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

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

ANNUAL 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 LI Shaofeng (appointed on 28 February 2023)
Mr LIN Chun Ho Simon

Independent Non-executive Directors

Mr KONG Kai Chuen Frankie
Mr LEE Ben Tiong Leong
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

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As to Bermuda Law
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SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
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STOCK CODE
The Stock Exchange of Hong Kong Limited: 720

WEBSITE ADDRESS
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CHAIRMAN’S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the “**Board**”) of Auto Italia Holdings Limited (the “**Company**”), I am pleased to present to you the annual report of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022 (the “**Reporting Period**”).

The year 2022 has been economically challenging due to the rising interest rates, continuously escalating geopolitical threats and the lingering adverse impact of the COVID-19 pandemic. These crises have caused susceptible market sentiments and market volatility, leading to a consolidated loss attributable to owners of the Company of approximately HK$63.4 million for the Reporting Period. This loss was primarily due to unrealized fair value losses on investment property and the investment of an associate measured at fair value through profit or loss. Despite this, the Group’s revenue from continuing operations increased, thanks to our Property Investment Division, which is supported by substantial asset-sized properties with strong and stable revenue-generating capabilities.

After carefully considering the recent susceptible market sentiments and market volatility towards the end of 2022 brought by the crises around the globe, on 25 November 2022, Racing Time Limited, an indirect wholly-owned subsidiary of the Company, and VMS Holdings Limited entered into the deed of termination of the agreement dated 26 November 2021 in relation to the acquisition of the entire issued share capital of VMS Auto Italia Fin Services Holdings Limited by Racing Time Limited.

However, the management of the Group conscientiously and proactively continued its journey on seeking for business opportunities, including but not limited to any possibilities in the car related business that are beneficial to the sustainable growth of the Group and bring long-term enhancement of value to our Shareholders.

After in-depth evaluation of the current luxury car market in Mainland China, as well as taking into account factors such as the diminishing impacts of COVID-19, on 28 December 2022, Success Master (Shanghai) Consultancy Limited, an indirect wholly-owned subsidiary of the Company and CTF Automobile (China) Investment Co., Ltd entered into the equity transfer agreement dated 28 December 2022 in relation to the acquisition of 51% equity interest in Wuhan Junyi Cars Sales & Service Company Ltd, a company principally engaged in the 4S dealership business in the PRC for a premium brand vehicle named Maserati, with a dealership network covering Wuhan. This strategic investment is expected expand the Group’s network for Maserati car dealership in the PRC, especially in Wuhan, where the Company has commenced its life sciences investment business since 2020.

To bolster the performance of the Wuhan Maserati business, the Company has appointed Mr LI Shaofeng as an executive director in addition to the collective business expertise of the other board members. The management believes that Mr LI’s extensive experience in management of listed companies and deep understanding of the automotive and components market will strengthen the board’s management over the Wuhan Maserati business.

Looking ahead, we expect the year 2023 to remain challenging with significant uncertainties attributable to the spiking interest rates and geopolitical tensions. However, we are well-positioned to take advantage of any opportunities as they arise, and we will continue to explore potential opportunities on a global scale with an emphasis on car-related business and property investment to create synergies for the Group in the long run.

On behalf of the Board, I would like to express my gratitude to our Shareholders for their loyalty and support, 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 highlight and express my appreciation for the remarkable efforts and dedication of the management team and the Group's employees in these moments of uncertainty.

CHONG Tin Lung Benny
Executive Chairman & Chief Executive Officer

Hong Kong, 30 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Property Investment Division

For the year ended 31 December 2022, the Property Investment Division recorded a rental income of HK$28.1 million for leasing the properties of the Group to third parties in Hong Kong and Scotland (2021: HK$23.3 million). The increase of HK$4.8 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

During the current period of market distress, the Group has taken a prudent approach in its lending business to avoid potential loan defaults and bad debts, and to protect the interests of the Company and the Shareholders as a whole. As at 31 December 2022 and 2021, the Group did not have any outstanding secured loan lent to customers. Hence, no revenue was recorded for the year ended 31 December 2022 (2021: HK$1.4 million).

Car Division

For the year ended 31 December 2022, the Car Division recorded a revenue of HK$1.3 million (2021: HK$54.6 million). The decrease of revenue was mainly caused by the close down of the Maserati dealership business in Hong Kong in April 2021.

As announced on 28 December 2022 the Group entered into the acquisition agreement with an independent third party in relation to the acquisition of 51% equity interest in Wuhan Junyi Cars Sales & Service Company Ltd (the "**Target**") for a total consideration of RMB10.2 million (the "**Wuhan Junyi Acquisition**"). The Target Company is principally engaged in the 4S Maserati dealership business in the PRC, with a dealership network covering Wuhan city. The Wuhan Junyi Acquisition was completed in February 2023 and the Target has become a subsidiary of the Group.

Cost of Sales and Gross Profit

For the year ended 31 December 2022, gross profit decreased by HK$6.5 million to HK$22.7 million (2021: HK$29.2 million). The decrease is mainly due to the close down of Maserati Dealership Business in Hong Kong in April 2021.

Gross profit margin increased 40.2 percentage points to 77.0% (2021: 36.8%). The increase is mainly contributed by higher gross margin of Property Investment Division of 81.2%, which was mainly derived from Capella after Dakota became a subsidiary of the Group during the year ended 31 December 2021.

Other Income

For the year ended 31 December 2022, other income amounted to HK$0.6 million (2021: HK$2.5 million). The net decrease of HK$1.9 million was mainly caused by non-recurrence of commission income of HK$1.6 million.

Other Gains and Losses

Other gains and losses amounted to a net loss of HK$66.7 million (2021: net gain of HK$7.0 million) which mainly represented net fair value losses of investment properties of HK$55.4 million (2021: gain of HK$1.3 million) and the investment of an associate measured at fair value through profit or loss of HK$12.5 million (2021: gain of HK$1.4 million).

Selling and Distribution Costs and Administrative Expenses

Selling and distribution costs and administrative expenses in 2022 aggregated to HK$21.6 million (2021: HK$27.3 million), which accounted for 73.2% (2021: 34.4%) of revenue. The net decrease of HK$5.7 million was mainly due to decrease in depreciation of right-of-use assets, staff related cost of Car division, legal and professional fee and partially offset by the increase of share based payment.

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. The Acquisition was subsequently terminated by a deed of termination dated 25 November 2022.

Finance Costs

In 2022, Finance costs rose to HK$12.3 million (compared to HK$11.5 million in 2021), primarily due to an increase in interest expenses incurred by the registered owner of Capella, which became a subsidiary of the Group on 25 March 2021. Additionally, the costs included interest expenses and an arrangement fee for a bank loan obtained during the period. The increase of finance costs was partially offset by reduced bond interest expense of HK$1.8 million since the bond principal has been fully repaid during the year ended 31 December 2021.

Life Science Investment section

For the full year ended 31 December 2022, Chime Biologics Limited ("**CBL**") generated unaudited consolidated revenue of US$36.5 million (2021: US$21.5 million). At 31 December 2022, the fair value of this investment decreased to HK$237.4 million (December 2021: HK$249.5 million) and represents around 30.3% (December 2021: 27.7%) of the total assets of the Group.

Loss Attributable to Shareholders

Loss attributable to shareholders of the Company for the year was HK$63.4 million (2021: loss of HK$7.1 million). The increase in loss was mainly caused by an unrealized net fair value losses of investment properties and an unrealized fair value loss of investment of an associate measured at fair value through profit or loss.

Liquidity and Financial Resources

Cash Flow

During the year ended 31 December 2022, the Group financed its operations and investments through cash generated from the Group's operations, as well as bank and other borrowings. We have raised a new bank loan and other borrowings of HK$36 million and made a net repayment (principal and interests) of promissory notes of HK$19.9 million and bank and other borrowings of HK$8.9 million.

Cash and Cash Equivalents

As at 31 December 2022, the Group had cash and cash equivalents (including pledged bank deposits) of HK$44.3 million as compared with HK$39.3 million as at 31 December 2021, which were denominated in Pound Sterling (as to 88.9%), Hong Kong dollars (as to 8.6%) and Renminbi (as to 2.4%).

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

As at 31 December 2022, the Group had bank and other borrowings, promissory note and loan from a non-controlling member of a subsidiary totaling HK$372.7 million (2021: HK$388.2 million), of which HK$32.5 million were repayable more than one year (2021: all were repayable more than one year). The Group debt to equity ratio for the year ended 31 December 2022 increased to 95.4% from 78.4% for the year ended 31 December 2021 based on the total of bank and other borrowings, promissory note and loan from a non-controlling member of a subsidiary of HK$372.7 million (2021: HK$388.2 million) and total equity of HK$390.9 million (2021: HK$495.1 million).

The increase is mainly caused by an unrealized net fair value loss of investment properties and an unrealized fair value loss of investment of an associate measured at fair value through profit or loss that lower the equity of the Group.

The bank borrowing represents a new bank loan which was secured by an investment property in Hong Kong and pledged bank deposit which is repayable in instalments over a period of 3 years, with a repayment on demand clause and carry interest at variable market rates of Hong Kong Interbank Offered Rate plus 2% per annum. The bank borrowing balance with accrued interest as at 31 December 2022 are HK$30.5 million (2021: nil).

The promissory note have maturity of three years until March 2024 and carry interest at 8% per annum. For the year ended 31 December 2022, the Group incurred interest expense of HK$2.9 million and repaid principal and interest of HK$17 million, the remaining promissory note balance as at 31 December 2022 is HK$27.5 million.

The other borrowings of HK$300.5 million 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. In additions, the Group also raised a new loan of HK$5,049,000 classified as other borrowing with a fixed interest rate of 8% per annum and maturity date of 17 November 2024. For the year ended 31 December 2022, the Group incurred interest expense of HK$8.1 million on other borrowings and HK$0.9 million on loan from a non-controlling member of a subsidiary. The Group also repaid interest of HK$8.1 million on other borrowings. The remaining loan balance as at 31 December 2022 are HK$305.6 million and HK$9.1 million respectively.

Loan Receivables

During the current period of market distress, the Group has continued to adopt a prudent and cautious approach to balance the return and risk of the financing activities. As at 31 December 2022 and 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 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$14.9 million was recorded during the year (2021: negative exchange difference of approximately HK$3.0 million).

Pledge of Assets

As at 31 December 2022, certain of the Group's bank deposit and properties totaling HK$471.7 million (2021: property totaling HK$517.2 million) were pledged as securities for relevant borrowings.

CAPITAL EXPENDITURES, COMMITMENTS AND CONTINGENT LIABILITIES

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

EVENTS AFTER REPORTING PERIOD

Reference is made to the announcement of the Company dated 17 February 2023.

On 17 February 2023, the Company entered into a framework agreement with CTF (defined below) (the "**Framework Agreement**"), pursuant to which the Group agreed to sell to and purchase from CTF and its subsidiaries (the "**CTF Automobile Group**") certain cars and auto parts of the Maserati brand (the "**Automobiles**") for a term from 17 February 2023 to 31 December 2025.

Pursuant to the Framework Agreement, the annual caps for the total consideration of the Automobiles to be purchased by the Group from the CTF Automobile Group for each of the three years ending 31 December 2025 will not exceed RMB52 million, RMB50 million and RMB40 million respectively, and the annual caps for the total consideration of the Automobiles to be purchased by the CTF Automobile Group from the Group for each of the three years ending 31 December 2025 will not exceed RMB30 million.

As at the date of the Framework Agreement, CTF held 49% of the entire equity interests of Wuhan Junyi (defined below), which is a non-wholly owned subsidiary of the Company. CTF is a substantial shareholder of Wuhan Junyi and hence a connected person at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the entering into of the Framework Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

HUMAN RESOURCES AND CHARITY

As at 31 December 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. Total remuneration expenses in 2022 amounted to HK$13.1 million (2021: HK$12.3 million), which comprised fixed compensation such as basic salaries and allowances; variable incentives such as performance bonus; and long term incentives such as share-based payments as well as retirement benefits scheme. The increase in total remuneration expenses for the year was primarily due to the share-based payment of HK$4.7 million recognised (2021: net reversal of HK$3.6 million) as non-recurrence of reversal of share-based payment in current period.

Due to the continued spread of the COVID-19 pandemic during 2022, 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.

BUSINESS REVIEW

Property Investment

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

For our investment properties in Hong Kong and Scotland, the Group continued to earn a rental income of HK$2.2 million and HK$25.9 million respectively (2021: HK$2.0 million and HK$21.3 million respectively) from leasing the investment properties. Despite the challenging economic environment, the Group managed to extend the lease in Hong Kong for an additional 2 years with the tenant commencing on 1 June 2023 and expiring on 31 May 2025 with 3% increase in rent.

As at 31 December 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 5.84 years.

Financial Investments and Services

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

To cope with the recent susceptible market sentiments and market volatility, the Group has continued to adopt a prudent and cautious approach to balance the return and risk of the financing activities. As at 31 December 2022 and 2021, the Group did not have any outstanding secured loan lent to customers.

Life Sciences Investment section

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.

In July 2022, CBL received the first drug registration certification for commercial manufacturing of an anti-PD-1 antibody. This major achievement has made CBL one of the very few CDMOs who are qualified for commercial antibody drug production in China.

The new third Good Manufacturing Practices facility (GMP-3 facility), expected to open in 2023 second quarter, will enable CBL to offer early-stage drug development (Investigational New Drug projects) markets with cost-effective solutions. In addition, the second drug product facility (DP-2) is expected to commence operation by 2023 first quarter, adding the new lyophilization and prefilled syringes ("**PFS**") fill & finish formats into CBL's integrated manufacturing solution offering. The expanded capacity and capability will increase flexibility to scale between early-stage and late-stage production.

Cars

As announced on 28 December 2022 the Group entered into the acquisition agreement with an independent third party in relation to the acquisition of 51% equity interest in the Target for a total consideration of RMB10.2 million.

The Target Company is principally engaged in the 4S dealership business in the PRC for a premium brand vehicle named Maserati, with a dealership network covering Wuhan city. The Wuhan Junyi Acquisition represents a strategic investment of the Group, which will expand the Group's network for Maserati car dealership in the PRC. Such dealership network of the Target Company will also compliment and leverage on the Group's strength and experience in Maserati dealership. The revenue generating capacity and growth potential of the Target Company will contribute to the Group's growth.

Subsequent to the completion of the Acquisition on 17 February 2023, the Target Company has become a subsidiary of the Group.

OUTLOOK

Taking into consideration the economic uncertainties owing to the rise of interest rate and geopolitical tensions, the macro environment looks set to remain challenging for the Group. The Group will 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 AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The termination of the acquisition of VMS Auto Italia Fin Services Holdings Limited

References are made to the announcements of the Company dated 26 November 2021, 14 April 2022, 21 November 2022 and 25 November 2022, respectively.

On 26 November 2021, Racing Time Limited, an indirect wholly-owned subsidiary of the Company ("**Racing Time**") entered into an agreement (the "**Agreement**") with VMS Holdings Limited (the "**VMS Holdings**"), pursuant to which Racing Time conditionally agreed to acquire, and VMS Holdings conditionally agreed to sell the entire issued share capital of VMS Auto Italia Fin Services Holdings Limited for the consideration of HK$960 million, which would be settled by way of allotment and issue to VMS Holdings 6,956,521,739 new shares of the Company (the "**Consideration Shares**") at the issue price of HK$0.138 per Consideration Share (the "**VMS Acquisition**").

The VMS Acquisition constituted a very substantial acquisition and a reverse takeover for the Company under Chapter 14 of the Listing Rules and the Company was treated as if it was a new listing applicant under Rule 14.54 of the Listing Rules. Accordingly, the VMS Acquisition was subject to the approval of the Listing Committee of the new listing application to be made by the Company (the "**New Listing Application**"), which was submitted to the Stock Exchange on 14 April 2022.

Following the lapse of the New Listing Application, having considered recent susceptible market sentiments and market volatility at the relevant material time, the New Listing Application was not renewed and the Agreement was terminated with immediate effect by a deed of termination entered into between Racing Time and VMS Holdings dated 25 November 2022. Accordingly, the VMS Acquisition and other transactions contemplated under the Agreement did not proceed.

The acquisition of Wuhan Junyi Cars Sales & Service Company Ltd

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

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

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

As all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Wuhan Junyi Acquisition were lower than 5%, it did not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2022.

* *For identification purpose only*

DIRECTORS PROFILES

EXECUTIVE DIRECTORS

Mr CHONG Tin Lung Benny

Executive Director, Executive Chairman and Chief Executive Officer

Mr CHONG Tin Lung Benny, aged 50, has been appointed as an Executive Director of the Company with effect from 13 June 2013. He is also the Executive Chairman, Chief Executive Officer, the chairman of each of the Nomination Committee and Executive Directors' Committee and a member of the Remuneration Committee. Mr Chong is a director of certain subsidiaries of the Company. Mr Chong served as the Vice-Chairman of the Company for the period from 13 June 2013 to 24 October 2013 and the chairman of the Financial Control Committee for the period from 13 June 2013 to 28 March 2019. He is the founder and chairman of VMS Investment Group Limited ("**VMSIG**"), a substantial shareholder of the Company. Mr Chong is the son of Ms MAK Siu Hang Viola, who is the substantial shareholder of the Company. Mr Chong is currently an executive director and chairman of the board of NEWTON RESOURCES LTD. (a company listed on the Main Board of the Stock Exchange, Stock Code: 1231). Mr Chong is currently a director of CTF VMS Smart City Development Limited, a company incorporated in Hong Kong with limited liability, of which Mr LI Shaofeng is also a director. In addition, Mr Chong has also become a director of Chime Biologics Limited since January 2022. Mr Chong has accumulated over two decades of experience in the financial and investments industry. VMSIG is the holding company of a group of companies principally engaged in the provision of proprietary investments and private equity. Mr Chong is a Chartered Financial Analyst. He obtained a Bachelor of Commerce from the University of Toronto in 1994 and a Master of Science in Investment Management from the Hong Kong University of Science and Technology in 2000. Mr Chong was subject to a reprimand by the SFC in 2003. For details, please refer to the Company's announcement dated 13 June 2013. No prosecution has been brought against Mr Chong as a result.

Mr HUANG Zuie-Chin

Executive Director

Mr HUANG Zuie-Chin (also known as James Z. Huang), aged 57, has been appointed as an Executive Director of the Company with effect from 27 July 2020. Mr Huang is currently a director of Kindstar Globalgene (a company listed on the Main Board of the Stock Exchange, Stock Code: 9960). 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.

Mr NG Siu Wai
Executive Director

Mr NG Siu Wai, aged 39, 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 14 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 LI Shaofeng
Executive Director

Mr LI Shaofeng, aged 55, has been appointed as an Executive Director of the Company with effect from 28 February 2023. He has obtained a bachelor degree in Automation from the University of Science and Technology Beijing. Mr Li has more than 20 years of extensive experience in management of listed companies, mergers and acquisition and investments, and has a deep understanding in the automotive and components market. Prior to joining the Company, Mr Li has served as a director of eight companies listed on Stock Exchange including but not limited to Shougcheng Holdings Limited (Stock Code: 697), Shougang Fushan Resources Group Limited (Stock Code: 639), Shougang Century Holdings Limited (Stock Code: 103) and Beijing West Industries International Limited (Stock Code: 2339) from March 2000 to October 2019. Mr Li was a non-executive director of Mount Gibson Iron Limited (Australian Securities Exchange: MGX), a company listed on the Australian Securities Exchange Limited from February 2012 to December 2019. He is currently a director and the general manager of CTF VMS Smart City Development Limited, a company incorporated in Hong Kong with limited liability, of which Mr Chong Tin Lung Benny is also a director.

Mr LIN Chun Ho Simon
Executive Director

Mr LIN Chun Ho Simon, aged 45, has been appointed as an Executive Director of the Company with effect from 13 June 2021. He is also a member of Executive Directors' Committee and the Chief Financial Officer of the Group (the Company and its subsidiaries). Mr Lin joined the Group since July 2005, and has been appointed as Chief Financial Officer since 2017. He oversees the treasury management, financial reporting, risk management, mergers and acquisitions and company secretarial matters of the Group. He is also currently a director of certain subsidiaries of the Company. Mr Lin has over 20 years of experience in accounting, financial management and auditing. Mr Lin obtained a Master of Corporate Governance with distinction in 2020 and a Bachelor's Degree of Accountancy from the Hong Kong Polytechnic University in 2000. He is also a fellow of the Association of Chartered Certified Accountant, a fellow of the Hong Kong Institute of Certified Public Account, an international associate of the American Institute of Certified Public Accountant and is a fellow member of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in United Kingdom.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr KONG Kai Chuen Frankie
Independent Non-executive Director

Mr KONG Kai Chuen Frankie, aged 59, 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 61, 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.

Mr TO Chun Wai
Independent Non-executive Director

Mr TO Chun Wai, aged 67, 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 2022.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities and other particulars of the principal subsidiaries are set out in note 38 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 2022, 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 5 and "Management Discussion and Analysis" on pages 6 to 14 of this Report respectively. These discussions form part of this Directors' Report.

Financial key performance indicators

	2022 HK$'000	2021 HK$'000	Change percentage
Total Revenue	**29,479**	79,337	–62.8%
Loss before taxation	**(86,134)**	(4,137)	–1,982.04%
Bank and other borrowings, corporate bonds, loan from a non-controlling member of a subsidiary, promissory note	**372,748**	388,234	–4.0%
Equity attributable to owners of the Company	**322,065**	391,662	–17.77%
Loss per Share – Basic	**(HK1.2 cent)**	(HK0.13 cent)	–823.08%
Loss per Share – Diluted	**(HK1.2 cent)**	(HK0.13 cent)	–823.08%
Dividend per Share	**0**	0	0%
Dividend pay-out ratio	**0%**	0%	0%
Debt-to-equity ratio	**95.4%**	78.4%	21.68%

Possible Risks and Uncertainties

Description of possible risks and uncertainties are provided in the sections headed "Chairman's Statement" on pages 4 to 5, "Management Discussion and Analysis" on pages 6 to 14 and "Corporate Governance Report – Risk Management and Internal Control" on pages 50 to 51, respectively.

Compliance with Laws and Regulations

As at 31 December 2022 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 Date (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 2022, 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 58 to 86 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 2022/23, 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 5 and "Management Discussion and Analysis" on pages 6 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 2022 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 93 to 182 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 183.

DIVIDEND POLICY

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

The Board considered the below factors in relation to the payment of the dividends for the year ended 31 December 2022:

(i) the financial results of the Company for the year end 31 December 2022;

(ii) the Shareholders' interests;

(iii) general business conditions and strategies;

(iv) our capital requirements;

(v) contractual restrictions on the payment of dividends by the Company to the Shareholders or by the subsidiaries of the Company to the Company;

(vi) taxation considerations;

(vii) possible effects on the Company's creditworthiness; and

(viii) statutory and regulatory restrictions.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil). No interim dividend was paid during the year ended 31 December 2022 (2021: Nil).

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on Wednesday, 24 May 2023. 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Wednesday, 17 May 2023. The register of members of the Company will be closed from Thursday, 18 May 2023 to Wednesday, 24 May 2023 (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 27 to the consolidated financial statements. Information about the Share options of the Company and details of movements in the Share options of the Company during the year are set out in the "Share Option Schemes" section in this Report and in note 29 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year ended 31 December 2022 are set out in the consolidated statement of changes in equity on page 97 and page 182 of this Report respectively.

DISTRIBUTABLE RESERVES

The Company's reserves available for distributions to Shareholders as at 31 December 2022 comprised the Share premium, Share option reserve plus accumulated losses with an aggregate amount of approximately HK$103,340,000 (2021: HK$125,770,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2022 are set out in note 17 to the consolidated financial statements.

DONATIONS

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

During the year, the Group made charitable and other donations of HK$2,000 (2021: HK$2,000).

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Details of the Group's borrowings are set out in note 24, 25, 26 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of turnover attributable from the Group's five largest customers is approximately 87.6% during the year.

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

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in this Annual Report, there was no contract of significance between the Company or any of its subsidiary companies, and a controlling Shareholder or any of its subsidiaries for the year ended 31 December 2022. 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 2022.

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 HUANG Zuie-Chin
Mr NG Siu Wai
Mr LI Shaofung (appointed on 28 February 2023)
Mr LIN Chun Ho Simon

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 CHONG Tin Lung Benny and Mr NG Siu Wai shall retire from office by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

In accordance with Bye-law 102, Mr LI Shaofeng shall retire and, being eligible, offer himself for re-election at the AGM.

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

BIOGRAPHIES OF DIRECTORS

Biographical details of the Directors of the Company are set out on pages —15 to 18 of this Report.

Changes in information of Directors

The changes in Directors' information since the disclosure made in interim report of the Company for 2022 are set out below.

Mr TO Chun Wai entered into a letter of appointment with the Company for two years commencing from 1 September 2020 to 31 August 2022 (both dates inclusive). On 1 September 2022, the Company entered into a new letter of appointment with Mr To for a term of two years commencing from 1 September 2022 to 31 August 2024 (both dates inclusive), and he is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-law of the Company. Mr To is entitled to an annual Director's fee of HK$240,000, which was determined by the Board with the reference to the remuneration from the Remuneration Committee and his duties, responsibilities and the prevailing market situation.

Mr LEE Ben Tiong Leong entered into a letter of appointment with the Company for two years commencing from 27 February 2021 to 26 February 2023 (both dates inclusive). On 26 February 2023, the Company entered into a new letter of appointment with Mr Lee for a term of three months commencing from 27 February 2023 to 26 May 2023 (both dates inclusive). Mr Lee is entitled to a quarterly Director's fee of HK$60,000, which was determined by the Board with the reference to the remuneration from the Remuneration Committee and his duties, responsibilities and the prevailing market situation.

Since 28 February 2023, Mr LI Shaofeng has been appointed as an executive Director of the Company. Details of his appointment are set out in the announcement of the Company dated 28 February 2023 and his biography is set out on page 17 of this annual report.

The biographical detail of Mr CHONG Tin Lung, Benny has been updated with the directorship of CTF VMS Smart City Development Limited, a private limited company incorporated in Hong Kong, of which Mr LI Shaofeng is also a director and general manager. In addition, Mr CHONG has also become a director of Chime Biologics Limited since January 2022.

Save as disclosed in this report, there is no other financial, business, family or other material/relevant relationships among members of the Board and in particular, between the Chairman of the Board, the chief executive and the Directors that is required to be disclosed pursuant to the Corporate Governance Code.

Save as disclosed in this report, there is no other information required to be disclosed pursuant to Rule 13.51(B)(1).

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 2022, 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 2022 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 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 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 31 December 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.*

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 (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 31 December 2022.

Save as disclosed above, as at 31 December 2022, 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 2022, 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 2022, 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 Disposal of Subsidiaries, Associates and Joint Venture**" 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 Schemes**", at no time during the year ended 31 December 2022 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 2022, 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#
Gustavo International Limited	304,725,000 *(Note)*	5.76%
Maini Investments Limited	304,725,000 *(Note)*	5.76%
VMSIG	1,519,016,472 *(Note)*	28.70%
Ms MAK Siu Hang Viola	1,519,016,472 *(Note)*	28.70%

Based on the total issued Shares of 5,292,515,390 at 31 December 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 VMSIG, which directly owns approximately 22.94% of the issued share capital of the Company and indirectly owns approximately 5.76% of the issued share capital through its wholly-owned subsidiary, Maini Investments Limited. VMSIG is thus interested in a total of approximately 28.7% of the issued share capital of the Company. Ms MAK Siu Hang Viola is also therefore deemed to be interested in such 28.7% of the issued share capital of the Company.

All interests in Shares and underlying shares of equity derivatives of the Company are long positions. None of the substantial shareholders of the Company 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 2022, the Company had not been notified by any persons or corporations (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTION SCHEMES

Expired Share Option Scheme

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

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

SHARE OPTION SCHEMES *(Continued)*

Details of the movement in outstanding Share Options, which have been granted under the Expired Share Option Scheme, during the year ended 31 December 2022 were as below:

Name or category of participants	Date of grant	Exercise price *(HK$)*	Exercisable Period	As at 1 January 2022	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year *(Note 3)*	As at 31 December 2022
(a) Directors								
Mr CHONG Tin Lung Benny	07/10/2020	0.1754	27/07/2021 to 26/07/2025 *(Note 2)*	120,000,000	–	–	(60,000,000)	60,000,000
Mr HUANG Zuie-Chin	07/10/2020	0.1754	27/07/2021 to 26/07/2025 *(Note 2)*	120,000,000	–	–	(60,000,000)	60,000,000
Mr NG Siu Wai	07/10/2020	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	–	–	(6,300,000)	90,700,000
Total				505,700,000	–	–	(186,300,000)	319,400,000

SHARE OPTION SCHEMES *(Continued)*

Notes:

(1) The closing prices per Share immediately before 15 June 2017, 27 July 2020 and 7 October 2020 (the dates on which the Share options were granted) were HK$0.093, HK$0.172 and HK$0.170 respectively.

*(2) Share options granted under the Expired Share Option Scheme on 15 June 2017, 27 July 2020 and 7 October 2020 shall vest in the grantees in accordance with the timetable below (for this purpose, the date or each such date on which the Share options are to vest being hereinafter referred to as a "**Vesting Date**"):*

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

(3) The share options were lapsed due to failure to achieve the performance targets and termination of contract with a consultant 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.

Save as disclosed, no share option was granted or agreed to be granted under the Expired Share Option Scheme for the year ended 31 December 2022.

New Share Option Scheme

References are made to (i) the circular of the Company dated 22 April 2022 in relation to, among other things, the adoption of the New Share Option Scheme, (ii) the poll results announcement of the annual general meeting of the Company dated 25 May 2022, and (iii) the announcement of the Company dated 26 November 2021 in relation to the proposed acquisition of VMS Auto Italia Fin Services Holdings Limited by the Company (the "**Acquisition**"), which constitutes a very substantial acquisition, connected transaction and reverse takeover under the Listing Rules. Capitalised terms used in this Report shall have the same meanings as those defined in the circular of the Company dated 22 April 2022 unless otherwise defined.

Summary of the New Share Option Scheme is as follows:

New Share Option Scheme

Purpose of the New Share Option Scheme

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.

Participants of the New Share Option Scheme

A "Participant" means any employee or proposed employee (whether full time or part time) and director (including independent non-executive director) of the Company, its subsidiaries and any Invested Entity; directors and employees of the Related Entity; any supplier of goods or services, customer and shareholder of member of the Group or any Invested Entity; and any Service Provider.

The basis of eligibility of any of the above class of Participants to the grant of any Options shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group and any Invested Entity. For each category of Participants (in particular, Participants who is not an employee or director of the Group), the Board will assess the eligibility of the relevant Participant based on the following factors:

(a) the Participant's potential and/or actual contribution to the business affairs of and benefits to the Group or the Invested Entity (in terms of, including without limitation, proactively promoting/catalyzing the continuing development and growth of the Group or the Invested Entity, and bringing innovation, new talents and expertise to the Group or the Invested Entity), with regard to the quality or importance of services/goods provided/supplied or expected to be provided/supplied by such Participants to the Group or the Invested Entity, and the actual or expected change in the Group's or any Invested Entity's performance which is or may be attributable to the provision or supply of such services/goods;

(b) the potential/actual degree of involvement in and/or cooperation with the Group or the Invested Entity with regard to the number, scale and nature of the projects, and the period of engagement/cooperation/business relationship with the Group or the Invested Entity; and/or

(c) whether the Participant is regarded as a valuable human resource of the Group or the Invested Entity based on his/her work experience, professional qualifications, knowledge in the industry or other relevant factors (including without limitation technical know-how, market competitiveness, synergy between him/her and the Group, external business connections, strategic value, and repute and credibility).

The Company considers that the inclusion of persons other than the employees and directors of the Group as Participants is appropriate, as the successful development of the Group could not be achieved by the Directors and employees alone and will also depend on the cooperation of the business partners of the Group, including suppliers, customers and Service Providers, as well as personnel of the Invested Entities and the Related Entities which all play an important role in the business of the Group. Given the success of the Group requires the cooperation and contribution from such parties, the inclusion of any potential suppliers, customers and Service Providers as well as personnel of the Invested Entities and the Related Entities is to provide the Board with sufficient flexibility under the New Share Option Scheme to grant Options incentivize and reward persons who have or will contribute to the Group and serve the purpose of the New Share Option Scheme. In the event that any such person is able to contribute to the Group or any Invested Entity by being a long-term strategic investor or business partner, or by introducing potential business opportunities to the Group or any Invested Entity, the New Share Option Scheme can align the interest of the Group and these external parties, and provide incentive and reward for the participation and involvement in promoting the business of the Group or any Invested Entity. In particular, the grant of Share Options will offer incentives for suppliers to offer more economic and high quality supplies to the Group; for customers to maintain long term and sustainable business relationships with the Group; and for Service Providers to provide better services to the Group, all of which are material and beneficial to the long-term growth of the Group. Further, notwithstanding that certain Participants (in particular, employees, directors and other personnel related to the Invested Entity and the employees and directors of the Related Entity) may not be employed directly under the Group, such Participants may be providing services or be involved in projects which contributes to the success of the Group and/or the Invested Entities (with or without being entitled to any remuneration or emoluments), and may also be a valuable human resource of the Group or the Invested Entities.

Based on the above, the Board considers that the inclusion of these persons other than the employees and directors of the Group is appropriate and in the interest of the Company and the Shareholders as a whole; and is in line with the objectives of the Company's share option scheme provide incentives or rewards to participants for their contribution to the Group and to retain human resources that are valuable to the Group.

Upon the adoption of the New Share Option Scheme, in evaluating whether any suppliers, customers, Service Providers and personnel of the Invested Entities and the Related Entities have or will contribute to the Group, the Company will consider various factors including (i) their length of providing the relevant services to the Group; (ii) the materiality and nature of their services provided to the Group (including for example whether they relate to the core business of the Group and whether such services could be readily replaced by third parties); (iii) their track record in the quality of services provided to the Group; and (iv) whether the transaction amount is significant relative to the revenue or costs of the Group.

Total number of shares available for issue under the New Share Option Scheme and percentage of issued shares as at the date of this annual report

The maximum number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other schemes of the Company, if any, in aggregate will be 529,251,539 Shares, representing 10% of the Shares in issue as at the Adoption Date. The maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the scheme and any other schemes must not exceed 30% of the total number of the Shares in issue from time to time (i.e. 1,587,754,617 Shares). Based on the 325,700,000 outstanding options granted under the Existing Share Option Scheme, and assuming that the maximum number of 529,251,539 options would be granted under the New Share Option Scheme and there being no other change to the total number of Shares in issue, the aggregate number of Shares which may be issued upon exercise of all outstanding options granted/to be granted but yet to be exercised will be 854,951,539, which falls below the 30% threshold.

Maximum entitlement of each Participant under the New Share Option Scheme

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Participant in any 12-month period up to and including the date of grant shall not exceed 1% of the total number of Shares in issue as at the date of grant.

The period within which the shares must be taken up under an option

An Option may be exercised at any time during a period as the Board may in its absolute discretion determine, save that such period shall not be more than ten (10) years from the date of grant of the Option and that the Board may at its discretion determine the minimum period for which the Option has to be held before the exercise of the subscription rights attaching thereto.

The minimum period for which an option must be held before it can be exercised

A period as determined by the Directors

The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loads for such purposes must be paid

An offer of the grant of an Option shall be made to a Participant by letter in such form as the Board may from time to time determine requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the New Share Option Scheme and shall remain open for acceptance by the Participant concerned for a period of twenty-eight (28) days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the Adoption Date or after the New Share Option Scheme has been terminated.

An Option shall be deemed to have been granted and to have taken effect (with retrospective effect from the date of grant) when the duplicate letter comprising acceptance of the Option duly signed by the Grantee with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company. Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of such number of Shares as represents a board lot for the time being for the purposes of trading on the Stock Exchange or an integral multiple thereof. To the extent that the offer is not accepted within time limit specified therein, it will be deemed to have been irrevocably declined and lapsed automatically.

The basis of determining the exercise price

The Subscription Price in respect of any particular Option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but in any case the Subscription Price shall not be lower than the higher of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

In addition, pursuant to the terms of the New Share Option Scheme, the adoption of the New Share Option Scheme is subject to the satisfaction of certain conditions on or before the date falling 30 days after the date of the annual general meeting of the Company. As at the date of this Report, (i) the relevant resolution for approving the termination of the Expired Share Option Scheme and the adoption of the New Share Option Scheme has been duly passed by the Shareholders at the annual general meeting of the Company dated 25 May 2022; and (ii) 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 Options granted under the New Share Option Scheme (the "**Relevant Listing Application**"). 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. The Acquisition was subsequently terminated by a deed of termination dated 25 November 2022, details of which are set out in the section headed "Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures" of this Report.

For details of the relevant 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 and the announcement of the Company dated 25 November 2022, respectively.

CONNECTED TRANSACTION

On 26 November 2021, Racing Time, an indirect wholly-owned subsidiary of the Company entered into an agreement with VMS Holdings in relation to the acquisition of the entire issued share capital of VMS Auto Italia Fin Services Holdings Limited. As VMS Holdings is beneficially owned as to 92% by Ms. MAK Siu Hang Viola, who is the substantial shareholder of the Company and a connected person of the Company under Chapter 14A of the Listing Rules, the Acquisition constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

The Acquisition was subsequently terminated by a deed of termination dated 25 November 2022, details of which are set out in the section headed "Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures" above.

In addition, the Company received a financial assistance by way of sharing of legal and professional fee incurred during the year by VMS Holdings Limited in respect of proposed acquisition of the entire issued share capital of VMS Auto Italia Fin Services Holdings Limited which was connected transaction, the details of which is set out in heading under "Related Party Transactions" of note 34 to the consolidated financial statements. Pursuant to Rule 14A.90 of Chapter 14A of the Listing Rules, such financial assistance received by the Company from connected party is fully exempt from shareholders' approval, annual review and all disclosure requirements.

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 2022.

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 2022, 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 2023

CORPORATE GOVERNANCE REPORT

PURPOSE, CULTURES AND VALUES

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

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

Culture of Accountability

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

Culture of Integrity

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

Culture of care

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

Environmental Friendly Culture

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

CORPORATE GOVERNANCE

Maintaining an effective corporate governance framework is one of the priorities of the Company. In the opinion of the Directors, the Company had complied with all the Code provisions of the CG Code throughout the year ended 31 December 2022, except for the deviation of code provision C.2.1 of the CG Code which is explained in the sub-section headed "Chairman and Chief Executive Officer" below.

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

THE MODEL CODE

The Company has adopted the Model Code set out in Appendix 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 2022, 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 eight members, of whom five are Executive Directors and three are INEDs.

Directors who held office during the year ended 31 December 2022 and up to the date of this Report are:

Executive Directors

Mr CHONG Tin Lung Benny
Mr HUANG Zuie-Chin
Mr LIN Chun Ho Simon
Mr LI Shaofeng (appointed on 28 February 2023)
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 Board has established mechanisms to ensure independent views and input are available to the Board. The current composition of the Board has an independence element and provides sufficient balance of skills, experience and diversity of perspectives in leading the Company to achieve its goal. The independent non-executive Directors also exercise objective independent judgment in the Board's overall decision making process. The Board will seek advice from external advisors including legal and other professional advisors, if necessary, to facilitate formulating important and independent decisions. The Board has reviewed the implementation and effectiveness of the board independence mechanisms for the year ended 31 December 2022 and considered them to be effective.

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

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

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

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

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

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

THE BOARD OF DIRECTORS *(Continued)*

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

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

During the year, the Board had conducted six meetings. During the year 2022, the Board had considered and approved the annual results of the Company for the year ended 31 December 2021; the re-election of retiring Directors and the matters to be considered at the annual general meeting of the Company held on 25 May 2022; the re-appointment of auditor of the Company; the interim results of the Company for the period ended 30 June 2022; a proposed very substantial acquisition and connected transaction and the acquisition a subsidiary.

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

Chairman and Chief Executive Officer

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

Mr CHONG Tin Lung Benny is the Executive Chairman and the Chief Executive Officer. Mr Chong has extensive experience in corporate management and securities investments and is responsible for the overall corporate strategies, planning and business development of the Group. The Board considers that the vesting of two roles in the same person provides our Group with strong and consistent leadership and facilitates the implementation and execution of our Group's business strategy. Although the positions of the Executive Chairman and Chief Executive Officer are not separate, the broke and authorities have not been concentrated as all major decisions have been made in consultation with the Board and appropriate Board Committee. The Board believes that a balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high caliber individuals including five Executive Directors (including Mr CHONG Tin Lung Benny) and three Independent Non-executive Directors as at the Latest Practicable Date who offer advices and views from different perspectives. Moreover, the Audit Committee has be 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 Bye laws. A Director appointed by the Board to fill a casual vacancy or as an addition shall hold office until the next general meeting. According to Code Provision B.2.2 of the CG Code, every director should be subject to retirement by rotation at least once every three years.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

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

During the year ended 31 December 2022 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 LI Shaofeng (appointed with effect from 28 February 2023), 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. 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 2022 including the accounting principles and practices adopted by the Group, and discussed the risk management, internal control and financial reporting matters during the review. The terms of reference of the Audit Committee are reviewed annually. The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company. The terms of reference have included the duties set out in Code Provision D.3.3(a) to (n) of the CG Code.

The principal duties of the Audit Committee should be to make recommendations to the Board on the appointment, re-appointment and removal of the external auditors and their remuneration for audit and non-audit services; to review the effectiveness of the audit process in accordance with applicable standards; to review changes in accounting policies and practices; to review the fairness and reasonableness of any connected transaction; to review the cash flow position of the Group; 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 three meetings. During the year of 2022, 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 2022; considered the re-appointment of auditor of the Company; reviewed the audited accounts and annual results announcement for the year ended 31 December 2021; reviewed the interim report and the interim results announcement for the six months ended 30 June 2022; reviewed the effectiveness of internal control and risk management systems of the Group; reviewed and considered the report of the annual internal control and risk management reviews of the Group; reviewed the whistleblowing policy, the anti-fraud and anti-corruption policy and the compliance of the relevant Listing Rules and accounting policies in relation thereto.

Remuneration Committee

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

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

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

During the year, the Remuneration Committee had conducted two meetings. During the year 2022, the Remuneration Committee had considered and made recommendations to the Board in relation to review the remuneration policy and structure for the Directors and the senior management of the Company; the remuneration package of each Executive Directors and senior management of the Company.

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

Nomination Committee

The members of the Nomination Committee comprise Mr 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 written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company. The terms of reference of the Nomination Committee have included the duties set out in Code Provision B.3.1(a) to (d) of the CG Code.

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

During the year, the Nomination Committee had conducted two meetings. During the year 2022, 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 2022; reviewed the structure, size and composition of the Board and reviewed the Board diversity policy and nomination policy.

BOARD COMMITTEES *(Continued)*

Executive Directors' Committee

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

The principal duties of the Executive 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 thirteen meetings. During the year 2022, the Executive Directors' Committee had considered and approved the change of banks' account of authorized signatories; the change of insurance broker; the supplemental loan agreement; the banking facilities; the redemption of promissory note and the renewal of the insurances etc.

Nomination Policy

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

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

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

BOARD COMMITTEES *(Continued)*

Board Diversity Policy

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

Summary of the Board Diversity Policy

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

Measurable Objectives

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

Monitor and reporting

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

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

Under the revised Rule 13.92 of the Listing Rules that came into effect on 1 January 2022, a single gender Board will not be considered by the Stock Exchange to have achieved Board diversity. The Company targets to comply with this new requirement and include a female director to join the Board by no later than 31 December 2024, being the end of the transitional period as specified by the Stock Exchange.

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

BOARD MEETINGS AND COMMITTEES' MEETINGS

The Board held meetings six times in 2022. The attendances of individual Director at these Board meetings and Board Committees' meetings held in 2022 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
Executive Directors:					
Mr CHONG Tin Lung Benny	4/6	N/A	1/1	2/2	13/13
Mr HUANG Zuie-Chin	6/6	N/A	N/A	N/A	N/A
Mr NG Siu Wai	6/6	N/A	N/A	N/A	N/A
Mr LIN Chun Ho Simon	6/6	N/A	N/A	N/A	13/13
INEDs:					
Mr KONG Kai Chuen Frankie	6/6	3/3	1/1	2/2	N/A
Mr LEE Ben Tiong Leong	6/6	3/3	1/1	2/2	N/A
Mr TO Chun Wai	6/6	3/3	1/1	2/2	N/A

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

EXTERNAL AUDITOR

During the year ended 31 December 2022, 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 87 to 92 of this Report.

During the year of 2022, the auditor had performed audit and non-audit services and their remuneration in respect of audit and non-audit services is HK$1.06 million and HK$0.42 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 it 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.

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

- To assist the Board and the Audit Committee in overseeing the risk management system, ensuring that the risk management culture is fostered and system is implemented effectively in the daily operations and to arbitrate risk management policies that have conflicts between functional divisions.

- To oversee the risk management program and assess the program processes and make decisions on risk management issues escalated to it including:

  – To ensure the Group commits sufficient resources in carrying out the risk management exercise and to ensure risk profiles updates are carried out annually and in a timely manner in accordance with the guidelines and requirements laid down in the risk management policy of the Group as approved by the Board.

  – To review the risk assessment criteria and update the risk inventory, risk ranking and risk mitigation plan for the submission to the Audit Committee and the Board annually.

  – To maintain an oversight of the Group's risk management system, framework and program and propose enhancement(s) needed, including those to fulfill the regulators or governance bodies' statutory requirements, to the Board for approval at least annually.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

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

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

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

WHISTLEBLOWING POLICY

The Board adopted a whistleblowing policy (the "**Whistleblowing Policy**") which provides channels and guidance to facilitate the raising of matters of concern by employees of the Group (the "**Employee**") and those who deal with the Group, in confidence, without fear of reprisals. No incident of fraud or misconduct that have material effect on the Group's financial statements or overall operations for the year ended 31 December 2022 has been discovered. The Whistleblowing Policy is reviewed annually by the Audit Committee to ensure its effectiveness.

ANTI-FRAUD AND ANTI-CORRUPTION POLICY

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

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

COMMUNICATION WITH SHAREHOLDERS

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

(i) Shareholders' enquiries

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

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

(ii) Corporate Communication

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

(iii) Corporate Website

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

(iv) General Meetings of Shareholders

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

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

The Board of the Company reviewed the implementation and effectiveness of the shareholders' communication policy for the year ended 31 December 2022 and considered it to be effective.

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.

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

The Company held an annual general meeting in 2022. The attendance of individual Director at the general meetings held in 2022 is set out in the table below:

Name of Directors	Number of annual general meeting attended/held
Executive Directors:	1/1
Mr CHONG Tin Lung Benny	1/1
Mr HUANG Zuie-Chin	1/1
Mr NG Siu Wai	1/1
Mr LIN Chun Ho Simon	1/1
INEDs:	1/1
Mr KONG Kai Chuen Frankie	1/1
Mr LEE Ben Tiong Leong	1/1
Mr TO Chun Wai	1/1

Pursuant to CG Code Provision F.2.2 of the CG Code, the Company invited representatives of the auditor of the Company to attend the annual general meeting of the Company convened on 25 May 2022 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 25 May 2022.

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.

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

Shareholders' Right *(Continued)*

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

Sections 79 and 80 of the Companies Act provides that on a requisition of certain Shareholder(s), the Company shall give notice to the Shareholders in respect of any resolution which is intended to be moved at an 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.

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

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

(ii) not less than one hundred Shareholders.

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

Shareholders' Right *(Continued)*

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

(a) a copy of the requisition signed by the requisitionists, or two or more copies which between them contain the signatures of all the requisitionists, is deposited at the 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.

Procedures for directing Shareholders' enquiries to the Board

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

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

Constitutional Documents

To conform to the current requirements of the Listing Rules, including but not limited to the Core Shareholder Protection Standards as set out in Appendix 3 to the Listing Rules and to make some housekeeping amendments, the Board has made certain amendments to the memorandum of association and Bye-laws of the Company. The changed its Bye-laws as detailed in its circular dated 21 April 2022.

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

Voting by Poll

The Company informed Shareholders of the procedures for demanding a poll by incorporating them in any circular for an 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 in United Kingdom. Ms Kwong currently also serves as the company secretary or joint company secretary of several companies listed on the Stock Exchange. She had undertaken no less than 15 hours of relevant profession training during the year ended 31 December 2022.

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 2022 (the "**Reporting Period**").

REPORTING SCOPE AND PRINCIPLES

With regard to the revenue portion, stakeholders' interests, operation locations and the ESG-related risks, this report serves to provide details of the Group's ESG policies of its investment properties, and financing businesses in Hong Kong, which represent the key geographical and operational segments of the Group, in the Reporting Period. It should be noted that the closure of Maserati dealership business in Hong Kong in 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 2021, in 2022 we achieved:

- Petrol Consumption **-41.0%**
- Electricity Consumption **-99.2%**
- Scope 1 & 2 GHG Emission **-70.1%**

Employee Development

- **Over 85%** of all employees trained
- Average training hours per employee has increased to **18.6**

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

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

In addition, we monitor closely updates in relevant laws, regulations and compliance requirements (including 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. This includes enhancing the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit, financial reporting functions as well as the ESG side with the performances and reporting.

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

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

STAKEHOLDER ENGAGEMENT

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

#	Relevant Stakeholders	Engagement Methods
1	Customers	• Corporate website • General hotline • Client meetings
2	Employees	• Internal emails and publications • Meetings and briefings • Training • Employee activities
3	Suppliers and Business Partners	• Business meeting • Regular audit
4	Investors and Stockholders	• Annual General Meeting • Annual and Interim Reports • Announcements and circulars
5	Government and Supervising Authorities	• Public consultation
6	Social Groups and Public	• Charitable activities
7	Media	• Corporate Website • General Hotline

MATERIALITY ASSESSMENT

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

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

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

	Material ESG issues	ESG Guide Reference:
Social	Data Privacy	Aspect B6: Product Responsibility
	Customer Services	Aspect B6: Product Responsibility
	Products and Services Responsibility	Aspect B6: Product Responsibility
	Product Safety	Aspect B6: Product Responsibility
	Staff Training	Aspect B3: Development and Training
	Anti-corruption and Money Laundering	Aspect B7: Anti-corruption
	Anti-corruption Training	Aspect B7: Anti-corruption
	Workplace Health and Safety	Aspect B2: Health and Safety
	Employment Practices	Aspect B1: Employment
	Equal Opportunity	Aspect B1: Employment
	Community Engagement	Aspect B8: Community Investment
	Anti-child and Forced Labour	Aspect B4: Labour Standards
	Supplier Practices	Aspect B5: Supply Chain Management
Environment	Climate Resilience	Aspect A4: Climate Change
	Other Significant Environmental Impacts	Aspect A3: The Environment and Natural Resources
	Energy Usage	Aspect A2: Use of Resources
	Water Usage	Aspect A2: Use of Resources
	Non-hazardous waste and greenhouse gas emissions	Aspect A1: Emissions
	Waste Management	Aspect A1: Emissions
	Resources Conservation	Aspect A2: Use of Resources
	Other Significant Environmental Impacts	Aspect A3: The Environment and Natural Resources

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:

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 unauthorised 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.

Customer Services

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

B) SOCIAL *(Continued)*

Aspect B6: *(Continued)*

Products and Services Responsibility

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

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

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

Quality assurance process and recall procedures

Due to the Company's change in business operation with the closure of Maserati dealership business in Hong Kong, the after sales service department has been dissolved. Therefore, no products sold were subjected to recalls for safety and health reasons and no case of complaints was 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. Moreover, our employees must comply with relevant laws such as the Patent Law of People's Republic of China and the Patents Ordinance (Cap. 514) of Hong Kong. Failure to do so may result in disciplinary actions.

B) SOCIAL *(Continued)*

Aspect B3:

Staff Training

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

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

By the time of reporting, over 85% of existing employees in all job titles and genders have received appropriate amount of relevant training during this Reporting Period.

Aspect B7:

Anti-Corruption and Money Laundering

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

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

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

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

B) SOCIAL *(Continued)*

Aspect B7: *(Continued)*

Anti-Corruption and Money Laundering (Continued)

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

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

The Group will continue to adhere to anti-corruption and money laundering-related laws and regulations such as the Prevention of Bribery Ordinance, Anti-Money Laundering, and Counter-Terrorist Financing Ordinance of Hong Kong. Effectiveness of our internal controls are reviewed at the minimum 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 B2:

Workplace Health and Safety

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

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

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 shown and will continue to demonstrate 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 has been no work-related fatalities or workplace accidents occurred. In addition, there were no lost days due to work injury.

No cases of non-compliance with occupational health and safety-related laws and regulations were noted during this Reporting Period.

B) SOCIAL *(Continued)*

Aspect B1:

Employment Practices

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

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

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

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 departments monitor closely with the latest updates and announcements from local authorities in order to prevent the Group from violating any relevant laws and regulations.

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

B) SOCIAL *(Continued)*

Aspect B8:

Community Engagement

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

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

- The charity donation organized by the Suicide Prevention Services.

Emphasis on Health & Wellbeing

Our staff is one of our most important assets, which directs our focus to health & wellbeing. In 2022, we 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 COVID-19 pandemic. Furthermore, we will continue to identify opportunities to contribute to our local community and charity events through active participation and ultimately play an impactful role in improving health & wellbeing for everyone around us.

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. This can ensure compliance with relevant laws such as the Labour Law and Provisions on the Prohibition of Using Child Labour of the People's Republic of China, as well as the Employment Ordinance (Cap. 57) of Hong Kong. Any issues discovered will be reported to the senior management immediately and rectified timely.

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

Aspect B5:

Supplier Practices

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

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

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

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

B) SOCIAL *(Continued)*

Aspect B5: *(Continued)*

Supplier Practices (Continued)

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

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

As a result of the change of business model, there were no major suppliers in this Reporting Period. However, in the future, for all major suppliers that are selected, we will continue to monitor in accordance with the above practices during our supplier engagement and improvement process.

A) ENVIRONMENT

Aspect A1:

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

In 2021, The Group had achieved an absolute emission reduction of 65% for its Scope 1 & 2 emissions from 2020. Furthermore, in 2022, the emission has further reduced by 74% from 2021. The Group will aim to maintain practices to keep carbon emission levels as minimal and close to 2022 as possible and continue implementing green efforts in reducing resource consumption from its source. Relevant emission figures will continue to be monitored periodically to ensure the Group is on track to achieve its target.

The Group is committed to complying with environmental laws and regulations such as the Air Pollution Control Ordinance, Waste Disposal Ordinance, Water Pollution Control Ordinance and Noise Control Ordinance in Hong Kong.

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

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

Types of emission[1]	Unit	2022	2021
Nitrogen oxides ("**NOx**")	kilogram	**2.39**	6.85
Sulphur oxides ("**SOx**")	kilogram	**0.09**	0.16
Particular matter ("**PM**")	kilogram	**0.18**	0.50

As compared to 2021, 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 centralised the vehicle management and route planning functions to reduce the travelling distance. Moreover, we prefer using vehicles of higher fuel efficiency to cut down the fuel consumption and hence there is 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 case of non-compliance with violation of Air Pollution Control Ordinance or with environmental laws and regulations were noted in this Reporting Period.

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

A) ENVIRONMENT *(Continued)*

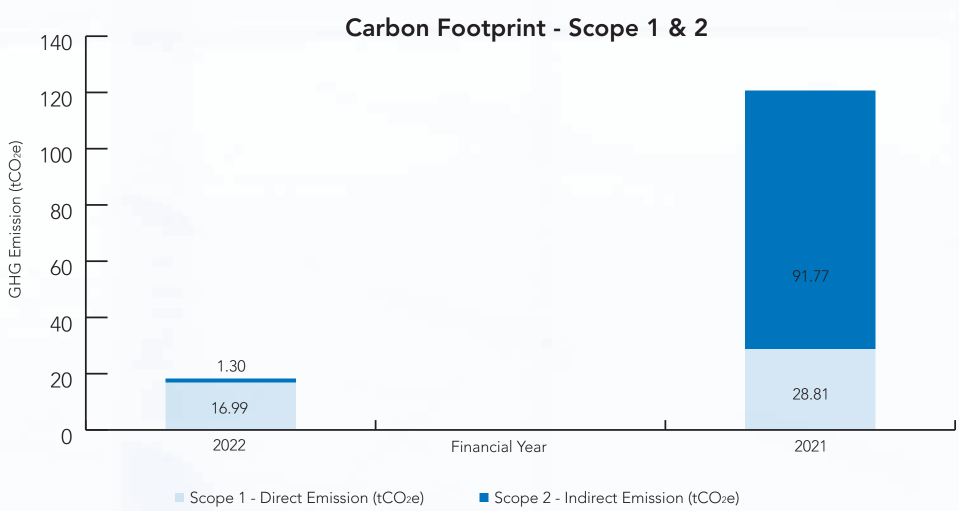
Aspect A1: *(Continued)*

Carbon Footprint

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 analysed our carbon footprint in order to identify reduction areas and provide transparency to our stakeholders regarding our progression.

With this year's changes in business model, there has been a significant difference compared to 2021 in GHG emissions with the closure of Maserati dealership business in Hong Kong. The Group identifies two major emission hotspots, the top emission hotspot being petrol, which covers around 24% in 2021 (10,641 litres) and 99.9% in 2022 (6273.32 litres) of our total carbon footprint, followed by electricity use which covers around 76% in 2021 (220,401kWh) and 0.1% in 2022 (38 kWh) 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	2022	2021
Direct GHG emissions (Scope 1)	tonnes of CO_2 equivalent (tonnes CO_2e)	**16.99**	28.81
Indirect GHG emissions (Scope 2)	tonnes CO_2e	**1.30**	91.77
GHG emission Intensity (Scope 1 & 2)	tonnes CO_2e per HKD 1 million of revenue	**0.62**	2.08



In 2022, our total Scope 1 and Scope 2 emission have reduced by 70%, electricity consumption by 99% and petrol consumption by 41%. Most of the reduction incurred is attributed to our major changes in business operation and office in 2021 and 2022. We have policies within the office to switch off equipment after use or leaving the workplace, as well as separate light switches have been added for different light zones and installed motion sensors in areas that are not frequently used. Regular check and maintenance work is performed to ensure efficiency of equipment and appliances. These changes and solutions have caused significant decrease in our total Scope 1 and Scope 2 emissions. Nonetheless our group will continue identifying emission hotspots and allocating sufficient focus in emission reduction measures.

A) ENVIRONMENT *(Continued)*

Aspect A1: *(Continued)*

Waste Management

Wastes

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

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

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

		2022		2021	
Type	**Unit**	**Amount**	**Intensity (per HKD 1 million of revenue)**	Amount	Intensity (per HKD 1 million of revenue)
Motor oil	Tonnes	**0**	**0**	2.55	0.044
Antifreeze	Tonnes	**0**	**0**	2.50	0.038
Batteries	Tonnes	**0**	**0**	0	0

As compared to 2021, there were no motor oil and antifreeze as hazardous waste because of no after-sales services and data on battery changes are no longer material to the Group.

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

There were no hazardous wastes from our operations during this Reporting Period. The major non-hazardous waste in 2021 was paper used in office. The table below demonstrates the comparison of paper used in 2022 and 2021:

		2022		2021	
Type	**Unit**	**Amount**	**Intensity (per HKD 1 million of revenue)**	Amount	Intensity (per HKD 1 million of revenue)
Paper	Tonnes	**0.03**	**0.001**	0.19	0.003

As compared to 2021, the usage of paper in the Reporting Period has decreased by 73% due to the effective adoption of environmental-friendly measures taken by the Group.

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

The Group has achieved our target in 2021 whereby to ensure that hazardous and non-hazardous wastes do not exceed more than 2021 levels. As aforementioned, the change in business model has caused the Group to reduce in both hazardous and non-hazardous waste significantly.

Going forward, the Group aims to ensure that hazardous and non-hazardous wastes to maintain as minimal and close to 2022 levels as possible.

Environmental Commitment

The Group is dedicated to continuous efforts on lowering our carbon footprints, we have previously set and met some of our 2021 targets 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 adopted various initiatives to control resource usage and raising environmental awareness to our employees. Please refer to "Resources Conservation" for more details regarding initiatives to control resource usage.

A) ENVIRONMENT *(Continued)*

Aspect A2:

Resources Conservation

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

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

These measures assist the reduction of resources consumption comprehensively from source to end-use, thereby creating both environmental and financial benefits to the Group. Besides, regular monitoring and reporting of electricity and fuels usage have been in place to enable us to evaluate our resources consumption and formulate action plans to conserve these resources. Moreover, we did not encounter any difficulty in sourcing water. The following table summarizes our resources consumption during this Reporting Period:

		2022		2021	
Type of resource	**Unit**	**Amount**	**Intensity (per HKD 1 million of revenue)**	Amount	Intensity (per HKD 1 million of revenue)
Electricity	kWh	**1,855**	**62.93**	220,401	3,797.21
Petrol	Litre	**6,273**	**212.80**	10,641	183.33
Diesel	Litre	**0**	**0**	0	0
Water	m^3	**0**	**0**	153	2.64

A) ENVIRONMENT *(Continued)*

Aspect A2: *(Continued)*

Resources Conservation (Continued)

We consumed less electricity in the Reporting Period than the previous year because of changes in our business model. With our successful energy-saving measures and internal guidelines for our staff members, we achieved a decrease in consumption of electricity, petrol, and water in the Reporting Period when compared to 2021. Due to a change in our office location in 2021, our water consumption is covered by the leaser, who shares the same owner as the Group. Thus, the water consumption data will not be included in this report.

While the Group has successfully maintained electricity consumption at 2021 levels, the Group is now looking forward to maintain electricity consumption at 2022 levels while exploring opportunities to further reduce electricity consumption. This includes collaborating with relevant parties, retrofitting and incorporating sustainable technologies to improve our electricity efficiency. Similarly, we are also aiming to remain as minimal and close to 2022 levels as possible. Our ESG taskforce will continue to broaden the scope of our green agenda and identify energy improvement opportunities in order to uphold our sustainable development and care for the environment attitude in the workplace.

Aspect A3:

Other Significant Environmental Impacts

In addition to the abovementioned environmental impacts, other negative impacts to the environment and natural resources have been considered while making investment decisions and future development plans.

To protect the environment and nature, we must monitor environmental risks relating to our business operations on a regular basis. Periodic evaluations are performed to identify negative environmental impacts. Based on such evaluations, preventive measures are implemented to mitigate the environmental risks and to ensure the Group's compliance with relevant laws and regulations. There were no significant impacts from business activities on the environmental and natural resources during the reporting period. This is due to a change in business model in 2021 which led to no operating showroom nor workshops in 2022.

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

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

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

SOCIAL PERFORMANCE

Hong Kong	Category	2022	2021
B1. Employment (No. of individuals)			
Total workforce by gender	Male	5	6
	Female	2	1
Total workforce by age group	Below 30	0	0
	30-50	7	7
	Over 50	0	0
Total workforce by employment type	Part-time	0	0
	Full-time	7	7
	Temporary	0	0
Employee resigned/terminated by gender	Male	1	27
	Female	0	14
Employee resigned/terminated by age group	Below 30	0	1
	30-50	1	29
	Over 50	0	11
B1. Employment (Turnover Rate)[1]			**Restated**
Employee turnover rate by gender	Male	20%	450%
	Female	0%	1400%
Employee turnover rate by age group	Below 30	0%	0%
	30-50	14%	414%
	Over 50	0%	0%
B2. Health and safety			
Work-related fatalities[2]	No. of fatalities	0	0
Lost days due to work injury	No. of days	0	0
	No. of days	0	0
B3. Development and training (No. of individuals)			
No. of employee trained by gender	Male	4	7
	Female	2	2
Total number of employees (Full-time) by employee category	General Staff	3	3
	Middle management	2	1
	Senior management	2	3
No. of employee trained by employee category	General	1	5
	Middle managers	2	1
	Senior managers	3	3

SOCIAL PERFORMANCE *(Continued)*

Hong Kong	Category	2022	2021
B3. The percentage of employees trained by gender and employee category[3]			
Percentage of employees trained by gender	Male	80%	100%
	Female	100%	100%
Percentage of employees trained by employee category	General Staff	33%	100%
	Middle management	100%	100%
	Senior management	67%	100%
B4. Development and training (Hours)			
Average training hours by gender	Male	18	18
	Female	19.75	5
Average training hours by employee category	General	17.5	12
	Middle managers	11.75	1
	Senior managers	23.5	26
B5. Supply chain management (No. of suppliers)			
No. of suppliers by geographical region	Hong Kong	0	27
	Macau	0	2
	Italy	0	1
B6. Product responsibility (Number of cases)			
% of total products sold subject to recall	%	0	0
No. of service-related complaints received	Complaint	0	0
B7. Anti-corruption			
No. of concluded legal cases relating to corruption	Case	0	0
B8. Community investment			
In-kind sponsorship and donations	HKD equivalent	2,000	2,000
Total service hours[4]	Hour	0	0

1. We have updated the turnover rate calculations by following the HKEX guidelines: *How to prepare an ESG Report Appendix 3: Reporting Guidance on Social KPIs*. Owing to the change in business model, the Group's turnover rate was significantly high in 2021 and hence the abnormal figures existed. However, this issue was resolved in 2022 which enables the Group to operate more efficiently.

2. For the year ended 31 December 2020, there was no work-related fatalities.

3. We have followed the above same guidelines by adopting the calculation method of KPI B3.1 The percentage of employees trained by gender and employee category (e.g., senior management, middle management).

4. 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	2022	2021
A1. Emissions			
Direct GHG Emissions (Scope 1)	tCO_2e	16.99	28.81
Indirect GHG Emissions (Scope 2)	tCO_2e	1.30	91.77
Indirect GHG Emissions (Scope 3)	tCO_2e	–	–
GHG Emission Intensity (Scope 1 & 2)	tCO_2e/(HKD 1 Mill in Revenue)	0.62	2.08
A1.3 Hazardous Waste			
Motor Oil	tonnes	0	2.55
Antifreeze	tonnes	0	2.20
Batteries	tonnes	0	0
Hazardous Waste Intensity			
Motor Oil	tonnes/(HKD 1 Mill in Revenue)	0	0.044
Antifreeze	tonnes/(HKD 1 Mill in Revenue)	0	0.038
Batteries	tonnes/(HKD 1 Mill in Revenue)	0	0
A1.4 Non-hazardous Waste			
Paper	tonnes	0.03	0.19
Ink-cartridge	tonnes	0.001	0.001
Non-Hazardous Waste Intensity			
Paper	tonnes/(HKD 1 Mill in Revenue)	0.00089	0.00334
Ink-cartridge	tonnes/(HKD 1 Mill in Revenue)	0.00004	0.00001
A2.1 Energy Consumption			
Electricity	kWh	1,855	220,401
Petrol	Litres	6,273.32	10,641.00
Energy Intensity			
Electricity	kWh/(HKD 1 Mill in Revenue)	62.93	3,797.21
Petrol	kWh/(HKD 1 Mill in Revenue)	212.80	183.33
A2.2 Water Consumption			
Water Consumption	m^3	0	153
Water Intensity			
Water Consumption	m^3/(HKD 1 Mill in Revenue)	0	2.64

CONTENT INDEX FOR HKEX ESG REPORTING GUIDE

General Disclosures and KPIs	Description	Reference (Page Number)	Remarks
Environmental			
Aspect A1: Emissions			
General Disclosure		p.71-74, 80	There were no cases of non-compliance regarding greenhouse gas emissions, water and waste noted during this Reporting Period.
KPI A1.1	The types of emissions and respective emissions data	p.71, 80	
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity	p.72, 80	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity	p.73, 80	
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity	p.74, 80	
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them	p.71	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	p.74	

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

General Disclosures and KPIs	Description	Reference (Page Number)	Remarks
Aspect A2: Use of Resources			
General Disclosure		p.75-76, 80	The contents within this report includes relevant details regarding mateiral KPIs to the Group under Aspect A2.
KPI A2.1	Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity	p.75, 80	
KPI A2.2	Water consumption in total and intensity	p.75, 80	
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	p.76	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	p.76	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	NA	Packaging material is not material to The Group's operations
Aspect A3: The Environment and Natural Resources			
General Disclosure		p.76	The contents within this report includes relevant details regarding mateiral KPIs to the Group under Aspect A3.
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	p.76	
Aspect A4: Climate Change			
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	p.77	The contents within this report includes relevant details regarding mateiral KPIs to the Group under Aspect A4.

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

General Disclosures and KPIs	Description	Reference (Page Number)	Remarks
Social			
Aspect B1: Employment			
General Disclosure		p.67, 78	The contents within this report includes relevant details regarding mateiral KPIs to the Group under Aspect B1.
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	p.67, 78	
KPI B1.2	Employee turnover rate by gender, age group and geographical region	p.78	
Aspect B2: Health and Safety			
General Disclosure		p.66, 78	The contents within this report includes relevant details regarding mateiral KPIs to the Group under Aspect B2.
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	p.66, 78	No cases of work-related fatalities were noted in the past 3 financial years including this Reporting Period.
KPI B2.2	Lost days due to work injury	p.66, 78	No cases of non-compliace were noted in this Reporting Period.
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	p.66	
Aspect B3: Development and Training			
General Disclosure		p.64, 78-79	The contents within this report includes relevant details regarding mateiral KPIs to the Group under Aspect B3.
KPI B3.1	The percentage of employees trained by gender and employee category	p.79	
KPI B3.2	The average training hours completed per employee by gender and employee category	p.79	

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

General Disclosures and KPIs	Description	Reference (Page Number)	Remarks
Aspect B4: Labour Standards			
General Disclosure		p.69, 79	The contents within this report includes relevant details regarding mateiral KPIs to the Group under Aspect B4.
KPI B4.1	Description of measures to review employment practices to avoid child or forced labor	p.69	
KPI B4.2	Description of steps taken to eliminate such practices when discovered	p.69	No cases of non-compliace were noted in this Reporting Period.
Aspect B5: Supply Chain Management			
General Disclosure		p.69-70, 79	The contents within this report includes relevant details regarding mateiral KPIs to the Group under Aspect B5.
KPI B5.1	Number of suppliers by geographical region	p.69, 79	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	p.70	No cases of non-compliace were noted in this Reporting Period.
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	p.69	No cases of non-compliace were noted in this Reporting Period.
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	p.69	No cases of non-compliace were noted in this Reporting Period.

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

General Disclosures and KPIs	Description	Reference (Page Number)	Remarks
Aspect B6: Product Responsibility			
General Disclosure		p.62-63, 79	The contents within this report includes relevant details regarding mateiral KPIs to the Group under Aspect B6.
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	p.63, 79	
KPI B6.2	Number of products and service related complaints received and how they are dealt with	p.63, 79	No cases of complaints were noted in this Reporting Period.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	p.63	
KPI B6.4	Description of quality assurance process and recall procedures	No cases of recall were noted in this Reporting Period.	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	p.62	

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

General Disclosures and KPIs	Description	Reference (Page Number)	Remarks
Aspect B7: Anti-corruption			
General Disclosure		p.64-65, 79	The contents within this report includes relevant details regarding mateiral KPIs to the Group under Aspect B7.
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	p.65, 79	No cases of non-compliace were noted in this Reporting Period.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	p.65	
Aspect B8: Community Investment			
General Disclosure		p.68, 79	The contents within this report includes relevant details regarding mateiral KPIs to the Group under Aspect B8.
KPI B8.1	Focus areas of contribution	p.68	
KPI B8.2	Resources contributed to the focus area	p.68, 79	

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 93 to 182, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties located in Scotland	
We identified the valuation of investment properties located in Scotland as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant management judgements and estimates associated with determining the fair value. As set out in note 4 to the consolidated financial statements, the investment properties are located in Scotland with carrying amount of HK$408,111,000 as at 31 December 2022, which represents approximately 52.2% of total assets of the Group as at 31 December 2022, and net loss from changes in fair value of HK$55,449,000 was recognised in the consolidated statement of profit or loss for the year then ended. As disclosed in note 16 to the consolidated financial statements, the Group's investment properties are held at fair value based on the valuation performed by an independent qualified professional valuer ("**Scotland IP valuer**") by using income approach, which is dependent on certain key unobservable inputs including term yield and reversionary yield and market rental with considerably more subjective management judgements and estimates involved. The fair value is adjusted to exclude prepaid or accrued lease income.	Our procedures in relation to valuation of the investment properties included: • Obtaining the valuation report from management, evaluating the competence, capabilities and objectivity of the Scotland IP valuer; • Obtaining an understanding of the valuation process and assessing the valuation methodology used by the management and the Scotland IP valuer; • Engaging our internal valuation specialists to assess the reasonableness of the key unobservable inputs including (i) the term yield and reversionary yield adopted by the Scotland IP valuer, by comparing to the relevant published market data with yield data and (ii) market rental adopted by the Scotland IP valuer, by comparing to the market rental for comparable properties in similar grade and location; and • Checking the accuracy of rental income and lease terms, on a sample basis, used in the valuation by agreeing those key data to the respective underlying tenancy agreements.

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of investment in preferred shares of Chime Biologics Limited ("Chime Biologics") measured at fair value through profit or loss	
We identified the fair value measurement of investment in preferred shares of Chime Biologics measured at fair value through profit or loss as a key audit matter due to the complexity involved in valuing this investment and the significance of the balance to the consolidated financial statements as a whole, combined with the significant management judgements and estimates associated with determining the fair value. As set out in note 4 and 18a 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$237,357,000 as at 31 December 2022, which represents approximately 30.3% of the total assets of the Group as at 31 December 2022, and fair value loss of the investment in preferred shares of Chime Biologics of HK$12,530,000 was recognised in the consolidated statement of profit or loss for the year then ended. As disclosed in notes 18a and 35 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.	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; and ➢ Checking the mathematical accuracy of the fair value calculations.

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 HKSAs 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 HKSAs, 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 Poon Kam Chuen.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	NOTES	Continuing operations 2022 HK$'000	Continuing operations 2021 HK$'000	Discontinued operation 2022 HK$'000	Discontinued operation 2021 HK$'000	Total 2022 HK$'000	Total 2021 HK$'000
Revenue from goods and services	5	–	–	**1,342**	54,648	**1,342**	54,648
Rental income	5	**28,137**	23,337	–	–	**28,137**	23,337
Interest income from loan receivables	5	–	1,352	–	–	–	1,352
Total revenue		**28,137**	24,689	**1,342**	54,648	**29,479**	79,337
Cost of sales and services		**(5,286)**	(4,453)	**(1,492)**	(45,723)	**(6,778)**	(50,176)
Gross profit (loss)		**22,851**	20,236	**(150)**	8,925	**22,701**	29,161
Other income	7	**176**	186	**382**	2,323	**558**	2,509
Other gains and losses	8	**(66,678)**	3,498	–	3,537	**(66,678)**	7,035
Reversal of impairment losses under expected credit loss ("**ECL**") model, net		–	11	–	22	–	33
Selling and distribution costs		–	–	**(184)**	(8,319)	**(184)**	(8,319)
Administrative expenses		**(20,942)**	(6,026)	**(467)**	(12,939)	**(21,409)**	(18,965)
Other expenses	11	**(8,826)**	(4,828)	–	–	**(8,826)**	(4,828)
Finance costs	9	**(12,296)**	(11,233)	–	(298)	**(12,296)**	(11,531)
Share of result of an associate accounted for using equity method		–	768	–	–	–	768
(Loss) profit before taxation		**(85,715)**	2,612	**(419)**	(6,749)	**(86,134)**	(4,137)
Taxation	10	**814**	(2,139)	**(270)**	(6)	**544**	(2,145)
(Loss) profit for the year	11	**(84,901)**	473	**(689)**	(6,755)	**(85,590)**	(6,282)

	NOTE	Total 2022 HK$'000	Total 2021 HK$'000
Loss for the year attributable to owners of the Company			
– from continuing operations		**(62,716)**	(385)
– from discontinued operation		**(689)**	(6,755)
		(63,405)	(7,140)
(Loss) profit for the year attributable to non-controlling interests			
– from continuing operations		**(22,185)**	858
Loss for the year		**(85,590)**	(6,282)
Loss per share (from continuing and discontinued operations)			
– Basic	14	**(HK1.20 cent)**	(HK0.13 cent)
– Diluted	14	**(HK1.20 cent)**	(HK0.13 cent)
Loss per share (from continuing operations)			
– Basic	14	**(HK1.19 cent)**	(HK0.01 cent)
– Diluted	14	**(HK1.19 cent)**	(HK0.01 cent)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Loss for the year	**(85,590)**	(6,282)
Other comprehensive expense		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**(23,248)**	(2,464)
Other comprehensive expense for the year	**(23,248)**	(2,464)
Total comprehensive expense for the year	**(108,838)**	(8,746)
Total comprehensive (expense) income for the year attributable to:		
Owners of the Company	**(74,309)**	(9,509)
Non-controlling interests	**(34,529)**	763
	(108,838)	(8,746)
Total comprehensive expense for the year attributable to owners of the Company:		
– from continuing operations	**(73,620)**	(2,754)
– from discontinued operation	**(689)**	(6,755)
	(74,309)	(9,509)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Non-current assets			
Investment properties	16	**470,211**	579,155
Property, plant and equipment	17	**1,896**	2,684
Investment of an associate measured at fair value through profit or loss ("**FVTPL**")	18a	**237,357**	249,507
Other financial asset at FVTPL	19	**–**	14,703
Rent and other receivables	21	**9,558**	12,948
		719,022	858,997
Current assets			
Inventories	20	**–**	1,492
Rent and other receivables	21	**4,315**	2,551
Other financial asset at FVTPL	19	**14,486**	–
Tax recoverable		**143**	–
Pledged bank deposits	22	**1,498**	–
Bank balances and cash	22	**42,798**	39,271
		63,240	43,314
Current liabilities			
Trade and other payables	23	**17,143**	16,705
Tax payable		**–**	38
Bank and other borrowings	24	**331,094**	–
Loan from a non-controlling member of a subsidiary	25	**9,105**	–
		357,342	16,743
Net current (liabilities) assets		**(294,102)**	26,571
Total assets less current liabilities		**424,920**	885,568

Consolidated Statement of Financial Position

At 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Capital and reserves			
Share capital	27	**105,850**	105,850
Reserves		**216,215**	285,812
Equity attributable to owners of the Company		**322,065**	391,662
Non-controlling interests		**68,861**	103,390
Total equity		**390,926**	495,052
Non-current liabilities			
Bank and other borrowings	24	**5,049**	334,529
Loan from a non-controlling member of a subsidiary	25	**–**	9,205
Promissory note	26	**27,500**	44,500
Deferred taxation	28	**1,445**	2,282
		33,994	390,516
		424,920	885,568

The consolidated financial statements on pages 93 to 182 were approved and authorised for issue by the board of directors on 30 March 2023 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 2022

	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 2021	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 30)	–	–	–	–	–	–	–	–	–	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 (note 29)	–	–	–	(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
Loss for the year	–	–	–	–	–	–	–	(63,405)	(63,405)	(22,185)	(85,590)
Other comprehensive expense for the year	–	–	–	–	–	(10,904)	–	–	(10,904)	(12,344)	(23,248)
Total comprehensive expense for the year	–	–	–	–	–	(10,904)	–	(63,405)	(74,309)	(34,529)	(108,838)
Recognition of equity settled share-based payments, net (note 29)	–	–	–	4,712	–	–	–	–	4,712	–	4,712
Transfer upon lapse of share options	–	–	–	(532)	–	–	–	532	–	–	–
At 31 December 2022	105,850	265,726	2,151	25,999	19,246	(13,751)	166,431	(249,587)	322,065	68,861	390,926

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 2022

	NOTE	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(86,134)**	(4,137)
Adjustments for:			
Reversal of impairment losses on trade and other receivables and loan receivables, net		**–**	(33)
Allowance of inventories		**–**	2,281
Depreciation of property, plant and equipment		**630**	558
Interest income		**(6)**	(27)
Interest expenses		**12,296**	11,531
Fair value loss (gain) on investment of an associate measured at FVTPL		**12,530**	(1,427)
Fair value gain on other financial assets at FVTPL		**(936)**	(818)
Fair value loss (gain) of investment properties		**55,449**	(1,238)
Gain on disposal of property, plant and equipment		**–**	(403)
Share-based payments expense (reversal), net		**4,712**	(3,606)
Gain on lease termination		**–**	(3,139)
Share of result of an associate accounted for using equity method		**–**	(768)
Operating cash flows before movements in working capital		**(1,459)**	(1,226)
Decrease in inventories		**1,492**	57,447
Decrease in trade, rent and other receivables		**1,626**	10,295
Decrease in loan receivables		**–**	21,610
Increase (decrease) in trade and other payables		**438**	(10,719)
Decrease in contract liabilities		**–**	(18,750)
Net cash from operations		**2,097**	58,657
Income tax (paid) refund		**(474)**	292
NET CASH FROM OPERATING ACTIVITIES		**1,623**	58,949
INVESTING ACTIVITIES			
Withdrawal of pledged bank deposits		**–**	20,000
Placement of pledged bank deposits		**(1,498)**	–
Net cash inflow on acquisition of a subsidiary	30	**–**	18,290
Proceeds from disposal of property, plant and equipment		**–**	2,234
Interest received		**6**	27
Proceeds from acquiring other financial asset at FVTPL on behalf of a third party		**–**	13,606
Purchase of other financial asset at FVTPL		**–**	(27,212)
Purchase of property, plant and equipment		**(105)**	(365)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(1,597)**	26,580

	2022 HK$'000	2021 HK$'000
FINANCING ACTIVITIES		
Repayment of corporate bonds	–	(60,000)
Repayment of bank and other borrowings	(775)	(10,316)
Repayment of promissory note	(17,000)	(9,000)
Repayment for lease liabilities	–	(8,127)
Interest paid on corporate bonds	–	(4,257)
Interest paid on bank and other borrowings	(8,111)	(5,897)
Interest paid on promissory note	(2,891)	(2,885)
Interest paid on lease liabilities	–	(228)
Exercise of share options	–	1,743
Bank and other borrowings raised	36,000	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	7,223	(98,967)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,249	(13,438)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	39,271	52,512
EFFECT OF EXCHANGE RATE CHANGES	(3,722)	197
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	42,798	39,271

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 ended 31 December 2021, 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 was 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") AND AGENDA DECISIONS OF THE IFRS INTERPRETATIONS COMMITTEE (THE "COMMITTEE")

2.1 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 Group's annual period beginning on 1 January 2022 for the preparation of the 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 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.

2. APPLICATION OF AMENDMENTS TO HKFRSs AND AGENDA DECISIONS OF THE COMMITTEE *(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 International Accounting Standards Board (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. The application of the committee's agenda decision results in change in accounting policy for inventories.

The application of the Committee's agenda decision has had no material impact on the Group's consolidated financial statements and performance in the current and prior years.

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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or 1 January 2024.

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.

2. APPLICATION OF AMENDMENTS TO HKFRSs AND AGENDA DECISIONS OF THE COMMITTEE *(Continued)*

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

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

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

The 2022 Amendments modify the requirements introduced by the 2020 Amendments on how an entity classifies debt and other financial liabilities with covenants as current or non-current. The 2022 Amendments specify that only covenants with which the entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

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

2. APPLICATION OF AMENDMENTS TO HKFRSs AND AGENDA DECISIONS OF THE COMMITTEE *(Continued)*

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

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

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

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.

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.

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

The Group has planned to refinance other borrowing of HK$300,508,000, which is due for repayment in May 2023. Management is in discussion with existing lender and other financial institutions, to refinance other borrowing of HK$300,508,000 and has received quotations from existing and other financial institutions who have high interest in providing loan facilities to the Group. In view of adequate headroom between the amount of the borrowing of HK$300,508,000 and the fair value of pledged investment properties of HK$408,111,000 as at 31 December 2022, the Directors are of the opinion that the refinance of existing borrowing is highly probable and management is in the process of comparing and assessing the terms offered by different financial institutions for the best interest of the Group before executing the refinance plan.

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

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

In the event that there is shortfall between other borrowing of HK$300,508,000 and the refinanced amount, the Group and other non-controlling shareholders of both Dakota Capella LLP and Dakota RE II Limited agreed to inject funds into Dakota Capella LLP and Dakota RE II Limited in accordance with their respective shareholding proportion.

It was agreed among the shareholders of Dakota Capella LLP that the maturity date of shareholders' loans of Dakota Capella LLP (including loan from a non-controlling member of subsidiary of HK$9,105,000) will be extended for a further one year from May 2023 to May 2024.

The Group has a bank term loan of HK$30,586,000, which contains a repayment on demand clause and is pledged by investment properties with fair value of HK$62,100,000 as at 31 December 2022. Management confirmed with the bank that based on the currently available financial information, the bank has no intention in calling for repayment on demand within coming twelve months from the date of approval of the consolidated financial statements, except for HK$1,937,500 which will be repayable between 1 January 2023 and 31 March 2024 according to the agreed repayment schedule.

The Group has available undrawn committed other borrowing facilities amounting to HK$25,000,000 as at 31 December 2022, and the committed other borrowing facilities have been further increased by HK$30,000,000 in March 2023 to HK$55,000,000.

In March 2023, the noteholder of promissory note of HK$27,500,000 intended to extend the maturity date for a further two years from 25 March 2024 to 25 March 2026.

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

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

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

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

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

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

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

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

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

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

3. 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.

Investment in an associate

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

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

3.2 Significant accounting policies *(Continued)*

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.

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 of HKFRS 16 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.

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.

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)

Short-term leases

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

The Group as a lessor

Classification and measurement of leases

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

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

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

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.

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment 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 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 *(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 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.

Cash and cash equivalents

Bank balances and cash presented on the consolidated statement of financial position and the consolidated statement of cash flows, include (i) cash, which comprises of cash on hand and demand deposits and (ii) cash equivalents which comprises of short-term (i.e. deposits with maturity of three months or less).

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

3.2 Significant accounting policies *(Continued)*

Inventories

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

Foreign currencies

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

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.

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

3.2 Significant accounting policies *(Continued)*

Taxation *(Continued)*

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.

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".

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

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.

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.

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 and rent receivables

The Group performs impairment assessment under ECL model on financial assets (including rental deposits, trade, rent 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 and rent receivables (Continued)

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

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

(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.

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 and rent receivables (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 and rent receivables (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.

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 at amortised cost

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

Derecognition of financial liabilities

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

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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.

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.

Key sources of estimation uncertainty

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

Fair value measurement of investment properties located in Scotland

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

As at 31 December 2022, included in the carrying amount of the Group's investment properties located in Scotland is HK$408,111,000 (2021: HK$517,155,000) which resulted in a net loss from changes in fair value of the investment properties of HK$55,549,000 (2021: 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 fair value gain or loss reported in the consolidated statement of profit or loss.

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 notes 18a and 35, 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 2022, the fair value of such investment is HK$237,357,000 (2021: HK$249,507,000). A net loss from changes in fair value of the investment in preferred shares of Chime Biologics of HK$12,530,000 (2021: A net gain from changes in fair value of HK$1,427,000) is recognised in the consolidated statement of profit or loss for the year then ended.

5. REVENUE

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

	Continuing operations		Discontinued operation		Total	
	2022	2021	**2022**	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trading of cars and related accessories	**–**	–	**1,342**	42,356	**1,342**	42,356
Provision of after sales and pre-delivery inspection services	**–**	–	**–**	12,292	**–**	12,292
Revenue from contract with customers	**–**	–	**1,342**	54,648	**1,342**	54,648
Rental income	**28,137**	23,337	**–**	–	**28,137**	23,337
Interest income from loan receivables	**–**	1,352	**–**	–	**–**	1,352
Total revenue	**28,137**	24,689	**1,342**	54,648	**29,479**	79,337

(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.

5. REVENUE *(Continued)*

(iii) Disaggregation of revenue from contracts with customers

Discontinued operation

	2022 HK$'000	2021 HK$'000
Types of goods and services		
Trading of cars and related accessories	**1,342**	42,356
Provision of after sales and pre-delivery inspection services	**–**	12,292
Total	**1,342**	54,648
Geographical markets		
Hong Kong and Macau	**1,342**	54,648
Timing of revenue recognition		
A point of time	**1,342**	42,356
Overtime	**–**	12,292
Total	**1,342**	54,648

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 last 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.

As at 31 December 2022, the Group has two operating segments for continuing operations under HKFRS 8 "Operating Segments" which are as follows:

(i) Property investment; and

(ii) Financial investments and services – Investments in securities and provision for financing and corporate finance services.

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.

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 2022

Continuing operations

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

For the year ended 31 December 2021

Continuing operations

	Property investment HK$'000	Financial investments and services HK$'000	Consolidated HK$'000
SEGMENT REVENUE			
Group's revenue	23,337	1,352	24,689
SEGMENT RESULTS			
Segment profit	17,109	500	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

Note: As at 31 December 2022, the management continues to operate the financial investments and services and will continue to explore business opportunity in this segment.

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 2022

	Property investment HK$'000	Financial investments and services HK$'000	Consolidated HK$'000
Assets			
Segment assets	485,372	–	485,372
Assets relating to discontinued operation			94
Total segment assets			485,466
Bank balances and cash			42,798
Pledged bank deposits			1,498
Tax recoverable			143
Investment of an associate measured at FVTPL			237,357
Other financial asset measured at FVTPL			14,486
Unallocated corporate assets			514
Consolidated assets			782,262

	Property investment HK$'000	Financial investments and services HK$'000	Consolidated HK$'000
Liabilities			
Segment liabilities	317,897	16	317,913
Liabilities relating to discontinued operation			6,389
Total segment liabilities			324,302
Promissory note			27,500
Deferred taxation			1,445
Unallocated corporate liabilities			38,089
Consolidated liabilities			391,336

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

At 31 December 2021

	Property investment HK$'000	Financial investments and services HK$'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 measured at FVTPL			14,703
Unallocated corporate assets			340
Consolidated assets			902,311

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

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

– all assets are allocated to operating segment other than unallocated corporate assets, tax recoverable, investment of an associate measured at FVTPL, other financial asset measured at FVTPL, bank balances and cash and pledged bank deposits;

– all liabilities are allocated to operating segment other than unallocated corporate liabilities, deferred taxation, tax payable and promissory note.

6. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2022

Continuing operations

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

6. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2021

Continuing operations

	Property investment HK$'000	Financial investments and services HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment results or segment assets				
Addition to property, plant and equipment	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
Amounts regularly provided to the CODM but not included in the measure of segment results or segment assets				
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

Information about major customers

Continuing operations

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

	2022 HK$'000	2021 HK$'000
Customers A[1]	**8,575**	6,975
Customers B[1]	**6,484**	5,507
Customers C[1]	**5,532**	4,576

[1] Revenue from Property Investment.

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:

	2022 HK$'000	2021 HK$'000
Hong Kong	**2,258**	3,395
United Kingdom	**25,879**	21,294
	28,137	24,689

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:

	2022 HK$'000	2021 HK$'000
Hong Kong	**62,100**	62,000
United Kingdom	**419,565**	532,787
	481,665	594,787

7. OTHER INCOME

	2022 HK$'000	2021 HK$'000
Continuing operations		
Bank interest income	**6**	21
Government COVID-19 subsidy	**168**	–
Others	**2**	165
	176	186

8. OTHER GAINS AND LOSSES

	2022 HK$'000	2021 HK$'000
Continuing operations		
Net foreign exchange gain	**365**	15
Fair value (loss) gain on investment of an associate measured at FVTPL	**(12,530)**	1,427
Fair value gain on other financial asset measured at FVTPL	**936**	818
Fair value (loss) gain on investment properties	**(55,449)**	1,238
	(66,678)	3,498

9. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Continuing operations		
Interests on bank and other borrowings	**8,056**	5,903
Interests on corporate bonds	**–**	1,775
Interests on promissory note	**2,891**	2,885
Interests on loan from a non-controlling member of a subsidiary	**884**	670
Loan arrangement fee	**465**	–
	12,296	11,233

10. TAXATION

	2022 HK$'000	2021 HK$'000
Continuing operations		
Current tax		
Hong Kong	**83**	162
Other jurisdictions	**–**	215
	83	377
Overprovision in prior years		
Hong Kong	**(60)**	(10)
Deferred taxation (note 28)	**(837)**	1,772
	(814)	2,139

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 28.

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

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

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

	2022 **HK$'000**	2021 HK$'000
(Loss) profit before taxation	**(85,715)**	2,612
Tax at the domestic income tax rate of 16.5%	**(14,143)**	431
Effect of share of result of an associate accounted for using equity method	**–**	(127)
Tax effect of expenses not deductible for tax purpose	**12,401**	497
Tax effect of income not taxable for tax purpose	**(1,830)**	(1,205)
Overprovision in prior years	**(60)**	(10)
Tax effect of tax losses not recognised	**2,840**	1,854
Utilisation of tax losses previously not recognised	**–**	(182)
Income tax at concessionary rate	**(66)**	(78)
Withholding tax	**–**	935
Effect of different tax rate of subsidiaries operating in other jurisdictions	**44**	70
Others	**–**	(46)
Taxation for the year	**(814)**	2,139

11. (LOSS) PROFIT FOR THE YEAR

	2022 HK$'000	2021 HK$'000
Continuing operations		
(Loss) profit for the year has been arrived at after charging/(crediting):		
Auditor's remuneration	**1,060**	315
Staff costs:		
Directors' emoluments	**5,625**	(6,301)
Share-based payments	**4,712**	4,285
Other staff costs	**2,797**	–
	13,134	(2,016)
Rental income from investment properties	**28,137**	23,337
Less: direct operating expenses	**(5,286)**	(4,453)
	22,851	18,884
Depreciation of property, plant and equipment	**630**	484
Other expense (note a)	**8,826**	4,828

Note:

(a) Other expense represents legal and professional fee incurred during both years in respect of proposed acquisition of the entire issued share capital of VMS Auto Italia Fin Services Holdings Limited ("**Acquisition**"). The Acquisition was subsequently terminated by a deed of termination dated 25 November 2022.

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 has been presented as discontinued operation.

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

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

	2022	2021
	HK$'000	HK$'000
Auditor's remuneration	**–**	735
Depreciation of property, plant and equipment	**–**	74
Cost of inventory recognised as an expense	**1,492**	43,842
Gain on disposal of property, plant and equipment	**–**	(403)
Allowance of inventories	**–**	2,281
Termination benefits	**–**	3,301
Gain on lease termination	**–**	(3,139)

The major classes of assets and liabilities of the discontinued cars business as at 31 December 2022, which have been included in the consolidated statement of financial position, were separately shown as follows:

	2022	2021
	HK$'000	HK$'000
Inventories	**–**	1,492
Trade and other payables	**5,926**	9,189

During the year ended 31 December 2022, the cars business used HK$2,066,000 (2021: contributed HK$30,046,000) to the Group's net operating cash flows, no cash flows (2021: HK$22,240,000) in respect of investing activities and no cash flows (2021: HK$18,754,000) in respect of financing activities.

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

The emoluments paid or payable to each of seven (2021: eight) directors and the chief executive (the "**Chief Executive**"), were as follows:

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

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

		Other emoluments				
	Fees HK$'000	Salaries and other benefits HK$'000	Share-based payments HK$'000 (Note d)	Performance related incentive payments HK$'000 (Note c)	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
2021						
Executive Directors						
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	–	–	(3,278)	–	–	(3,278)
Ng Siu Wai	–	–	(1,834)	–	–	(1,834)
Independent Non-executive Directors ("INEDs")						
Kong Kai Chuen Frankie	210	–	–	–	–	210
Lee Ben Tiong Leong	210	–	–	–	–	210
To Chun Wai	210	–	–	–	–	210
	630	5,263	(7,891)	–	37	(1,961)

Notes:

(a) 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.

(b) Resigned as executive director on 13 June 2021.

(c) Performance related incentive payments were determined by the remuneration committee having regard to the performance of directors and the Group's operating result.

(d) Details of the share option schemes are set out in note 29. 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 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 2022, there are 180,000,000 (2021: 480,000,000) share options in aggregate held by Chong Tin Lung Benny, Huang Zuie-Chin and Ng Siu Wai not vested ultimately as the performance targets have not been achieved as determined by the remuneration committee of the Company during the vesting period.

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

Of the five individuals with the highest emoluments in the Group, four (2021: two) were Directors whose emoluments are included in the disclosures above. The emoluments of the remaining one (2021: three) individuals were as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries and other benefits	**771**	2,110
Retirement benefits scheme contributions	**18**	36
	789	2,146

Their emoluments were within the following bands:

	2022 **Number of employees**	2021 Number of employees
Nil to HK$1,000,000	**1**	3

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.

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:

	2022 HK$'000	2021 HK$'000
Loss for the year attributable to owners of the Company (from continuing and discontinued operations)	**(63,405)**	(7,140)
Less: Loss for the year from discontinued operation	**689**	6,755
Loss for the purpose of basic and diluted loss per share from continuing operations	**(62,716)**	(385)

	2022 Number of share	2021 Number of share
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**5,292,515,390**	5,291,849,363

For the year ended 31 December 2022 and 2021, 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:

	2022 HK$'000	2021 HK$'000
Loss for the purpose of basic and diluted loss per share	**(63,405)**	(7,140)

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

For the year ended 31 December 2022 and 2021, 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.

14. LOSS PER SHARE *(Continued)*

From discontinued operation

For the year ended 31 December 2022, basic loss per share from the discontinued operation is HK0.01 cent per share (2021: HK0.12 cent per share) and diluted loss per share for the discontinued operation is HK0.01 cent per share (2021: HK0.12 cent per share), based on the loss for the year from the discontinued operation of approximately HK$689,000 (2021: HK$6,755,000) 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 2022 (2021: nil), nor has any dividend been proposed since the end of the reporting period (2021: nil).

16. INVESTMENT PROPERTIES

	HK$'000
At 1 January 2021	55,200
Acquired through acquisition of a subsidiary	531,168
Fair value gain, net	1,238
Exchange adjustments	(8,451)
At 31 December 2021	579,155
Fair value loss, net	(55,449)
Exchange adjustments	(53,495)
At 31 December 2022	470,211

16. INVESTMENT PROPERTIES *(Continued)*

The Group leases out offices and car parks under operating leases with rentals payable quarterly or monthly. The leases typically run for initial period of 2 to 10 years (2021: 2 to 10 years). The rental payment of leases of offices and car parks are fixed over the lease term.

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

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 30).

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 30.

The fair value of the Group's investment properties as at 31 December 2022 and 2021 has been arrived at on the basis of a valuation carried out by Roma Appraisal Limited, independent qualified professional valuer not connected to the Group.

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

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

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

16. INVESTMENT PROPERTIES *(Continued)*

Hong Kong

The fair value of the investment properties located in Hong Kong as at 31 December 2022 and 2021 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$60,100,000 (2021: HK$60,000,000), 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 $5,031 to $5,297 per square foot (2021: from $5,012 to $5,349 per square foot). The fair value of a car park of HK$2,000,000 (2021: HK$2,000,000) was based on recent transaction price. An increase in the price per square foot and price per car park would result in an increase in fair value measurement of the investment properties and vice versa.

Scotland

The fair values of the investment properties located in Scotland of HK$408,111,000 (2021: HK$517,155,000) as at 31 December 2022 was under level 3 of fair value hierarchy and have been arrived at by income approach which is capitalizing net rental income on a fully leased basis. Current passing rental income from existing tenancies and the potential future reversionary income at market levels, which are expected to be re-leased at market rental rates, are capitalized by the term yield and the reversionary yield, respectively. The term yield, the reversionary yield and the market rental are considered as the key unobservable inputs with considerably more subjective management judgement and estimates.

Term yield is taking into account to the prime investment yield observed by the valuer for similar properties in the locality and adjusted based on the valuer's knowledge of the factors specific to the properties, which was 6.5% (2021: 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 7% (2021: 6.5%) per annum.

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

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

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

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

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Machinery and tools HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2021	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
Exchange adjustments	–	–	(351)	–	(351)
Additions	–	–	105	–	105
At 31 December 2022	–	5,778	10,024	2,961	18,763
DEPRECIATION AND IMPAIRMENT					
At 1 January 2021	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
Exchange adjustments	–	–	(88)	–	(88)
Provided for the year	–	–	630	–	630
At 31 December 2022	–	5,778	8,128	2,961	16,867
CARRYING VALUES					
At 31 December 2022	–	–	1,896	–	1,896
At 31 December 2021	–	–	2,684	–	2,684

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

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

Leasehold improvements	Shorter of lease terms or 20%
Machinery and tools	20% – $33^1/_3$%
Furniture, fixtures and equipment	10% – 20%
Motor vehicles	20% – 25%

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

18a. INVESTMENT OF AN ASSOCIATE MEASURED AT FVTPL

	2022	2021
	HK$'000	HK$'000
Investment of an associate measured at FVTPL	**237,357**	249,507

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 35.

18b. INTEREST IN AN ASSOCIATE ACCOUNTED FOR USING EQUITY METHOD

	2022	2021
	HK$'000	HK$'000
Cost of interest in an associate	**–**	55,053
Share of post-acquisition profits, net of dividend received	**–**	665
Exchange adjustments	**–**	1,978
Deemed disposal	**–**	(57,696)
	–	–

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 30.

18b. 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.

	25 March 2021 HK$'000
Current assets	34,933
Non-current assets	538,211
Current liabilities	(5,402)
Non-current liabilities	(349,725)

	For the period from 1 January 2021 to 25 March 2021 HK$'000
Profit and total comprehensive expense for the year	2,829
Dividend received during the year	–

	25 March 2021 HK$'000
Net assets of Dakota RE II	218,017
Non-controlling interests of Dakota RE II's subsidiaries	(8,137)
	209,880
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	27.49%
	57,696

19. OTHER FINANCIAL ASSET AT FVTPL

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

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

In 2021, Hai Robotics increased its registered capital with new capital injected from other third parties subsequent to the abovementioned subscription, and the equity interest of registered capital of Hai Robotics held by the Group changed to 0.3446%. A fair value gain on other financial asset at FVTPL of HK$936,000 (2021: HK$818,000) has been recognised in profit or loss for the year. As at 31 December 2022, the Group hold representing 0.3446% of registered capital of Hai Robotics at its fair value of HK$14,486,000 (2021: HK$14,703,000). The directors of the Company consider it is highly probable that the other financial asset could be disposed within 12 months after year end.

Details of fair value measurements are set out in note 35.

20. INVENTORIES

	2022 HK$'000	2021 HK$'000
Finished goods	–	1,492
Spare parts	–	–
	–	1,492

As at 31 December 2021, the carrying amount of inventories of HK$1,492,000 was net of accumulated allowance of inventories of HK$3,024,000. Allowance of HK$2,281,000 was recognised in profit or loss during the year ended 31 December 2021.

21. RENT AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Rent receivables	11,938	14,827
	11,938	14,827
Utility and rental deposits	130	123
Prepayments and other receivables	1,805	549
	13,873	15,499
Less: Amount due more than one year shown under non-current assets	(9,558)	(12,948)
Amount shown under current assets	4,315	2,551

Rent receivables

The Group's rental income are based on effective accrued rentals after taking into account of rent free period which are recognised under straight line method and recorded as rental receivables. Rental income is received from tenants in Scotland and in Hong Kong on a quarterly basis and monthly basis, respectively. Included in the Group's rent receivables as at 31 December 2022 are (i) accrued rent receivables of HK$9,162,000 over the rent free periods (2021: HK$11,212,000); (ii) lease incentives paid of HK$2,776,000 (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.

There is no past due rent receivables as at 31 December 2022 (2021: nil). Details of impairment assessment of rent and other receivables are set out in note 35.

22. 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 0.25% (2021: 0.01% to 0.30%) per annum.

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

	2022	2021
	HK$'000	HK$'000
USD	**45**	87
RMB	**2**	3
EUR	**23**	25
GBP	**1**	16

23. 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.

	2022	2021
	HK$'000	HK$'000
Within 30 days	**–**	–
31 to 60 days	**–**	–
61 to 90 days	**–**	–
91 days to 1 year	**38**	–
Over 1 year	**10**	10
Trade payables	**48**	10
Advance payments from customers	**–**	236
Accrued charges	**3,647**	2,903
Receipt in advance for rental income	**5,517**	5,114
Other payables	**7,931**	8,442
	17,143	16,705

Included in other payables represent an amount of HK$5,114,000 (2021: HK$7,281,000) refundable deposits to customers relating to discontinued car business.

24. BANK AND OTHER BORROWINGS

	2022 HK$'000	2021 HK$'000
Bank borrowing	**30,586**	–
Other borrowings	**305,557**	334,529
	336,143	334,529
Secured	**331,094**	334,529
Unsecured	**5,049**	–
	336,143	334,529

	2022 HK$'000	2021 HK$'000
Other borrowings		
Carrying amount repayable:		
Within one year	**300,508**	–
Within a period of more than one year but not exceeding two years	**5,049**	334,529
	305,557	334,529
Bank borrowing		
Carrying amounts that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	**1,911**	–
Within a period of more than one year but not exceeding two years	**1,550**	–
Within a period of more than two years but not exceeding five years	**27,125**	–
	30,586	–
Less: Amounts due within one year shown under current liabilities	**(331,094)**	–
Amounts shown under non-current liabilities	**5,049**	334,529

As at 31 December 2022, other borrowing from a financial institution denominated in GBP amounting to HK$300,508,000 (2021:HK$334,529,000) 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.

During the year ended 31 December 2022, the Group obtained a new loan from a bank amounting to HK$31,000,000 (2021: 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 year, the Group has repaid bank borrowing of HK$775,000 (2021: HK$10,316,000). The bank borrowing is subject to some covenants and the Group has complied with the covenants throughout the reporting period.

24. BANK AND OTHER BORROWINGS *(Continued)*

During the year ended 31 December 2022, the Group obtained an other borrowing of HK$5,000,000 (2021: Nil) which is a fixed-rate borrowing with maturity date of 17 November 2024 and bears interest rate at 8% per annum.

Details of the pledge of assets to secure the Group's bank and other borrowings were set out in note 33.

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

The loan from a non-controlling member of a subsidiary is an unsecured loan which will mature in May 2023 or after full repayment of the other borrowing of HK$300,508,000, related to the financing of the acquisition of Dakota RE II in Scotland as set out in note 30, whichever earlier, and carries interest at 10% per annum. The directors of the Company are in opinion that the non-controlling member of a subsidiary agreed to extend the loan for a further one year from May 2023 to May 2024.

26. 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 30. 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 2022, the Group early repaid principal of HK$17,000,000 (2021: HK$9,000,000). The directors of the Company are in opinion that the noteholder intended to extend the maturity date for a further two years from March 2024 to March 2026.

27. SHARE CAPITAL

	Number of shares	**Share capital** HK$'000
Ordinary shares of HK$0.02 each:		
Authorised:		
At 1 January 2021, 31 December 2021 and 31 December 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 31 December 2021 and 2022	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 upon exercise of the share options under the 2012 Scheme (as defined in note 29) by share option holders and all these shares rank pari passu with other shares of the Company in all respects.

28. DEFERRED TAXATION

As at 31 December 2022, 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 2021	510	–	510
Charged to profit or loss	935	837	1,772
At 31 December 2021	1,445	837	2,282
Credited to profit or loss	–	(837)	(837)
At 31 December 2022	1,445	–	1,445

At 31 December 2022, the Group had unused estimated tax losses of HK$179,031,000 (2021: HK$161,881,000) available for offset against future profits for continuing operations which is subject to agreement with the relevant tax authorities. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$2,507,000 (2021: HK$2,175,000) with HK$2,068,000, HK$107,000 and HK$332,000 expiry date in 2024, 2026 and 2027, respectively. Other losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of HK$46,508,000 (2021: HK$54,807,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

29. SHARE OPTION SCHEMES

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

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. For the details of the New Share Option Scheme, please refer to page 33 to 38 on Director's Report.

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

29. SHARE OPTION SCHEMES *(Continued)*

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

At 31 December 2022, the number of shares in respect of which options had been granted and remained outstanding under the Expired Share Option Scheme was 319,400,000 (2021: 505,700,000) representing 6.03% (2021: 9.56%) of the shares of the Company in issue at that date.

The following table details and movements of the Company's share options granted under the Expired Share Option Scheme held by employees (including directors) during the two years ended 31 December 2022 and 2021:

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

No share options were exercised during the year. In respect of share options exercised during the year of 2021, the weighted average share price at the dates of exercise was HK$0.167.

29. SHARE OPTION SCHEMES *(Continued)*

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 4)	Transfer during the year (Note 5)	As at 31 December 2021	Exercisable at 31 December 2021
Directors										
Mr Chong Tin Lung Benny	7.10.2020 (Note 3)	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 3)	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	7.10.2020 (Note 3)	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
Employees in aggregate	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)	–	–
Other eligible participants	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
Total				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	

29. SHARE OPTION SCHEMES *(Continued)*

Notes:

(1) The closing prices per share immediately before 27 July 2020 and 7 October 2020 (the dates on which the share options were granted) were HK$0.172 and HK$0.17 respectively.

(2) Share options granted under the Expired Share Option Scheme on 15 June 2017, 27 July 2020 and 7 October 2020 shall vest in the grantees in accordance with the timetable below (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "**Vesting Date**"):

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

(3) These share options are conditionally granted on 27 July 2020 and approved in the Company's special general meeting on 7 October 2020.

(4) 480,000,000 share options to directors 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.

(5) The transfer of share option represented the appointment of director for Mr Lin Chun Ho Simon during the year ended 31 December 2021. The respective share options were transferred from employees to directors.

(6) 180,000,000 share options to directors were forfeited due to failure to achieve the performance targets and the remaining share options were forfeited due to termination of contract with a consultant during the year ended 31 December 2022.

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

During the year ended 31 December 2022, a share-based payments expense of HK$4,712,000 has been charged to profit or loss, net of reversal due to forfeited before vesting. During the year ended 31 December 2021, a net reversal of share-based payments 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 and expected not to met.

30. 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 26. 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.

30. 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.

31. RETIREMENT BENEFITS SCHEMES

Defined Contribution Plans

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

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

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

The total cost of HK$123,000 (2021: HK$368,000) recognised to profit or loss represents contributions payable to these schemes by the Group during the year.

Defined Benefit Plan

Pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay Long Service Payment ("**LSP**") to qualifying employees in Hong Kong upon retirement, subject to a minimum of 5 years employment period, based on the following formula:

Last monthly wages (before termination of employment) × 2/3 × Years of service

Last monthly wages are capped at HK$22,500 while the amount of long service payment shall not exceed HK$390,000. This obligation is accounted for as a post -employment defined benefit plan.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof (collectively, the "**Eligible Offset Amount**"), for the purpose of offsetting LSP payable to an employee (the "**Offsetting Arrangement**").

The Employment & Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 was gazetted on 17 June 2022, which will eventually abolish the Offsetting Arrangement. The Amendment will come into effect prospectively from a date to be determined by the Hong Kong SAR Government, which is expected to be in 2025 (the "**Transition Date**"). Under the amended Ordinance, the Eligible Offset Amount after the Transition Date can only be applied to offset the pre-Transition Date LSP obligation but no longer eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligations before the Transition Date will be grandfathered and calculated based on the Last monthly wages immediately preceding the Transition Date.

The Group's LSP obligation, after taking into consideration the Offsetting Arrangement, is considered to be insignificant and no provision has been recognised as at 31 December 2022 and 31 December 2021.

32. OPERATING LEASING ARRANGEMENT

The Group as lessor

Property rental income earned during the year was HK$28,137,000 (2021: HK$23,337,000). All of the properties held have committed tenants for the next eight (2021: nine) years.

Undiscounted lease payments receivable on leases are as follows:

	2022 HK$'000	2021 HK$'000
Within one year	25,885	30,096
In the second year	24,944	28,779
In the third year	23,708	27,838
In the fourth year	22,274	26,459
In the fifth year	22,274	24,858
After five year	26,574	54,515
	145,659	192,545

33. PLEDGE OF ASSETS

	2022 HK$'000	2021 HK$'000
Pledged bank deposits	1,498	–
Investment properties	470,211	517,155
	471,709	517,155

34. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transaction with VMS Holdings Limited and VMS Securities Limited ("**VMS Securities**"), companies controlled by the substantial shareholder, Ms. Mak Siu Hang Viola, of the Company who has significant influence to the Company, as she held approximately 28.7% of the total number of issued shares of the Company, and Mr Chong Tin Lung Benny is a director of VMS Holdings Limited and VMS Securities and the Chairman of the Company.

	2022	2021
	HK$'000	HK$'000
Financial advisory services fee to VMS Securities	**–**	200
Other expense paid by VMS Holdings Limited (Note)	**4,493**	–

The office premises of the Group in Hong Kong is provided by VMS Securities at nil (2021: nil) consideration during the year.

Note:

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

Compensation of key management personnel

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

	2022	2021
	HK$'000	HK$'000
Fees	**630**	630
Salaries and other benefits	**4,959**	5,263
Share-based payments	**3,556**	(7,891)
Retirement benefits scheme contributions	**36**	37
	9,181	(1,961)

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

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2022 HK$'000	2021 HK$'000
Financial assets		
Amortised costs	**44,467**	39,834
Other financial asset at FVTPL	**14,486**	14,703
Investment of an associate measured at FVTPL	**237,357**	249,507
Financial liabilities		
Amortised costs	**380,727**	396,922

Financial risk management objectives and policies

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

35. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk

Currency risk

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

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

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

	Assets		Liabilities	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**45**	87	**–**	–
RMB	**2**	3	**–**	–
EUR	**23**	25	**–**	–
GBP	**1**	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.

35. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bank borrowing, loan from a non-controlling member of a subsidiary and promissory note. The Group's cash flow interest rate risk relates primarily to variable-rate bank balances and bank borrowing (2021: variable-rate bank balances). 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.

A fundamental reform of major interest rate benchmarks has been undertaken globally to replace some interbank offered rates ("**IBORs**") with alternative nearly risk-free rates.

As listed in note 24, the Group's HIBOR bank borrowing will be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

While the Hong Kong Dollar Overnight Index Average ("**HONIA**") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist. The Group's bank borrowing linked to HIBOR will continue till maturity and hence, not subject to transition.

The sensitivity analysis of variable-rate bank balances and bank borrowing (2021: variable-rate bank balances) are not presented as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances and bank borrowing is insignificant.

Other price risk

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

35. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to rent and other receivables, bank balances and pledged bank deposits for the year ended 31 December 2022 and 2021.

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

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 by the Group. The Group performs impairment assessment under 12m ECL model. As at 31 December 2022 and 2021, 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.

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 2022 and 2021, the Group does not have any trade receivable.

Pledged bank deposits and bank balances

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

35. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

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

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

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

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	2022 Gross carrying amount HK$'000	2021 Gross carrying amount HK$'000
Financial assets at amortised cost						
Rent receivables	21	N/A	Low risk	12m ECL	**11,938**	14,827
Other receivables	21	N/A	(Note 1)	12m ECL	**171**	563
Pledge bank deposits	22	A3 (Note 2)	N/A	12m ECL	**1,498**	–
Bank balances	22	A1-A3 (Note 2)	N/A	12m ECL	**42,798**	39,271

Notes:

1. 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.

2. External credit ratings are sourced from international credit-rating agencies.

35. 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 2021	**22**	**11**	**33**
Changes due to financial instruments recognised as at 1 January 2021			
– Impairment loss reversed	**(22)**	**(11)**	**(33)**
As at 31 December 2021 and 2022	**–**	**–**	**–**

During the year ended 31 December 2021, the Group reversed HK$22,000 impairment allowance for trade receivables due to the settlements from trade debtors and reversed HK$11,000 impairment allowance for loan receivables (including interest receivables) due to the settlements from customers.

35. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Meanwhile, the directors of the Company also assessed the going concern basis disclosed on Note 3 and are of the opinion that the Group will have sufficient funds to meet its financial obligations that will be due in the coming twelve months from 31 December 2022. The management of the Company monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

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

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

	Weighted average interest rate	Less than 1 year or on demand	1 to 5 years	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2022					
Trade and other payables	**–**	**7,979**	**–**	**7,979**	**7,979**
Bank borrowing	**4.2**	**30,586**	**–**	**30,586**	**30,586**
Other borrowings	**2.4**	**303,692**	**5,351**	**309,043**	**305,557**
Promissory note	**8**	**2,200**	**28,006**	**30,206**	**27,500**
Loan from a non-controlling member of a subsidiary	**10**	**9,413**	**–**	**9,413**	**9,105**
		353,870	**33,357**	**387,227**	**380,727**
As at 31 December 2021					
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
		8,688	407,325	416,013	396,922

35. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Bank borrowing with a repayment on demand clause are included in the "less than 1 year or on demand" time band in the above maturity analysis. As at 31 December 2022, the aggregate carrying amounts of the bank borrowing amounted to HK$30,586,000 (2021: nil). Taking into account the Group's financial position, the management does not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. The management believes that such bank loans will be repaid three years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Maturity Analysis – Bank loans with a repayment on demand clause based on scheduled repayments				
	Less than 1 year	1–2 years	2–5 years	Total undiscounted cash outflows	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2022	2,819	2,820	27,511	33,150	30,586
As at 31 December 2021	–	–	–	–	–

35. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

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

Fair value measurements of financial instruments

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

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

35. 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 2022 and 2021

Financial assets	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
	2022	2021			
	HK$'000	HK$'000			
Other financial assets at FVTPL	**14,486**	14,703	Level 3	Investment cost plus accumulated return	Rate of return of 8% in compound interest (Note 3)
Investment of an associate measured at FVTPL	**237,357**	249,507	Level 3	Market approach and option model	Volatility of 55% (2021: 50%) (Note 1); equity value (Note 2); time to liquidity event (Note 3); and liquidation and conversion probability (Note 3)

Note:

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

(1) An increase in the volatility used in isolation would result in a decrease in the fair value, and vice versa. 5% lower/higher in volatility holding all other variables constant would increase/decrease the fair value by HK$3,904,000/HK$3,123,000 (2021: HK$4,530,000/HK$3,727,000).

(2) An increase in the equity value used in isolation would result in an increase in the fair value, and vice versa. 10% (2021: 2%) higher/ lower in equity value holding all other variables constant would increase/ decrease the fair value by HK$28,889,000 (2021: HK$5,294,000/HK$5,302,000).

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

35. 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 2021	**248,080**
Addition during the year	**13,606**
Unrealised fair value change recognised to profit or loss	**2,245**
Exchange adjustments	**279**
Balance at 31 December 2021	**264,210**
Unrealised fair value change recognised to profit or loss	**(11,594)**
Exchange adjustments	**(773)**
Balance at 31 December 2022	**251,843**

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.

36. CAPITAL RISK MANAGEMENT

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

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

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank and other borrowings (Note 24) HK$'000	Corporate bonds HK$'000	Loan from a non-controlling member of a subsidiary (Note 25) HK$'000	Promissory note (Note 26) HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2021	10,329	62,482	–	–	16,816	89,627
Financing cash flows	(16,213)	(64,257)	–	(11,885)	(8,355)	(100,710)
Interest expenses	5,973	1,775	670	2,885	228	11,531
Arising from an acquisition of a subsidiary	339,203	–	8,681	53,500	–	401,384
Lease termination	–	–	–	–	(8,689)	(8,689)
Exchange adjustment	(4,763)	–	(146)	–	–	(4,909)
At 31 December 2021	**334,529**	**–**	**9,205**	**44,500**	**–**	**388,234**
Financing cash flows	**27,114**	**–**	**–**	**(19,891)**	**–**	**7,223**
Interest expenses	**8,521**	**–**	**884**	**2,891**	**–**	**12,296**
Exchange adjustment	**(34,021)**	**–**	**(984)**	**–**	**–**	**(35,005)**
At 31 December 2022	**336,143**	**–**	**9,105**	**27,500**	**–**	**372,748**

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries as at 31 December 2022 and 2021 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 2022 %	2021 %	Principal activities
Corich Enterprises Inc.	BVI	Ordinary	USD100	100	100	Investment holding
Home Crown Enterprises Ltd.	BVI	Ordinary	USD1	100	100	Investment holding
Smart Apex Holdings Limited#	BVI	Ordinary	USD1	100	100	Investment holding
	United States	Common	USD122,672	100	100	Investment holding
	Hong Kong	Ordinary	HK$100,000	100	100	Trading of cars and related accessories and provision of car repairing services
Auto Italia HK	Hong Kong	Ordinary	HK$1	100	100	Trading of cars and related accessories and provision of car repairing services
Dakota RE II (Note 30)	BVI	Ordinary	GBP7,737	54.98	54.98	Property Holding
	Hong Kong	Ordinary	HK$600,000	100	100	Investment holding
Rise Champ Limited	Hong Kong	Ordinary	HK$1	100	100	Property holding
Technorient Limited	Hong Kong	Ordinary	HK$46,168,700	100	100	Investment holding

38. 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 2022 %	2021 %	Principal activities
勵快駿投資咨詢（上海）有限公司 ##	PRC	N/A	HK$1,000,000	100	100	Investment holding
Taine Holdings Limited	BVI	Ordinary	USD1	100	100	Provision of financial services
Auto Italia (Finance) Limited	Hong Kong	Ordinary	HK$1	100	100	Provision of financial services
Greenroot Investments Limited#	BVI	Ordinary	USD1	100	100	Investment holding
Elite Jumbo Limited ("**Elite Jumbo**")	BVI	Ordinary	USD1	100	100	Investment holding
Zone Key Limited#	BVI	Ordinary	USD1	100	100	Investment holding
Colour Path Global Limited	BVI	Ordinary	USD1	100	100	Investment holding
Rainbow Surplus Investments Limited	BVI	Ordinary	USD1	100	100	Investment holding

These entities are directly held by the Company.
This entity is wholly foreign owned enterprises registered in PRC.

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

During the year ended 31 December 2021, a subsidiary of the Company issued promissory note with details set out in note 26 and no other subsidiaries had issued any debt securities during the year ended 31 December 2022.

38. 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	
		2022	2021	**2022**	2021	**2022**	2021
		%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Dakota RE II Limited*	BVI	**45.02%**	45.02%	**(18,175)**	975	**65,753**	95,377
Non-wholly owned subsidiary of Dakota RE II Limited							
Dakota Capella LLP	UK	**7.25%**	7.25%	**(4,010)**	(117)	**3,108**	8,013
				(22,185)	858	**68,861**	103,390

* 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

	2022	2021
	HK$'000	HK$'000
Current assets	**42,960**	29,722
Non-current assets	**416,676**	532,787
Current liabilities	**(316,813)**	(5,680)
Non-current liabilities	**–**	(344,570)
Equity attributable to owners of the Company	**73,962**	108,869
Non-controlling interests of Dakota RE II Limited	**65,753**	95,377
Non-controlling interests of Dakota Capella LLP	**3,108**	8,013

38. 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 31/12/2022 HK$'000	Year ended 31/12/2021 HK$'000
Revenue	**25,879**	21,294
Expenses	**(73,984)**	(19,245)
(Loss) profit for the year	**(48,105)**	2,049
(Loss) profit attributable to owners of the Company	**(25,920)**	1,191
(Loss) profit attributable to the non-controlling interests of Dakota RE II Limited	**(18,175)**	975
Loss attributable to the non-controlling interests of Dakota Capella LLP	**(4,010)**	(117)
(Loss) profit for the year	**(48,105)**	2,049
Other comprehensive expense attributable to owners of the Company	**(8,987)**	(3,511)
Other comprehensive expense attributable to the non-controlling interests of Dakota RE II Limited.	**(11,449)**	(88)
Other comprehensive expense attributable to the non-controlling interests of Dakota Capella LLP	**(895)**	(7)
Other comprehensive expense for the year	**(21,331)**	(3,606)
Total comprehensive expense attributable to owners of the Company	**(34,907)**	(2,320)
Total comprehensive (expense) income attributable to the non-controlling interests of Dakota RE II Limited	**(29,624)**	887
Total comprehensive expense attributable to the non-controlling interests of Dakota Capella LLP	**(4,905)**	(124)
Total comprehensive expense for the year	**(69,436)**	(1,557)
Dividends paid to non-controlling interests of Dakota RE II Limited	**–**	–
Net cash inflow from operating activities	**10,015**	17,213
Net cash outflow from investing activities	**(105)**	(365)
Net cash outflow from financing activities	**(7,135)**	(5,814)
Net cash inflow	**2,775**	11,034

39. EVENT AFTER THE REPORTING PERIOD

On 28 December 2022, an indirect wholly-owned subsidiary of the Company, and a third party (the "**Vendor**") entered into the Agreement to acquire 51% equity interest in 武漢駿意汽車銷售服務有限公司 (Wuhan Junyi Cars Sales & Service Company Ltd) (the "**Target Company**") (the "**Transaction**") for a total consideration of RMB10,200,000 which was supported by an interest-free loan of RMB10,000,000 from a related party, Mr Chong Tin Lung Benny. On 17 February 2023, the Transaction was completed and the Target Company has become a subsidiary of the Company. The financial impact and disclosure for the Transaction is in progress at the time these consolidated financial statements are authorised for issue.

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

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 HK$'000	2021 HK$'000
Non-current assets		
Unlisted investments in subsidiaries	**64,707**	64,707
Amounts due from subsidiaries	**308,005**	253,669
	372,712	318,376
Current assets		
Other receivables	**514**	557
Amounts due from subsidiaries	**3,335**	29,919
Pledged bank deposits	**400**	–
Bank balances and cash	**1,851**	9,154
	6,100	39,630
Total assets	**378,812**	358,006
Current liabilities		
Other payables	**1,860**	783
Amounts due to subsidiaries	**83,580**	77,056
Bank and other borrowings	**30,586**	–
Total liabilities	**116,026**	77,839
Total assets less current liabilities	**262,786**	280,167
Capital and reserves		
Share capital	**105,850**	105,850
Reserves (note)	**151,887**	174,317
Total equity	**257,737**	280,167
Non-current liabilities		
Bank and other borrowings	**5,049**	–
	262,786	280,167

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

Note:

Reserves of the Company

	Share premium HK$'000	**Capital redemption reserve** HK$'000	**Share option reserve** HK$'000	**Other reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 31 December 2020	263,147	2,151	30,557	46,396	(128,697)	213,554
Loss 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
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(27,142)**	**(27,142)**
Recognition of equity settled share-based payments	**–**	**–**	**4,712**	**–**	**–**	**4,712**
Transfer upon lapse of share options	**–**	**–**	**(532)**	**–**	**532**	**–**
At 31 December 2022	**265,726**	**2,151**	**25,999**	**46,396**	**(188,385)**	**(151,887)**

FIVE-YEAR FINANCIAL SUMMARY

	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000 (Note 2)	2018 HK$'000 (Note 1)
Results					
Revenue	**29,479**	79,337	125,901	231,942	338,095
Loss for the year	**(85,590)**	(6,282)	(89,045)	(24,112)	(7,403)
Attributable to:					
Owners of the Company	**(63,405)**	(7,140)	(89,045)	(24,112)	(7,403)
Non-controlling interests	**(22,185)**	858	–	–	–
	(85,590)	(6,282)	(89,045)	(24,112)	(7,403)
Assets and liabilities					
Total assets	**782,262**	902,311	534,728	557,375	634,086
Total liabilities	**(391,336)**	(407,259)	(131,694)	(100,458)	(156,092)
Net assets	**390,926**	495,052	403,034	456,917	477,994
Equity attributable to:					
Owners of the Company	**322,065**	391,662	403,034	456,917	477,994
Non-controlling interests	**68,861**	103,390	–	–	–
Total equity	**390,926**	495,052	403,034	456,917	477,994

Notes:

1. 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".

2. 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:

"Acquisition"	the acquisition of the entire issued share capital of the Target Company by the Purchase 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 epidemia;
"CTF Automobile Group"	CTF Automobile and its subsidiaries;
"Director(s)"	the director(s) of the Company;
"ECL"	the expected credit loss;
"EIT Law"	the law of the PRC on enterprise income tax;
"ESG"	the environmental, social and governance;
"ESG Guide"	Environmental, Social and Governance Reporting Guide contained In Appendix 27 of the Listing Rules;
"EUR"	Euro, the lawful currency of European Union;
"Executive Chairman"	the chairman of the Board;
"Executive Director(s)"	the executive director(s) of the Company;
"Executive Directors' Committee"	the executive directors' committee of the Company;
"Expired Share Option Scheme"	adopted by the Company on 28 May 2012, expired on 27 May 2022;

"Financial Investments and Services Division"	the business segment of the Group in respect of securities investment, financing and corporate finance services;
"Framework Agreement"	the agreement dated 17 February 2023 entered into between the Company and CTF Automobile in relation to the Automobile Purchases for the three years ending 31 December 2025;
"FVTOCI"	the fair value through other comprehensive income;
"FVTPL"	the fair value through profit or loss;
"GBP"	the Great British pound, the lawful currency of the United Kingdom;
"GEM"	GEM operated by the Stock Exchange under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"HKFRSs"	Hong Kong Financial Reporting Standards;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Non-executive Director(s)" or "INED(s)"	the independent non-executive director(s) of the Company;
"Latest Practicable Date"	30 March 2023
"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;
"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 2022;
"Reporting Period"	the reporting period for the year ended 31 December 2022;
"RMB"	Renminbi, the lawful currency of the PRC;
"RMTF"	the risk management taskforce;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM"	the special general meeting of the Company;
"Share(s)"	ordinary share(s) of HK$0.02 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s);
"Stock Code"	the stock code on the Main Board and GEM;
"Stock Exchange" or "HKEx"	The Stock Exchange of Hong Kong Limited;

"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;
"Wuhan Junyi Acquisition"	the acquisition agreement with an independent third party in relation to the acquisition of 51% equity interest in Wuhan Junyi Cars Sales & Service Company Ltd for a total consideration of RMB10.2 million; and
"%"	per cent.