterals in order to minimise the exposure of credit risk. In this regard, the directors considered that the Group's credit risk was significantly reduced. Loan receivables were fully settled during the year and no outstanding balance at year end.

###### *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 2021

### 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 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	2021 Gross carrying amount HK\$'000	2020 Gross carrying amount HK\$'000
<b>Financial assets at amortised cost</b>						
Trade receivables from contract with customer	21	N/A	Low risk	Lifetime ECL (not credit impaired)	-	1,204
		N/A	Watch list	Lifetime ECL (not credit impaired)	-	3,219
Rent receivables	21	N/A	Low risk	12m ECL	<b>14,827</b>	-
Loan receivables (including interest receivables)	22	N/A	Low risk	12m ECL	-	22,019
Other receivables	21	N/A	(Note 1)	12m ECL	<b>563</b>	11,196
Pledge bank deposits	23	A3 (Note 2)	N/A	12m ECL	-	20,000
Bank balances	23	A1-A3 (Note 2)	N/A	12m ECL	<b>39,271</b>	52,512

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 2021

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

#### Financial risk management objectives and policies *(Continued)*

##### **Credit risk and impairment assessment** *(Continued)*

The following table shows the movement in 12m ECL and lifetime ECL that has been recognised for trade receivables from contract with customers and loan receivables (including interest receivables).

	Trade receivables from contract with customers HK\$'000	Loan receivables (including interest receivables) HK\$'000	Total HK\$'000
As at 1 January 2020	55	169	224
Changes due to financial instruments recognised as at 1 January 2020:			
– Impairment loss reversed	(55)	(158)	(213)
– Impairment loss recognised	263	–	263
– Write-offs	(263)	–	(263)
New financial assets originated	22	–	22
As at 31 December 2020	<b>22</b>	<b>11</b>	<b>33</b>
Changes due to financial instruments recognised as at 1 January 2021			
– Impairment loss reversed	<b>(22)</b>	<b>(11)</b>	<b>(33)</b>
As at 31 December 2021	–	–	–

During the year ended 31 December 2021, the Group reversed HK\$22,000 (2020: HK\$55,000) impairment allowance for trade receivables due to the settlements from trade debtors and reversed HK\$11,000 (2020: HK\$158,000) impairment allowance for loan receivables (including interest receivables) due to the settlements from customers. HK\$263,000 of trade receivables has become credit-impaired and written-off during 2020.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 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 impact of COVID-19 and the Proceedings on the cash flow projections which cover a period of not less than twelve months from 31 December 2021 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 2021. The management of the Company monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities and lease liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for financial liabilities and lease 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
<b>As at 31 December 2021</b>					
Trade and other payables	–	8,688	–	8,688	8,688
Other borrowings	2.3	–	345,301	345,301	334,529
Promissory note	8	–	51,620	51,620	44,500
Loan from a non-controlling member of a subsidiary	10	–	10,404	10,404	9,205
		<b>8,688</b>	<b>407,325</b>	<b>416,013</b>	<b>396,922</b>
<b>As at 31 December 2020</b>					
Trade and other payables	–	18,441	–	18,441	18,441
Corporate bonds – fixed rate	10	66,581	–	66,581	62,482
Other borrowings – variable rate	4.83	10,452	–	10,452	10,329
Lease liabilities	4.43	16,595	545	17,140	16,816
		<b>112,069</b>	<b>545</b>	<b>112,614</b>	<b>108,068</b>

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 39. FINANCIAL INSTRUMENTS (Continued)

#### Financial risk management objectives and policies (Continued)

##### Liquidity risk (Continued)

As at 31 December 2020, the aggregate undiscounted principal amount of other borrowings with repayment on demand clause with carrying amount of HK\$10,329,000 was included in "Less than 1 year or on demand" time band in the above maturity analysis. Taking into account the Group's financial position, the management of the Group did not believe that it was probable that financial institution would exercise their discretionary rights to demand immediate repayment. The management of the Group believed that such other borrowings would be paid in accordance with the scheduled repayment date set out in the loan agreements as below. There is no other borrowings with repayment on demand clause as at 31 December 2021.

	Weighted average interest rate %	Within 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at the end of the reporting period HK\$'000
As at 31 December 2020				
Other borrowings	4.83	10,452	10,452	10,329

##### 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 2021

### 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 2021

	Level 3 HK\$'000
<b>Financial assets at FVTPL</b>	
Investment of an associate	249,507
Other financial asset	14,703
	<b>264,210</b>

Financial assets	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
	2021 HK\$'000	2020 HK\$'000			
Other financial assets at FVTPL	<b>14,703</b>	–	Level 3	Investment cost plus accumulated return	Rate of return of 8% in compound interest (Note 3)
Investment of an associate measured at FVTPL	<b>249,507</b>	248,080	Level 3	Market approach and option model	Volatility of 50% (2020: 46%) (Note 1); equity value (Note 2); time to liquidity event (Note 3); and liquidation and conversion probability (Note 3)

Note:

- (1) An increase in the volatility used in isolation would result in a decrease in the fair value, and vice versa. 5% lower/higher in volatility holding all other variables constant would increase/decrease the fair value by HK\$4,530,000/HK\$3,727,000 (2020: nil/HK\$7,753,000).
- (2) An increase in the equity value used in isolation would result in an increase in the fair value, and vice versa. 2% higher/ lower in equity value holding all other variables constant would increase/ decrease the fair value by HK\$5,294,000/HK\$5,302,000 (2020: N/A).
- (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 2021

### 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 2020	–
Addition during the year	248,800
Unrealised fair value change recognised to profit or loss	(720)
Balance at 31 December 2020	248,080
Addition during the year	13,606
Unrealised fair value change recognised to profit of loss	2,245
Exchange	279
Balance at 31 December 2021	264,210

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 other borrowings, loan from a non-controlling member of a subsidiary, promissory note and lease liabilities, 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 2021

### 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 flow as cash flows from financing activities.

	Other borrowings (Note 26) HK\$'000	Corporate bonds (Note 27) HK\$'000	Loan from a non- controlling member of a subsidiary (Note 29) HK\$'000	Promissory note (Note 30) HK\$'000	Lease liabilities (Note 28) HK\$'000	Total HK\$'000
At 1 January 2020	5,323	–	–	–	39,843	45,166
Financing cash flows	4,565	50,536	–	–	(24,272)	30,829
Interest expenses	441	11,946	–	–	1,251	13,638
Exchange adjustment	–	–	–	–	(6)	(6)
At 31 December 2020	10,329	62,482	–	–	16,816	89,627
Financing cash flows	<b>(16,213)</b>	<b>(64,257)</b>	–	<b>(11,885)</b>	<b>(8,355)</b>	<b>(100,710)</b>
Interest expenses	<b>5,973</b>	<b>1,775</b>	<b>670</b>	<b>2,885</b>	<b>228</b>	<b>11,531</b>
Arising from an acquisition of a subsidiary	<b>339,203</b>	–	<b>8,681</b>	<b>53,500</b>	–	<b>401,384</b>
Lease termination	–	–	–	–	<b>(8,689)</b>	<b>(8,689)</b>
Exchange adjustment	<b>(4,763)</b>	–	<b>(146)</b>	–	–	<b>(4,909)</b>
At 31 December 2021	<b>334,529</b>	–	<b>9,205</b>	<b>44,500</b>	–	<b>388,234</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries as at 31 December 2021 and 2020 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
				2021	2020	
				%	%	
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 <sup>#</sup>	BVI	Ordinary	USD1	100	100	Investment holding
China Premium Lifestyle Enterprise, Inc.	United States	Common	USD122,672	100	100	Investment holding
Auto Italia Limited	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
AI Motor (Macau) Limited <sup>###</sup>	Macau	Ordinary	MOP100,000	-	100	Trading of cars and related accessories and provision of car repairing services
Dakota RE II (Note 34)	BVI	Ordinary	GBP7,737	54.98	N/A	Property Holding
Italian Motors (Sales & Service) Limited	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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 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
				2021 %	2020 %	
勵快駿投資諮詢(上海)有限公司 <sup>#</sup>	PRC	N/A	HK\$1,000,000	100	100	Investment holding
Taine Holdings Limited	BVI	Ordinary	USD1	100	100	Provision of financial services
Auto Italia (Finance) Limited	Hong Kong	Ordinary	HK\$1	100	100	Provision of financial services
Greenroot Investments Limited <sup>#</sup>	BVI	Ordinary	USD1	100	100	Investment holding
Elite Jumbo Limited ("Elite Jumbo")	BVI	Ordinary	USD1	100	100	Investment holding
Zone Key Limited <sup>#</sup>	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

<sup>#</sup> These entities are directly held by the Company.

<sup>##</sup> This entity is wholly foreign owned enterprises registered in PRC.

<sup>###</sup> This entity is voluntary wound up during the year ended 31 December 2021.

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.

During the year ended 31 December 2021, a subsidiary of the Company issued promissory note with details set out in note 30.

During the year ended 31 December 2020, the Company issued corporate bonds with details set out in note 27. The corporate bonds were fully repaid during 2021.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 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		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	2021	2020	2021	2020
		%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Dakota RE II Limited*	BVI	45.02%	N/A	975	N/A	95,377	N/A
<i>Non-wholly owned subsidiary of Dakota RE II Limited</i>							
Dakota Capella LLP	UK	7.25%	N/A	(117)	N/A	8,013	N/A
				<b>858</b>		<b>103,390</b>	

\* 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***

	2021 HK\$'000
Current assets	29,722
Non-current assets	532,787
Current liabilities	(5,680)
Non-current liabilities	(344,570)
Equity attributable to owners of the Company	108,869
Non-controlling interests of Dakota RE II Limited	95,377
Non-controlling interests of Dakota Capella LLP	8,013

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 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 31/12/2021 HK\$'000
Revenue	21,294
Expenses	(19,245)
Profit (loss) for the year	2,049
Profit (loss) attributable to owners of the Company	1,191
Profit (loss) attributable to the non-controlling interests of Dakota RE II Limited	975
Profit (loss) attributable to the non-controlling interests of Dakota Capella LLP	(117)
Profit (loss) for the year	2,049
Other comprehensive expense attributable to owners of the Company	(3,511)
Other comprehensive expense attributable to the non-controlling interests of Dakota RE II Limited.	(88)
Other comprehensive expense attributable to the non-controlling interests of Dakota Capella LLP	(7)
Other comprehensive expense for the year	(3,606)
Total comprehensive expense attributable to owners of the Company	(2,320)
Total comprehensive income attributable to the non-controlling interests of Dakota RE II Limited	887
Total comprehensive expense attributable to the non-controlling interests of Dakota Capella LLP	(124)
Total comprehensive expense for the year	(1,557)
Dividends paid to non-controlling interests of Dakota RE II Limited	-
Net cash inflow from operating activities	17,213
Net cash outflow from investing activities	(365)
Net cash outflow from financing activities	(5,814)
Net cash inflow	11,034

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 43. EVENT AFTER THE REPORTING PERIOD

On 26 November 2021, a wholly-owned subsidiary of the Group and a substantial shareholder of the Company (the "**Vendor**") entered into a sales and purchase agreement pursuant to which, the Group will acquire 1 issued share of VMS Auto Italia Fin Services Holdings Limited (the "**Target Company**"), representing 100% of the issued share capital of the Target Company (the "**Acquisition**").

The consideration for the Acquisition is HK\$960 million, and will be settled by way of allotment and issue of an aggregate of 6,956,521,739 new shares to be allotted and issued by the Company to the Vendor at an issue price of HK\$0.138 per share (the "**Consideration Shares**"). The Consideration Shares represent approximately 131.4% of the existing issued share capital of the Company; and approximately 56.8% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Acquisition constitutes a very substantial acquisition and a reverse takeover for the Company under Chapter 14 of the Listing Rules and the Company is being treated as if it is a new listing applicant under Rule 14.54 of the Listing Rules. Accordingly, the Acquisition is subject to the approval by the Listing Committee of the new listing application to be made by the Company. The Company expects to submit the new listing application, subject to other factors such as the development of COVID-19 outbreak and progress of due diligence, to the Stock Exchange in April 2022.

The principal activities of the Target Company and its subsidiaries are mainly (i) alternative asset management, with a focus on private equity investments in healthcare and technology, media & telecommunications and consumer ("**TMT**") sectors in the PRC; and (ii) the provision of consultancy and project management services which are ancillary to the alternative asset management services or otherwise relate to private equity investments in healthcare and TMT sectors in the PRC, primarily to assist clients in relation to private investment-related transactions; and client's general corporate business, strategy and organisation.

Other expenses represent legal and professional fee incurred during the year in respect of the Acquisition.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 HK\$'000	2020 HK\$'000
Non-current assets		
Unlisted investments in subsidiaries	64,707	74,853
Amounts due from subsidiaries	253,669	243,050
	<b>318,376</b>	317,903
Current assets		
Other receivables	557	724
Amounts due from subsidiaries	29,919	79,737
Bank balances and cash	9,154	27,833
	<b>39,630</b>	108,294
Total assets	<b>358,006</b>	426,197
Current liabilities		
Other payables	783	1,511
Amounts due to subsidiaries	77,056	43,174
Corporate bonds	–	62,482
Total liabilities	<b>77,839</b>	107,167
Total assets less current liabilities	<b>280,167</b>	319,030
Capital and reserves		
Share capital	105,850	105,476
Reserves (note)	174,317	213,554
Total equity	<b>280,167</b>	319,030

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 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 1 January 2020	249,345	2,151	17,200	46,396	(103,443)	211,649
Loss and total comprehensive expense for the year	-	-	-	-	(30,994)	(30,994)
Exercise of share options	13,802	-	(4,901)	-	-	8,901
Recognition of equity settled share-based payments	-	-	23,998	-	-	23,998
Transfer upon lapse of share options	-	-	(5,740)	-	5,740	-
At 31 December 2020	263,147	2,151	30,557	46,396	(128,697)	213,554
Profit and total comprehensive expense for the year	-	-	-	-	(37,000)	(37,000)
Exercise of share options	2,579	-	(1,210)	-	-	1,369
Reversal of recognition of equity settled share-based payments	-	-	(3,606)	-	-	(3,606)
Transfer upon lapse of share options	-	-	(3,922)	-	3,922	-
At 31 December 2021	265,726	2,151	21,819	46,396	(161,775)	174,317

## FIVE-YEAR FINANCIAL SUMMARY

	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000 (Note 2)	2018 HK\$'000 (Note 1)	2017 HK\$'000
<b>Results</b>					
Revenue	<b>79,337</b>	125,901	231,942	338,095	792,873
Profit/(loss) for the year	<b>(6,282)</b>	(89,045)	(24,112)	(7,403)	85,872
Attributable to:					
Owners of the Company	<b>(7,140)</b>	(89,045)	(24,112)	(7,403)	85,872
Non-controlling interests	<b>858</b>	–	–	–	–
	<b>(6,282)</b>	(89,045)	(24,112)	(7,403)	85,872
<b>Assets and liabilities</b>					
Total assets	<b>902,311</b>	534,728	557,375	634,086	725,743
Total liabilities	<b>407,259</b>	(131,694)	(100,458)	(156,092)	(235,058)
Net assets	<b>495,052</b>	403,034	456,917	477,994	490,685
Equity attributable to:					
Owners of the Company	<b>391,662</b>	403,034	456,917	477,994	490,685
Non-controlling interests	<b>103,390</b>	–	–	–	–
Total equity	<b>495,052</b>	403,034	456,917	477,994	490,685

Notes:

- In 2018, the Group has applied HKFRS 15, HKFRS 9 and other amendments to HKFRSs. Accordingly, certain comparative information for the years ended 31 December 2017 may not be comparable to the year ended 31 December 2018, 2019 and 2020 as such comparative information was prepared under HKAS 18 "Revenue" and HKAS 39 "Financial Instruments".
- In 2019, the Group has applied HKFRS 16. Accordingly, certain comparative information for the years ended 31 December 2017 and 2018 may not be comparable to the year ended 31 December 2019 and 2020 as such comparative information was prepared under HKAS 17 "Leases".

## GLOSSARY OF TERMS

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

"Acceptance of Termination"	the termination notice of the Maserati dealership notified by Maserati on 28 October 2020;
"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;
"CB Investors"	VMS Group and Fidelity International;
"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 14 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;
“Dealership Business”	the Maserati car dealership business;
“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 27 of the Listing Rules;
“EUR”	Euro, the lawful currency of European Union;
“Executive Chairman”	the chairman of the Board;

## Glossary of Terms

“Executive Director(s)”	the executive director(s) of the Company;
“Executive Directors’ Committee”	the executive directors’ committee of the Company;
“Financial Control Committee”	the financial control committee of the Company;
“Financial Investments and Services Division”	the business segment of the Group in respect of securities investment, financing and corporate finance services;
“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;
“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 recently becomes partial of the sporty vehicles group;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 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 announcement, excluding Hong Kong, Macau and Taiwan;
“Proceedings”	the wrongful purported termination of dealership agreement in reliance on a purported “Importership and Distributorship Agreement” allegedly signed on 1 October 2018;
“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 2021;
“Reporting Period”	the reporting period for the year ended 31 December 2021;
“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;

## Glossary of Terms

“Share Option Scheme” or “2012 Scheme”	the share option scheme adopted by the Company on 28 May 2012;
“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;
“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; and
“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; and
“%”	per cent.