



AUTO ITALIA

AUTO ITALIA HOLDINGS LIMITED

意達利控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 720

INTERIM REPORT 2022



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. CHONG Tin Lung Benny (*Executive Chairman and Chief Executive Officer*)
Mr. HUANG Zuie-Chin
Mr. NG Siu Wai
Mr. LIN Chun Ho Simon

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. LIN Chun Ho Simon

COMPANY SECRETARY

Ms. KWONG Yin Ping Yvonne

AUTHORISED REPRESENTATIVES

Mr. CHONG Tin Lung Benny
Ms. KWONG Yin Ping Yvonne

REGISTERED OFFICE

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PRINCIPAL BANKER

China CITIC Bank International Limited

LEGAL ADVISORS

As to Hong Kong Law
Sidley Austin LLP

As to Bermuda Law

Ocorian Law (Bermuda) Limited

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

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Bermuda

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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16 Harcourt Road
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 720

WEBSITE ADDRESS

www.autoitalia.com.hk

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Property Investment Division

During the period ended 30 June 2022, the Property Investment Division recorded a rental income of HK\$14.6 million for leasing the properties of the Group to third parties in Hong Kong and Scotland (2021: HK\$8.1 million). The increase of HK\$6.5 million rental income was mainly contributed by the recognition of income derived from the investment in Capella Building (“**Capella**”) in Scotland for the full six months period. Capella is indirectly held by Dakota RE II Limited which became a subsidiary of the Group after the Group increased its equity interest to 54.98% from 27.49% on 25 March 2021.

Financial Investments and Services Division

As at 30 June 2022, the loan receivables narrowed to nil from HK\$14.0 million as at 30 June 2021. Hence, the revenue of Financial Investments and Services Division’s for the period ended 30 June 2022 decreased to nil (2021: HK\$1.1 million).

Cost of Sales and Gross Profit

Gross profit decreased by HK\$4.2 million to HK\$11.5 million (2021: HK\$15.7 million). The decrease was mainly due to the close down of Maserati Dealership Business in April 2021.

Gross profit margin increased by 52.9 percentage points to 78.8% (2021: 25.9%). The increase was mainly contributed by higher gross margin of Property Investment Division of 81.2% and the close down of Maserati Dealership Business that generated a lower gross margin (2021: 15.5%).

Other Income

For the six months ended 30 June 2022, other income amounted to HK\$0.4 million (2021: HK\$2.1 million). The decrease of HK\$1.7 million was mainly caused by decrease in commission income by HK\$1.6 million due to close down of Maserati Dealership Business in April 2021.

Other Gains and Losses

Other gains and losses amounted to a net loss of HK\$90.9 million (2021: net gain of HK\$14.9 million) which mainly represented unrealized fair value loss of investment of an associate of HK\$92.6 million measured at fair value through profit or loss and fair value gain of investment properties in Hong Kong and Scotland of HK\$1.7 million (2021: HK\$12.1 million).

Selling and Distribution Costs and Administrative Expenses

Selling and distribution costs and administrative expenses during the period aggregated to HK\$11.4 million (2021: HK\$23.1 million), which accounted for 78.5% (2021: 38.2%) of revenue. The net decrease of HK\$11.7 million was mainly due to decrease in depreciation of right-of-use assets, legal and professional fee and staff related cost resulting from our cost optimization and restructuring plan.

Other expenses

On 26 November 2021, Racing Time Limited (the “**Purchaser**”), an indirect wholly-owned subsidiary of the Company and VMS Holdings Limited (the “**Vendor**”) entered into an agreement in relation to the acquisition of the entire issued share capital of VMS Auto Italia Fin Services Holdings Limited (the “**Target Company**”) (the “**Acquisition**”). Other expenses represent legal and professional fee incurred during the period in respect of the Acquisition.

Management Discussion and Analysis

Finance Costs

Finance costs during the period were increased to HK\$6.5 million (2021: HK\$5.3 million) which was mainly caused by increase in interest expense by HK\$2.0 million to HK\$4.2 million (2021: HK\$2.2 million) incurred by the registered owner of Capella which has become a subsidiary of the Group since 25 March 2021 and interest expense and arrangement fee of HK\$0.6 million of a bank loan obtained during the period ended 30 June 2022. The increase of finance costs was partially offset by reduced bond interest expense of HK\$1.7 million since the bond principal has been fully repaid during the year ended 31 December 2021.

Life Science Investment

For the period ended 30 June 2022, Chime Biologics Limited (“**CBL**”) generated unaudited consolidated revenue of US\$21.4 million (2021: US\$6.7 million) and recorded unaudited consolidated earnings before interest, taxes, depreciation and amortization (“**EBITDA**”) of US\$3.0 million (2021: negative EBITDA of US\$3.2 million). At 30 June 2022, the fair value of this investment decreased to HK\$157 million (June 2021: HK\$248 million) and represents around 20.4% (June 2021: 25.9%) of the total assets of the Group. The decrease was mainly caused by the unfavorable market condition during the period. The Group presently intends to hold such investment as long-term investment.

Loss Attributable to Shareholders

Loss attributable to shareholders of the Company for the six months ended 30 June 2022 was HK\$109.9 million (2021: HK\$1.1 million). It was primarily caused by an unrealized fair value loss of investment of an associate of HK\$92.6 million measured at fair value through profit or loss and the decrease of fair value gain of investment properties by HK\$10.4 million to HK\$1.7 million (2021: HK\$12.1 million).

Liquidity and Financial Resources

Cash Flow

During the period, the Group financed its operations and investments principally through reserves as well as bank and other borrowings. We have raised a new bank loan of HK\$31 million and made a net repayment (principal and interests) of other borrowings of HK\$3.5 million, and promissory notes of HK\$7.2 million.

Bank Balances and Cash

As at 30 June 2022, the Group had bank balances and cash of HK\$50.9 million as compared with HK\$39.3 million as at 31 December 2021, which were mainly denominated in Pound Sterling (as to 61%), Hong Kong dollars (as to 36%) and Renminbi (as to 3%).

Bank and Other Borrowings, Loan from a non-controlling member of a subsidiary, Corporate Bonds and Promissory Notes

As at 30 June 2022, the Group had bank and other borrowings, loan from a non-controlling member of a subsidiary, corporate bonds and promissory note totaling HK\$381.9 million (31 December 2021: HK\$388.2 million), of which HK\$39.0 million was repayable more than one year. The Group's debt to equity ratio for the six months ended 30 June 2022 increased to 103.7% from 78.4% for the year ended 31 December 2021 based on the total of current and non-current bank and other borrowings, loan from a non-controlling member of a subsidiary, corporate bonds and promissory note of HK\$381.9 million (31 December 2021: HK\$388.2 million) and total equity of HK\$368.4 million (31 December 2021: HK\$495.1 million).

The increase in debt to equity ratio was mainly due to decrease in total equity mainly caused by an unrealized fair value loss of investment of an associate of HK\$92.6 million measured at fair value through profit or loss during the period.

The bank borrowings represents a new bank loan repayable in instalments over a period of 3 years and with a repayment on demand clause and carry interest at variable market rates of Hong Kong Interbank Offered Rate plus 2% per annum. The bank borrowings balance as at 30 June 2022 are HK\$31 million (2021: nil).

Management Discussion and Analysis

The promissory note have maturity of 3 years and carry interest at 8% per annum. During the reporting period, the Group incurred interest expense of HK\$1.7 million and repaid principal and interest of HK\$7.2 million, the remaining promissory note balance as at 30 June 2022 is HK\$39.0 million.

The other borrowings and loan from a non-controlling member of a subsidiary have maturity at May 2023 and carry interest at 2.3% and 10% per annum respectively. During the reporting period, the Group incurred interest expense of HK\$3.7 million and HK\$0.5 million and repaid interest of HK\$3.5 million and nil, respectively. The remaining loan balance as at 30 June 2022 are HK\$303.0 million and HK\$8.7 million respectively.

Loan Receivables

Under the global outbreak of the COVID-19 pandemic, the Group has continued to adopt a prudent and cautious approach to balance the return and risk of the financing activities. As at 30 June 2022 and 31 December 2021, the Group did not have any outstanding secured loan lent to customers.

Foreign Exchange Exposure

The Group currently does not have a foreign currency hedging policy. The Group manages its foreign exchange exposure by monitoring the matching of the currency of its debt with (i) the collateral assets; and (ii) the debt servicing income derived from its business activities. During the period ended 30 June 2022, 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 attributable to owners of the Company of approximately HK\$10 million was recorded during the period (2021: positive exchange difference of approximately HK\$1 million).

Pledge of Assets

As at 30 June 2022, certain of the Group's bank deposits and properties totaling HK\$531.0 million (31 December 2021: property totaling HK\$517.2 million) were pledged as security for relevant borrowings.

CAPITAL EXPENDITURES AND COMMITMENTS

As at 30 June 2022, the Group had total capital commitments of HK\$0.07 million (2021: nil), all are authorized and contracted for.

CONTINGENT LIABILITIES

As at 30 June 2022 and 31 December 2021, the Group had no significant contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events after the end of the six months ended 30 June 2022 (the “**Reporting Period**”).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, there was no material acquisition or disposal of subsidiaries, associates or joint ventures undertaken by the Group.

On 26 November 2021, Racing Time Limited (the “**Purchaser**”), an indirect wholly-owned subsidiary of the Company and VMS Holdings Limited (the “**Vendor**”) entered into an agreement in relation to the acquisition of the entire issued share capital of VMS Auto Italia Fin Services Holdings Limited (the “**Target Company**”) (the “**Acquisition**”). The Acquisition constituted a very substantial acquisition and a reverse takeover for the Company under Chapter 14 of the Listing Rules. As at the date of this Report, 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. 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.

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

HUMAN RESOURCES AND CHARITY

As at 30 June 2022, 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.

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

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

BUSINESS REVIEW

Property Investment

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

For our investment properties in Hong Kong and Scotland, the Group continued to earn a rental income of HK\$1.1 million and HK\$13.5 million respectively (2021: HK\$1.0 million and HK\$7.1 million respectively) from leasing the investment properties. During the period, the Group recorded an unrealized gain on fair value change of investment properties of HK\$0.1 million and HK\$1.6 million respectively (2021: HK\$2.8 million and HK\$9.3 million respectively).

As at 30 June 2022, approximately 94% of the total net internal area of Capella is subject to various tenancy agreements at a total rental of approximately GBP2.9 million per annum with the expiry date in February 2030 at the latest and a weighted average unexpired lease term to expiry of 5.46 years.

Financial Investments and Services

As a result of the global outbreak of the COVID-19 pandemic, the Group has continued to adopt a prudent and cautious approach to balance the return and risk of the financing activities. As at 30 June 2022 and 31 December 2021, the Group did not have any outstanding secured loan lent to customer.

Management Discussion and Analysis

Life Sciences Investment

In April 2022, CBL's Shanghai R&D Centre made a breakthrough achievement, developing a cell line with super productivity (8-10 g/L), much higher than industry average of 3-5 g/L. This achievement will significantly boost CBL's capability in serving the early-stage drug development markets in China and beyond. The new third Good Manufacturing Practices facility (GMP-3 facility), expected to open in the second half of 2022, will enable CBL to serve early-stage drug development (Investigational New Drug projects) markets with cost-effective facility, synergizing with the Shanghai R&D Centre's technology breakthrough. The total number of clients served increased from 18 in second quarter of 2021 to 25 in second quarter of 2022, and more than 130 clients has engaged with CBL to enquire about with CBL's comprehensive services.

For the six month ended 30 June 2022, CBL generated unaudited consolidated revenue of US\$21.4 million (2021: US\$6.7 million) and recorded unaudited consolidated operating losses of US\$2.5 million (2021: US\$4.7 million).

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

OUTLOOK

Taking into consideration the economic uncertainties owing to the rise of interest rate and the COVID-19 pandemic, the marco 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The board (the “**Board**”) of directors (the “**Directors**”) of Auto Italia Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022.

INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).

DISCLOSURE OF INTERESTS

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

As at 30 June 2022, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO; or are required, pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) are as follows:

Long positions in the shares of the Company

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

Notes:

1. The percentage of shareholding is calculated on the basis of the Company’s issued share capital of 5,292,515,390 shares as at 30 June 2022.
2. Mr. Chong is beneficially interested in 51,891,000 ordinary shares of the Company.
3. Mr. Lin is beneficially interested in 2,377,500 ordinary shares of the Company.

Corporate Governance and Other Information

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 ^(Note)
Chime Biologics	Mr HUANG Zuie-Chin	Interest of controlled corporation	3,068,194	1.30%

Note:

The percentage of shareholding is calculated on the basis of the total number of issued ordinary shares of Chime Biologics of 236,182,295 shares as at 30 June 2022.

Save as disclosed in the section headed “**Share Option Scheme**” of this Report, as at 30 June 2022, none of the Directors or the Chief Executives or their respective associates had or was deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which had otherwise been notified to the Company and the Stock Exchange pursuant to the Model Code.

Arrangement for Directors to acquire Shares or debentures

Save as disclosed in the section headed “**Share Option Scheme**” of this Report, at no time during the six months ended 30 June 2022 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and the Chief Executives (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Corporate Governance and Other Information

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

As at 30 June 2022, so far as is known to the Directors, the persons or corporations (other than the Directors or the Chief Executives) who had interests or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions in the Shares and underlying Shares

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

[#] Based on the total number of issued Shares of 5,292,515,390 as at 30 June 2022.

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 hold any short positions in the Shares or underlying Shares of equity derivatives of the Company.

Corporate Governance and Other Information

Save as disclosed above, as at 30 June 2022, the Company had not been notified by any persons or corporations (other than the Directors or the Chief Executives) who had interests or short positions in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTION SCHEME

(i) Previous Share Option Scheme

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

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

Details of the movements in outstanding share options, which have been granted under the Previous Share Option Scheme, during the six months ended 30 June 2022 are set out below:

Name or category of participants	Date of grant	Exercise price (HK\$)	Exercisable period	As at 1 January 2022	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period (Note 3)	As at 30 June 2022
(a) Directors								
Mr. CHONG Tin Lung Benny	07/10/2020 ^(Note 4)	0.1754	27/07/2021 to 26/07/2025 ^(Note 2)	120,000,000	-	-	(60,000,000)	60,000,000
Mr. HUANG Zuie-Zhin	07/10/2020 ^(Note 4)	0.1754	27/07/2021 to 26/07/2025 ^(Note 2)	120,000,000	-	-	(60,000,000)	60,000,000

Corporate Governance and Other Information

Name or category of participants	Date of grant	Exercise price (HK\$)	Exercisable period	As at 1 January 2022	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period (Note 3)	As at 30 June 2022
Mr. NG Siu Wai	07/10/2020 (Note 4)	0.1754	27/07/2021 to 26/07/2025 (Note 2)	120,000,000	-	-	(60,000,000)	60,000,000
Mr. LIN Chun Ho Simon	15/06/2017	0.0932	15/06/2018 to 14/06/2023 (Note 2)	18,700,000	-	-	-	18,700,000
	27/07/2020	0.1754	27/07/2021 to 26/07/2025 (Note 2)	30,000,000	-	-	-	30,000,000
(b) Other eligible participants								
Consultants of the Group (the "Consultants")	27/07/2020 (Note 4)	0.1754	27/07/2021 to 26/07/2025 (Note 2)	97,000,000	-	-	-	97,000,000
Total				505,700,000	-	-	(180,000,000)	325,700,000

Notes:

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

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

Corporate Governance and Other Information

- (3) *The share options were lapsed due to failure to achieve the performance targets during the period.*
- (4) *These share options are conditionally granted on 27 July 2020 and approved by the Company's special general meeting on 7 October 2020. They were granted to four Consultants, each being an independent third party of the Company. The purpose of granting options to the Consultants was to provide incentives to the Consultants to lead, identify and/or exploit business opportunities in the life science sector as the Consultants have been working in the life science business of the Company without being entitled to any fixed salaries or emoluments. The Company considered that this is in line with the objective of the Previous Share Option Scheme to provide incentives or rewards to the Consultants for their contribution to the Group and to retain them to make continuous contribution to the Company.*

Save as disclosed, no share option was granted or agreed to be granted under the Previous Share Option Scheme during the six months ended 30 June 2022.

(ii) **New Share Option Scheme**

The relevant resolution for approving a new share option scheme (the “**New Share Option Scheme**”) has been duly passed by the shareholders of the Company at the annual general meeting of the Company held on 25 May 2022. The Company has made an application to the Stock Exchange for approval of the listing of, and permission to deal in, the Shares falling to be issued pursuant to the exercise of the share options granted under the New Share Option Scheme (the “**Relevant Listing Application**”).

Based on information available to the Company, the Relevant Listing Application is expected to be considered by the Stock Exchange at the same time as the new listing application made by the Company with the Stock Exchange in connection with the Acquisition, details of which are set out in the section headed “Material acquisitions and disposals of subsidiaries, associates and joint ventures” of this Report.

In view of the above, on 17 June 2022, the Board has resolved to extend the relevant long stop date for satisfaction of certain conditions for adoption of the New Share Option Scheme to 31 December 2022, or such other date as may be agreed between the Company and the vendor in relation to the Acquisition.

For details of the New Share Option Scheme, please refer to the circular of the Company dated 21 April 2022 and the poll results announcement of the 2022 annual general meeting of the Company dated 25 May 2022 and the announcement of the Company dated 17 June 2022, respectively.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Maintaining an effective corporate governance framework is one of the priorities of the Company. In the opinion of the Directors, the Company had complied with all the code provisions of the Corporate Governance Code (the "**CG Code**") and Corporate Governance Report as set out in Appendix 14 of the Listing Rules on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the six months ended 30 June 2022, except Code Provision C.2.1 of the CG Code.

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

Mr CHONG Tin Lung Benny is the Executive Chairman and the Chief Executive Officer. Mr CHONG Tin Lung Benny has extensive experience in corporate management and securities investments and is responsible for the overall corporate strategies, planning and business development of the Group. The Board considers that the vesting of two roles in the same person provides our Group with strong and consistent leadership and facilitates the implementation and execution of our Group's business strategy. The Board believes that a balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high caliber individuals including 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers set out in Appendix 10 of the Listing Rules (the "**Model Code**") as standard for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors by the Company, the Directors confirmed in writing that they have complied with the standards set out in the Model Code throughout the six months ended 30 June 2022.

CHANGES IN INFORMATION OF DIRECTORS

There is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules on the Stock Exchange subsequent to the date of the 2021 Annual Report of the Company.

THE BOARD

The Directors who held office during the six months ended 30 June 2022 and up to the date of this Report are:

Executive Directors

Mr. CHONG Tin Lung Benny (*Executive Chairman and Chief Executive Officer*)
Mr. HUANG Zuie-Chin
Mr. NG Siu Wai
Mr. LIN Chun Ho Simon

INEDs

Mr. KONG Kai Chuen Frankie
Mr. LEE Ben Tiong Leong
Mr. TO Chun Wai

BOARD COMMITTEES

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.

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.

Corporate Governance and Other Information

Remuneration Committee

The members of the Remuneration Committee comprise Mr. KONG Kai Chuen Frankie, Mr. LEE Ben Tiong Leong and Mr. TO Chun Wai, all of whom are INEDs, and Mr. CHONG Tin Lung Benny, an executive Director. Mr. TO Chun Wai is the chairman of the Remuneration Committee.

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

Nomination Committee

The members of the Nomination Committee comprise Mr. KONG Kai Chuen Frankie, Mr. LEE Ben Tiong Leong and Mr. TO Chun Wai, all of whom are INEDs and Mr. CHONG Tin Lung Benny, an executive Director. Mr. CHONG Tin Lung Benny is the chairman of the Nomination Committee.

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

Executive Directors' Committee

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

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

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2022 have not been audited but have been reviewed by Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants, the Company's auditor. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022.

By order of the Board

CHONG Tin Lung Benny
Executive Chairman and Chief Executive Officer

Hong Kong, 26 August 2022

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF AUTO ITALIA HOLDINGS LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Auto Italia Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 25 to 60, which comprise the condensed consolidated statement of financial position as of 30 June 2022 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Report on Review of Condensed Consolidated Financial Statements

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

Notes	Continuing operations		Discontinued operation		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
				(note 9)		
Revenue from goods and services	-	-	-	51,426	-	51,426
Rental income	14,560	8,050	-	-	14,560	8,050
Interest income from loan receivables	-	1,118	-	-	-	1,118
Total revenue	14,560	9,168	-	51,426	14,560	60,594
Cost of sales and services	(2,736)	(1,449)	(349)	(43,459)	(3,085)	(44,908)
Gross profit	11,824	7,719	(349)	7,967	11,475	15,686
Other income	4	58	-	322	380	2,033
Other gains and losses	5	(90,909)	12,547	-	2,368	(90,909)
Reversal of impairment losses under expected credit loss ("ECL") model, net	-	5	-	6	-	11
Selling and distribution costs	-	-	-	(7,881)	-	(7,881)
Administrative expenses	(11,157)	(6,841)	(267)	(8,411)	(11,424)	(15,252)
Other expenses	6	(8,702)	-	-	(8,702)	-
Finance costs	7	(6,453)	(5,016)	-	(299)	(6,453)
Share of result of an associate accounted for using equity method	-	768	-	-	-	768
(Loss) profit before taxation	(105,339)	9,182	(294)	(4,217)	(105,633)	4,965
Taxation	8	(1,373)	(132)	(270)	(1,643)	(132)
(Loss) profit for the period	10	(106,712)	9,050	(564)	(107,276)	4,833

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2022

	Note	Total	
		Six months ended 30 June 2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
(Loss) profit for the period attributable to owners of the Company			
– from continuing operations		(109,383)	3,120
– from discontinued operation		(564)	(4,217)
		(109,947)	(1,097)
Profit for the period attributable to non-controlling interests			
– from continuing operations		2,671	5,930
(Loss) profit for the period		(107,276)	4,833
Loss per share (from continuing and discontinued operations)			
– Basic	11	(HK2.08 cents)	(HK0.02 cents)
– Diluted	11	(HK2.08 cents)	(HK0.02 cents)
(Loss) earning per share (from continuing operations)			
– Basic	11	(HK2.07 cents)	HK0.06 cents
– Diluted	11	(HK2.07 cents)	HK0.06 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit for the period	(107,276)	4,833
Other comprehensive (expense) income		
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(22,814)	1,614
Other comprehensive (expense) income for the period	(22,814)	1,614
Total comprehensive (expense) income for the period	(130,090)	6,447
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	(120,754)	548
Non-controlling interests	(9,336)	5,899
	(130,090)	6,447
Total comprehensive (expense) income for the period attributable to owners of the Company:		
– from continuing operations	(120,190)	4,534
– from discontinued operation	(564)	(3,986)
	(120,754)	548

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Non-current assets			
Investment properties	13	530,115	579,155
Property, plant and equipment	14	2,139	2,684
Investment of an associate measured at fair value through profit or loss ("FVTPL")	15	156,928	249,507
Other financial asset at FVTPL		14,056	14,703
Rent and other receivables	16	10,851	12,948
		714,089	858,997
Current assets			
Inventories		1,143	1,492
Rent and other receivables	16	3,401	2,551
Pledged bank deposits		905	–
Bank balances and cash		50,879	39,271
		56,328	43,314
Current liabilities			
Trade and other payables	17	16,455	16,705
Tax payable		56	38
Bank and other borrowings	18	334,147	–
Loan from a non-controlling member of a subsidiary	19	8,746	–
		359,404	16,743
Net current (liabilities) assets		(303,076)	26,571
Total assets less current liabilities		411,013	885,568

Condensed Consolidated Statement of Financial Position

At 30 June 2022

	Notes	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Capital and reserves			
Share capital	21	105,850	105,850
Reserves		168,494	285,812
Equity attributable to owners of the Company			
		274,344	391,662
Non-controlling interests		94,054	103,390
Total equity		368,398	495,052
Non-current liabilities			
Bank and other borrowings	18	–	334,529
Loan from a non-controlling member of a subsidiary	19	–	9,205
Promissory note	20	38,988	44,500
Deferred taxation		3,627	2,282
		42,615	390,516
		411,013	885,568

Approved by the Board of Directors on 26 August 2022 and are signed on its behalf by:

CHONG Tin Lung Benny
DIRECTOR

LIN Chun Ho Simon
DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to the owners of the Company								Non-controlling interests	Total	
	Share capital	Share premium	Capital redemption reserve	Share option reserve	Revaluation reserve	Translation reserve	Other reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2022 (audited)	105,850	265,726	2,151	21,819	19,246	(2,847)	166,431	(186,714)	391,662	103,390	495,052
(Loss) profit for the period	-	-	-	-	-	-	-	(109,947)	(109,947)	2,671	(107,276)
Other comprehensive expense for the period	-	-	-	-	-	(10,807)	-	-	(10,807)	(12,007)	(22,814)
Total comprehensive expense for the period	-	-	-	-	-	(10,807)	-	(109,947)	(120,754)	(9,336)	(130,090)
Recognition of equity settled share-based payments	-	-	-	3,436	-	-	-	-	3,436	-	3,436
Transfer upon lapse of share option	-	-	-	(532)	-	-	-	532	-	-	-
At 30 June 2022 (unaudited)	105,850	265,726	2,151	24,723	19,246	(13,654)	166,431	(296,129)	274,344	94,054	368,398
At 1 January 2021 (audited)	105,476	263,147	2,151	30,557	19,246	(478)	166,431	(183,496)	403,034	-	403,034
(Loss) profit for the period	-	-	-	-	-	-	-	(1,097)	(1,097)	5,930	4,833
Other comprehensive income (expense) for the period	-	-	-	-	-	1,645	-	-	1,645	(31)	1,614
Total comprehensive income (expense) for the period	-	-	-	-	-	1,645	-	(1,097)	548	5,899	6,447
Arising on acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	102,627	102,627
Exercise of share options	374	2,579	-	(1,210)	-	-	-	-	1,743	-	1,743
Recognition of equity settled share-based payments	-	-	-	1,449	-	-	-	-	1,449	-	1,449
Transfer upon lapse of share option	-	-	-	(40)	-	-	-	40	-	-	-
At 30 June 2021 (unaudited)	105,850	265,726	2,151	30,756	19,246	1,167	166,431	(184,553)	406,774	108,526	515,300

Notes:

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
OPERATING ACTIVITIES			
(Loss) profit before taxation		(105,633)	4,965
Adjustments for:			
Depreciation of property, plant and equipment		327	233
Fair value loss on investment of an associate measured at FVTPL		92,579	–
Fair value gain on investment properties		(1,672)	(12,129)
Finance costs		6,453	5,087
Other adjustments		3,783	(1,970)
Operating cash flows before movement in working capital		(4,163)	(3,814)
Decrease in inventories		–	57,646
Decrease in loan receivables		–	7,610
Decrease in rent and other receivables		1,247	9,196
Decrease in trade and other payables		(250)	(5,288)
Decrease in contract liabilities		–	(18,550)
Net cash (used in) from operations		(3,166)	46,800
Income tax paid		(270)	–
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(3,436)	46,800
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		–	2,234
Interest received		2	25
Purchase of other financial asset at FVTPL		–	(13,606)
Purchase of property, plant and equipment		(16)	(146)
Net cash inflow on acquisition of a subsidiary	22	–	18,290
Placement of pledged bank deposits		(905)	–
Withdrawal of pledged bank deposits		–	20,000
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(919)	26,797

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
FINANCING ACTIVITIES		
Bank and other borrowings raised	31,000	–
Exercise of share options	–	1,743
Repayment of corporate bonds	–	(36,000)
Repayment of bank and other borrowings	–	(10,316)
Repayment of promissory note	(7,000)	(9,000)
Payments for lease liabilities	–	(7,917)
Other financing cash flows	(4,122)	(5,667)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	19,878	(67,157)
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,523	6,440
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	39,271	52,512
Effect of exchange rate changes	(3,915)	272
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	50,879	59,224

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

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

As at 30 June 2022, the Group had net current liabilities of HK\$303,076,000. In preparing the condensed consolidated financial statements, the directors of the Company (the “**Directors**”) have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and considerations have been taken by the Directors to mitigate the liquidity position of the Group and to improve the financial position of the Group, and the plans and considerations are as follows.

The Group has planned to renew the existing borrowing of HK\$302,996,000, which is due for repayment in May 2023. As at 30 June 2022, the Group’s investment properties with fair value of HK\$468,015,000 are pledged with this borrowing. In view of sufficient headroom between the amount of the borrowing and the fair value of pledged investment properties, the Directors are of the opinion that the renewal of existing borrowing from existing financial institution is highly probable because the existing financial institution has indicated its interest in renewing the borrowing, subject to further negotiation on the terms.

In addition, the Group has a term loan of HK\$31,000,000, which contains a repayment on demand clause and HK\$29,450,000 of which is due for repayment after twelve months from the reporting date according to its repayment schedule. As at 30 June 2022, the Group’s investment properties with fair value of HK\$62,100,000 are pledged with this term loan. In view of continuous compliance of loan covenants throughout the reporting period and sufficient headroom between the amount of the term loan and the fair value of pledged investment properties, the Directors are of the opinion that there is no indication for the Group to be demanded for repayment of the term loan before its scheduled maturity dates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION *(Continued)*

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

1A. SIGNIFICANT EVENT IN THE CURRENT INTERIM PERIOD

During the current interim period, there was a fair value loss on investment of an associate measured at FVTPL of HK\$92,579,000, the details of which are set out in note 15.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than the change in accounting policy resulting from agenda decision of the International Financial Reporting Standards Interpretations Committee (the "**Committee**") of the International Accounting Standards Board (the "**IASB**"), the accounting policies applied and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June, 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December, 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Application of the agenda decision of the Committee – Costs necessary to sell inventories

In addition, the Group applied the agenda decision of the Committee of the IASB issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

2.2.1 Accounting policy

The application of the Committee’s agenda decision results in change in accounting policy for inventories:

Inventories

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

2.2.2 Transition and summary of effects

The application of the Committee’s agenda decision has had no material impact on the Group’s condensed consolidated financial statements and performance.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. SEGMENT INFORMATION

During the six months ended 30 June 2022, the Group has two operating segments under HKFRS 8 “Operating Segments” from continuing operations as follows:

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

Six months ended 30 June 2022 (unaudited)

Continuing operations

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

Note: As at 30 June 2022, the management continues to operate the financial investments and services and will continue to explore business opportunity in this segment.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Six months ended 30 June 2021 (unaudited)

Continuing operations

	Financial investments and services HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
SEGMENT REVENUE			
Group revenue	1,118	8,050	9,168
SEGMENT RESULTS			
Segment profit	458	15,365	15,823
Share of result of an associate accounted for using equity method			768
Share-based payments			(1,449)
Unallocated corporate expenses			(3,141)
Finance costs			(2,819)
Profit before taxation			9,182

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

At 30 June 2022 (unaudited)

	Financial investments and services HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
Assets			
Segment assets	-	545,867	545,867
Assets relating to discontinued operation			1,143
Total segment assets			547,010
Bank balances and cash			50,879
Investment of an associate measured at FVTPL			156,928
Other financial asset at FVTPL			14,056
Unallocated corporate assets			1,544
Consolidated assets			770,417
Liabilities			
Segment liabilities	-	318,536	318,536
Liabilities relating to discontinued operation			6,800
Total segment liabilities			325,336
Promissory note			38,988
Bank borrowing			31,150
Deferred taxation			3,627
Tax payable			56
Unallocated corporate liabilities			2,862
Consolidated liabilities			402,019

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

At 31 December 2021 (audited)

	Financial investments and services HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
Assets			
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 at FVTPL			14,703
Unallocated corporate assets			340
Consolidated assets			902,311
Liabilities			
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 Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

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

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

4. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Government subsidy	56	–
Bank interest income	2	–
	58	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Net foreign exchange (loss) gain	(2)	418
Fair value loss on investment of an associate measured at FVTPL (note)	(92,579)	–
Fair value gain on investment properties	1,672	12,129
	(90,909)	12,547

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

6. OTHER EXPENSES

On 26 November 2021, Racing Time Limited, an indirect wholly owned subsidiary of the Company and VMS Holdings Limited entered into an agreement in relation to the acquisition of the entire issued share capital of VMS Auto Italia Fin Services Holdings Limited (the "**Acquisition**"). Other expenses represent legal and professional fee incurred during the period in respect of the Acquisition.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

7. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Interests on bank and other borrowings	3,874	1,978
Interest on loan from a non-controlling member of a subsidiary	450	219
Interest on promissory note	1,664	1,090
Interest on corporate bonds	–	1,729
Loan arrangement fee	465	–
	6,453	5,016

8. TAXATION

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Current tax charge:		
Hong Kong	28	132
Deferred taxation	1,345	–
	1,373	132

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

9. DISCONTINUED OPERATION

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

The results for the period from the discontinued cars business were set out in condensed consolidated statement of profit or loss on page 25.

During the six months ended 30 June 2021, the cars business contributed HK\$23,961,000 to the Group's net operating cash flows, received HK\$2,259,000 in respect of investing activities and paid HK\$18,544,000 in respect of financing activities.

10. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Depreciation of property, plant and equipment	327	161

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

11. (LOSS) EARNING PER SHARE

From continuing operations

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

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Loss for the period attributable to owners of the Company (from continuing and discontinued operations)	(109,947)	(1,097)
Less: Loss for the period from discontinued operation	564	4,217
(Loss) profit for the period for the purpose of calculating basic and diluted (loss) earning per share from continuing operations	(109,383)	3,120

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

11. (LOSS) EARNING PER SHARE (Continued)

Number of shares

	Six months ended 30 June	
	2022	2021
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earning per share	5,292,515,390	5,291,172,296
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	–	39,221,523
Weighted average number of ordinary shares for the purpose of calculating diluted (loss) earning per share	5,292,515,390	5,330,393,819

For the six months ended 30 June 2022, the computation of diluted loss per share did not assume the exercise of the Company's share options because the assumed exercise of share options would result in decrease in loss per share.

From discontinued operation

For the six months ended 30 June 2022, basic and diluted loss per share for the discontinued operation is HK0.01 cents per share (for the six months ended 30 June 2021: HK0.08 cents), based on the loss for the period from the discontinued operation of approximately HK\$564,000 (for six months ended 30 June 2021: HK\$4,217,000) and the denominators detailed above for both basic and diluted (loss) earning per share.

12. DIVIDEND

No dividend was paid or declared during the six months ended 30 June 2022 and 2021 nor has any dividend been proposed since the end of the reporting period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

13. INVESTMENT PROPERTIES

	HK\$'000
Fair value	
At 1 January 2021	55,200
Acquired through acquisition of a subsidiary	531,168
Fair value gain on investment properties	1,238
Exchange adjustments	(8,451)
At 31 December 2021	579,155
Fair value gain on investment properties	1,672
Exchange adjustments	(50,712)
At 30 June 2022	530,115

The investment properties comprised industrial buildings and carparks located in Hong Kong and an office building located in Scotland which was acquired in 2021 through acquisition of a subsidiary as set out in note 22.

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

13. INVESTMENT PROPERTIES (Continued)

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

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group spent HK\$16,000 (2021: HK\$146,000) on the acquisition of property, plant and equipment. During the six months ended 30 June 2022, the Group did not make any disposal of property, plant and equipment (2021: disposed of property, plant and equipment with carrying value of HK\$1,832,000 resulting in a gain of HK\$402,000).

15. INVESTMENT OF AN ASSOCIATE MEASURED AT FVTPL

	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Investment of an associate measured at FVTPL	156,928	249,507

At 30 June 2022 and 31 December 2021, the Group held 51,847,997 Series A Preferred Shares of Chime Biologics Limited ("CBL"). The principal activity of CBL is provision of biologics contract development and manufacturing services. The Group has the right to appoint 1 out of 6 directors of the board of CBL and therefore the Group has the power to exercise significant influence over CBL and CBL becomes an associate of the Group.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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

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

16. RENT AND OTHER RECEIVABLES

	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Rent receivables	13,254	14,827
Utility and rental deposits	123	123
Prepayments and other receivables	875	549
	14,252	15,499
Less: Amount due more than one year shown under non-current assets	(10,851)	(12,948)
Amount shown under current assets	3,401	2,551

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

16. RENT AND OTHER RECEIVABLES *(Continued)*

Rent receivables

The Group's rental income are based on effective accrued rentals after taking into account of rent free period which are recognised under straight line method and recorded as rent receivables. Rental income is received from tenants in Scotland and in Hong Kong on a quarter basis and monthly basis, respectively. Included in the Group's rent receivables as at 30 June 2022 are (i) accrued rent receivables of HK\$10,218,000 over the rent free periods (At 31 December 2021: HK\$11,212,000); (ii) lease incentives paid of HK\$3,036,000 (At 31 December 2021: HK\$3,615,000) represent amount of rent incentives granted to tenants, which are to be recovered through future rental income. The amounts that are expected to be realised after twelve months after the reporting period are presented as non-current assets.

No credit period is granted to tenants of rental of premises. There is no past due rent receivables as at 30 June 2022 and 31 December 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

17. TRADE AND OTHER PAYABLES

	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Trade payables	10	10
Advance payments from customers	236	236
Accrued charges	3,429	2,903
Receipt in advance for rental income	5,201	5,114
Other payables	7,579	8,442
	16,455	16,705

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

	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Over 1 year	10	10

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

18. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained a new loan from a bank amounting to HK\$31,000,000 (for the six months ended 30 June 2021: HK\$ nil) which was secured by an investment property in Hong Kong and pledged bank deposits. The new loan carries interest at variable market rates of Hong Kong Interbank Offered Rate plus 2% per annum and is repayable in instalments over a period of 3 years and with a repayment on demand clause. During the six months ended 30 June 2022, the Group has not repaid any bank borrowing (for the six months ended 30 June 2021: repaid of HK\$10,316,000). The bank and other borrowings are subject to some covenants and the Group has complied with the covenants throughout the reporting period.

Through the acquisition of Dakota RE II as set out in note 22, other borrowing increased by HK\$339,203,000 for the six months ended 30 June 2021, which was secured by an investment property in Scotland. The secured borrowing has maturity of three years until May 2023 and carries interest at 2.3% per annum.

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

Through the acquisition of Dakota RE II as set out in note 22, a loan from a non-controlling member of a subsidiary increased by HK\$8,681,000 for the six months ended 30 June 2021. The unsecured loan will be matured in May 2023 or after full repayment of the other borrowing, whichever earlier, and carries interest at 10% per annum.

20. PROMISSORY NOTE

On 25 March 2021, the Group issued unsecured promissory note amounting to HK\$53,500,000 in Hong Kong to acquire additional equity interest of 27.49% in Dakota RE II as set out in note 22. The unsecured promissory note has maturity of three years until March 2024 and carries interest at 8% per annum. During the six months ended 30 June 2022, the Group early repaid principal of HK\$7,000,000 (for the six months ended 30 June 2021: HK\$9,000,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

21. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.02 each:		
Authorised		
At 1 January 2021, 30 June 2021, 1 January 2022 and 30 June 2022	17,500,000,000	350,000
Issued and fully paid		
At 1 January 2021	5,273,815,390	105,476
Exercise of share options	18,700,000	374
At 30 June 2021, 1 January 2022 and 30 June 2022	5,292,515,390	105,850

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

22. 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 20. One of an indirect subsidiary 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, were considered a single identifiable asset; and
- (b) The group of office units was a group of similar identifiable assets because the assets are similar in nature and risks associated with managing and creating outputs were 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 was concentrated in a group of similar identifiable assets and concluded that the acquired set of activities and assets was not a business.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

22. 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 approximated the respective fair values.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

23. RELATED PARTY TRANSACTIONS

During the six months period ended 30 June 2021, the Group entered into the following transaction with VMS Securities Limited (“**VMS Securities**”) and there is no such transaction for current period, 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.

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Financial advisory services fee paid to VMS Securities	–	100

Compensation of key management personnel

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Key management personnel compensation (Note)	5,234	3,777

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

24. SHARE-BASED PAYMENTS

The previous share option scheme (the “**Previous Share Option Scheme**”), which was adopted by the Company on 28 May 2012, lapsed on 27 May 2022. On 25 May 2022, the resolution for approving a new share option scheme (the “**New Share Option Scheme**”) has been duly passed by the shareholders of the Company at the annual general meeting of the Company. However, the New Share Option Scheme is subject to the approval of The Stock Exchange of Hong Kong Limited. The rules of the Previous Share Option Scheme remain in full force and effect to the extent necessary to give effect to the exercise of the options granted thereunder prior to its lapse, or otherwise to the extent as may be required in accordance with the rules of the Previous Share Option Scheme. The Board has resolved to extend the relevant long stop date for satisfaction of certain conditions for adoption of the New Share Option Scheme to 31 December 2022, or such other date as may be agreed between the Company and VMS Holdings Limited in relation to the acquisition of the entire issued share capital of VMS Auto Italia Fin Services Holdings Limited.

For the particular of the Previous Share Option Scheme, please refer to annual report of the Company dated 30 March 2022.

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

	Number of share options
Outstanding as at 1 January 2022	505,700,000
Lapsed during the period	(180,000,000)
Outstanding as at 30 June 2022	325,700,000

During the six months ended 30 June 2022, the Group recognised a total expense of HK\$3,436,000 (six months ended 30 June 2021: HK\$1,449,000) in administrative expenses in relation to share options granted by the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

25. FINANCIAL INSTRUMENTS

Fair value measurements of financial instruments

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

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

Fair value hierarchy

Financial assets	Fair values at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30 June 2022 HK\$'000	31 December 2021 HK\$'000			
Investment of an associate measured at FVTPL	156,928	249,507	Level 3	Market approach and option model	Volatility of 60% (At 31 December 2021: 50%) (Note 1); equity value (Note 2); time to liquidity event (Note 3); and liquidation and conversion (Note 3)
Other financial asset at FVTPL	14,056	14,703	Level 3	Investment cost plus accumulated return	Rate of return of 8% in compound interest (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\$628,000/HK\$471,000 (At 31 December 2021: HK\$4,530,000/HK\$3,727,000).

Note 2: An increase in the equity value used in isolation would result in an increase in the fair value, and vice versa. 20% (At 31 December 2021: 2%) higher/lower in equity value holding all other variables constant would increase/decrease the fair value by HK\$40,621,000/HK\$40,856,000 (At 31 December 2021: HK\$5,294,000/HK\$5,302,000). The management adjusted the sensitivity rate from 2% to 20% in view of higher market volatility.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

25. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements of financial instruments *(Continued)*

Reconciliation of Level 3 fair value measurements of financial assets

	HK\$'000
Balance at 1 January 2021 (audited)	248,080
Exchange adjustments	400
Balance at 30 June 2021 (unaudited)	248,480
Balance at 1 January 2022 (audited)	264,210
Unrealised fair value change recognised in profit or loss	(92,579)
Exchange adjustments	(647)
Balance at 30 June 2022 (unaudited)	170,984

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

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

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

26. EVENT AFTER THE REPORTING PERIOD

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