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AUTO ITALIA HOLDINGS LIMITED

意達利控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 720)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Auto Italia Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

| | Notes | Continuing operations | | Discontinued operation | | Total | |
|---------------------------------|-------|--------------------------|-------------|--------------------------|-------------|--------------------------|-------------|
| | | Six months ended 30 June | | Six months ended 30 June | | Six months ended 30 June | |
| | | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Revenue from goods and services | | 11,731 | - | - | - | 11,731 | - |
| Rental income | | 14,006 | 14,560 | - | - | 14,006 | 14,560 |
| | | | | | | | |
| Total revenue | | 25,737 | 14,560 | - | - | 25,737 | 14,560 |
| Cost of sales and services | | (13,213) | (2,736) | - | (349) | (13,213) | (3,085) |
| | | | | | | | |
| Gross profit | | 12,524 | 11,824 | - | (349) | 12,524 | 11,475 |
| Other income | 4 | 282 | 58 | - | 322 | 282 | 380 |
| Other gains and losses | 5 | (117,482) | (90,909) | - | - | (117,482) | (90,909) |
| Selling and distribution costs | | (2,148) | - | - | - | (2,148) | - |
| Administrative expenses | | (13,510) | (11,157) | - | (267) | (13,510) | (11,424) |
| Other expenses | 6 | - | (8,702) | - | - | - | (8,702) |
| Finance costs | 7 | (7,691) | (6,453) | - | - | (7,691) | (6,453) |
| | | | | | | | |
| Loss before taxation | | (128,025) | (105,339) | - | (294) | (128,025) | (105,633) |
| Taxation | 8 | 321 | (1,373) | - | (270) | 321 | (1,643) |
| | | | | | | | |
| Loss for the period | 10 | (127,704) | (106,712) | - | (564) | (127,704) | (107,276) |

* For identification purpose only

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

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

For the six months ended 30 June 2023

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

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

| | | At 30 June 2023 <i>HK\$'000</i> (unaudited) | At 31 December 2022 <i>HK\$'000</i> (audited) |
|---|----|---|---|
| Capital and reserves | | | |
| Share capital | | 105,850 | 105,850 |
| Reserves | | <u>103,560</u> | <u>216,215</u> |
| Equity attributable to owners of the Company | | 209,410 | 322,065 |
| Non-controlling interests | | <u>72,669</u> | <u>68,861</u> |
| Total equity | | <u>282,079</u> | <u>390,926</u> |
| Non-current liabilities | | | |
| Bank and other borrowings | 15 | 17,553 | 5,049 |
| Loan from a related party | 16 | 10,798 | – |
| Promissory note | 17 | – | 27,500 |
| Lease liabilities | | 2,249 | – |
| Deferred taxation | | <u>2,363</u> | <u>1,445</u> |
| | | <u>32,963</u> | <u>33,994</u> |
| | | <u>315,042</u> | <u>424,920</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. BASIS OF PREPARATION

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

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

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

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

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

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

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

1A. SIGNIFICANT EVENT IN THE CURRENT INTERIM PERIOD

During the current interim period, there was a fair value loss on investment of an associate measured at FVTPL of HK\$96,400,000.

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

2.2 Accounting policies newly applied by the Group

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

Business combinations

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

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

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

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

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

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

Lease liabilities

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

The lease payments include:

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

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

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

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

Intangible assets acquired in a business combination

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

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

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

3. SEGMENT INFORMATION

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

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

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

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

Segment revenue and results

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

Six months ended 30 June 2023 (unaudited)

Continuing operations

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

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

Six months ended 30 June 2022 (unaudited)

Continuing operations

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

Segment assets and liabilities

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

At 30 June 2023 (unaudited)

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

At 31 December 2022 (audited)

| | Property investment <i>HK\$'000</i> | Financial investments and services <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|--|---|---|---------------------------------|
| 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 at FVTPL | | | 14,486 |
| Unallocated corporate assets | | | 514 |
| Consolidated assets | | | 782,262 |
| Liabilities | | | |
| Segment liabilities | 317,897 | 16 | 317,913 |
| Liabilities relating to discontinued operation | | | 6,389 |
| Total segment liabilities | | | 324,302 |
| Promissory note | | | 27,500 |
| Deferred taxation | | | 1,445 |
| Unallocated corporate liabilities | | | 38,089 |
| Consolidated liabilities | | | 391,336 |

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

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

4. OTHER INCOME

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

5. OTHER GAINS AND LOSSES

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

6. OTHER EXPENSES

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

7. FINANCE COSTS

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

8. TAXATION

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

9. DISCONTINUED OPERATION

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

The results for the interim period from the discontinued business were set out in condensed consolidated statement of profit or loss on page 1.

10. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

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

11. LOSS PER SHARE

From continuing operations

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

Loss figures are calculated as follows:

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

Number of shares

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

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

From discontinued operation

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

12. DIVIDEND

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

13. TRADE AND OTHER RECEIVABLES

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

Trade receivables

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

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

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

Rent receivables

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

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

14. TRADE AND OTHER PAYABLES

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

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

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

15. BANK AND OTHER BORROWINGS

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

16. LOAN FROM A RELATED PARTY

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

17. PROMISSORY NOTE

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Property Investment Division

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

Car Division

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

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

Financial Investments and Services Division

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

Cost of Sales and Gross Profit

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

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

Other Income

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

Other Gains and Losses

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

Selling and Distribution Costs and Administrative Expenses

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

Finance Costs

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

Life Science Investment

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

Loss Attributable to Owners of the Company

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

Liquidity and Financial Resources

Cash Flow

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

Bank Balances and Cash

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

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

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

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

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

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

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

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

Loan Receivables

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

Foreign Exchange Exposure

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

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

Pledge of Assets

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

CAPITAL EXPENDITURES AND COMMITMENTS

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

CONTINGENT LIABILITIES

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

EVENTS AFTER THE REPORTING PERIOD

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The acquisition of Wuhan Junyi Cars Sales & Service Company Ltd

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

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

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

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

HUMAN RESOURCES AND CHARITY

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

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

BUSINESS REVIEW

Property Investment

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

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

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

Cars

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

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

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

Financial Investments and Services

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

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

Life Sciences Investment

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

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

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

OUTLOOK

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

INTERIM DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

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.

REVIEW OF INTERIM RESULTS

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company's website (<http://www.autoitalia.com.hk>) respectively. The interim report of the Company for the six months ended 30 June 2023 will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
AUTO ITALIA HOLDINGS LIMITED
CHONG Tin Lung Benny
Executive Chairman and Chief Executive Officer

Hong Kong, 29 August 2023

As at the date of this announcement, the Board comprises Mr. CHONG Tin Lung Benny (Executive Chairman and Chief Executive Officer), Mr. LI Shaofeng Wai and Mr. LIN Chun Ho Simon, all of whom are executive Directors; and Mr. KONG Kai Chuen Frankie, Mr. TO Chun Wai and Dr. SHAM Chung Ping Alain all of whom are independent non-executive Directors.