



AUTO ITALIA HOLDINGS LIMITED
意 建 利 控 股 有 限 公 司

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

INTERIM REPORT 2021



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. CHONG Tin Lung Benny (*Executive Chairman and Chief Executive Officer*)
Mr. LAM Chi Yan (resigned on 13 June 2021)
Mr. HUANG Zuie-Chin
Mr. NG Siu Wai
Mr. LIN Chun Ho Simon (appointed on 13 June 2021)

Independent Non-executive Directors

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

BOARD COMMITTEES

Audit Committee

Mr. KONG Kai Chuen Frankie (*Chairman*)
Mr. LEE Ben Tiong Leong
Mr. TO Chun Wai

Remuneration Committee

Mr. TO Chun Wai (*Chairman*)
Mr. CHONG Tin Lung Benny
Mr. KONG Kai Chuen Frankie
Mr. LEE Ben Tiong Leong

Nomination Committee

Mr. CHONG Tin Lung Benny (*Chairman*)
Mr. KONG Kai Chuen Frankie
Mr. LEE Ben Tiong Leong
Mr. TO Chun Wai

Executive Directors' Committee

Mr. CHONG Tin Lung Benny (*Chairman*)
Mr. LAM Chi Yan (resigned on 13 June 2021)
Mr. LIN Chun Ho Simon (appointed on 13 June 2021)

COMPANY SECRETARY

Ms. KWONG Yin Ping Yvonne

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE

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PRINCIPAL BANKER

China CITIC Bank International Limited

LEGAL ADVISORS

As to Hong Kong Law

Howse Williams
Sidley Austin LLP

As to Bermuda Law

Appleby

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor
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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

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Hamilton HM 10
Bermuda

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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183 Queen's Road East
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 720

WEBSITE ADDRESS

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MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Property Investment Division

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

During the period ended 30 June 2021, the Property Investment Division recorded a rental income of HK\$8.1 million for leasing the properties of the Group to third parties in Hong Kong and Scotland (2020: HK\$1.0 million). The increase of HK\$7.1 million rental income was mainly contributed by recognition of income derived from Capella after Dakota became a subsidiary of the Group during period ended 30 June 2021.

Financial Investments and Services Division

As at 30 June 2021, the loan receivables narrowed to HK\$14.0 million from HK\$26.6 million as at 30 June 2020. Hence, the revenue of Financial Investments and Services Division's for the period ended 30 June 2021 decreased to HK\$1.1 million (2020: HK\$2.0 million), representing a decrease of HK\$0.9 million.

Car Division

For the first half of 2021, the Car Division's revenue decreased by 7.8% to HK\$51.4 million (2020: HK\$55.8 million). The business is treated as discontinued operation during the period ended 30 June 2021.

Cost of Sales and Gross Profit

Gross profit and gross profit margin decreased by HK\$11.9 million to HK\$15.7 million (2020: HK\$27.6 million) and 21.0 percentage points to 25.9% (2020: 46.9%) respectively. The decrease is mainly due to drop in new car sales margin and owing to the adverse impact caused by the COVID-19 pandemic and close down of Maserati Dealership Business in April 2021.

Other Income

For the six months ended 30 June 2021, other income amounted to HK\$2.1 million (2020: HK\$7.3 million). The decrease of HK\$5.2 million was mainly caused by decrease in commission income by HK\$0.7 million to HK\$1.6 million (2020: HK\$2.3 million) and also year 2020 recorded handling fee of HK\$1.2 million (2020: Nil), forfeit deposit income of HK\$1.1 million (2020: Nil) and government subsidy of HK\$0.8 million (2020: Nil).

Other Gains and Losses

Other gains and losses amounted to a net gain of HK\$14.9 million (2020: net loss of HK\$0.8 million) which mainly represented fair value gain of investment properties in Hong Kong and Scotland of HK\$12.1 million (2020: loss of HK\$0.5 million), gain on lease modification of HK\$2.2 million (2020: Nil), gain on disposal of property, plant and equipment of HK\$0.4 million (2020: HK\$0.2 million), net foreign exchange gain of HK\$0.4 million (2020: loss of HK\$0.4 million).

Selling and Distribution Costs and Administrative Expenses

Selling and distribution costs and administrative expenses during the period aggregated to HK\$23.1 million (2020: HK\$37.4 million), which accounted for 38.2% (2020: 63.6%) of revenue. The net decrease of HK\$14.3 million was mainly due to decrease in depreciation of right-of-use assets, depreciation of property, plant and equipment, and staff related cost resulting from fully written off of right-of-use assets in 2020, as well as our cost optimization and restructuring plan, upon acceptance of termination notice of the Maserati dealership during the period ended 30 June 2021.

Management Discussion and Analysis

Finance Costs

Finance costs during the period were decreased to HK\$5.3 million (2020: HK\$7.8 million) which was mainly contributed by reduced bond interest expense by HK\$5.3 million to HK\$1.7 million (2020: HK\$7.0 million) since the bond principal decreased from HK\$130 million as at June 2020 to HK\$24 million as at June 2021, partially offset by increase in interest expense of HK\$2.2 million (2020: Nil) incurred by the registered owner of Capella which has become a subsidiary of the Group during period ended 30 June 2021 and interest of promissory note of HK\$1.1 million (2020: Nil).

Life Science Investment

For the period ended 30 June 2021, CBL generated unaudited consolidated revenue of US\$6.7 million (2020: US\$3.3 million) and recorded unaudited consolidated operating losses of US\$4.7 million (2020: US\$4.8 million). At 30 June 2021, the fair value of this investment is HK\$248 million and represents around 25.9% of the total assets of the Group. The Group presently intends to hold such investment as long-term investment.

Loss Attributable to Shareholders

Loss attributable to shareholders of the Company for the six months ended 30 June 2021 was HK\$1.1 million (2020: HK\$8.1 million). It was primarily contributed by increase in fair value gain of investment properties in Hong Kong and Scotland of HK\$12.1 million (2020: loss of HK\$0.5 million), of which HK\$7.5 million attributable to shareholders while HK\$4.6 million attributable to non-controlling interests.

Liquidity and Financial Resources

Cash Flow

During the period, the Group financed its operations and investments through cash generated from the Group's operations, as well as issuance of promissory note. We have made a net repayment (principal and interests) of bank borrowings of HK\$10.4 million, corporate bonds of HK\$39.2 million, promissory notes of HK\$9.1 million and other borrowings of HK\$2.0 million.

Bank Balances and Cash

As at 30 June 2021, the Group had bank balances and cash of HK\$59.2 million as compared with HK\$72.5 million as at 31 December 2020, which were mainly denominated in Hong Kong dollars (as to 61%), Pound Sterling (as to 37%) and Renminbi (as to 2%).

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

As at 30 June 2021, the Group had bank and other borrowings, loan from a non-controlling member of a subsidiary, corporate bonds and promissory note totaling HK\$420.1 million (31 December 2020: HK\$72.8 million), of which HK\$395.1 million was repayable more than one year. The Group's debt to equity ratio for the six months ended 30 June 2021 increased to 81.5% from 18.1% for the year ended 31 December 2020 based on the total of current and non-current bank and other borrowings, loan from a non-controlling member of a subsidiary, corporate bonds and promissory note of HK\$420.1 million (31 December 2020: HK\$72.8 million) and total equity of HK\$515.3 million (31 December 2020: HK\$403.0 million).

The increase is mainly caused by other borrowings under the registered owner of Capella which has become a subsidiary of the Group during period ended 30 June 2021.

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 and repaid principal and interest of HK\$9.1 million, the remaining promissory note balance as at 30 June 2021 is HK\$45.5 million.

The other borrowings and loan from a non-controlling member of a subsidiary have maturity at May 2023 and carry interest at 2.3% and 10% per annum respectively. During the reporting period, the Group incurred interest expense of HK\$2.0 million and HK\$0.2 million and repaid interest of HK\$2.0 million and nil, respectively. The remaining loan balance as at 30 June 2021 are HK\$340.7 million and HK\$8.9 million respectively.

Loan Receivables

During the period, the Group had engaged in Financial Investments and Services business, which included the provision of loan financing. As at 30 June 2021, the Group had outstanding loan lent to customers totaling HK\$14.0 million (31 December 2020: HK\$21.6 million), which carry on interest rate at 10% per annum and were repayable within twelve months.

Management Discussion and Analysis

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. In FY2021, loan secured by property in Scotland was denominated in Pound Sterling and serviced by income from Scotland denominated in Pound Sterling.

Due to the strength of the Pound Sterling over the period, a positive exchange difference arising on translation of foreign operations of approximately HK\$1.4 million was recorded during the period (2020: negative exchange difference of approximately HK\$5.4 million).

Pledge of Assets

As at 30 June 2021, certain of the Group's property totaling HK\$542.5 million (31 December 2020: bank deposits and inventories totaling HK\$40.4 million) were pledged as security for relevant borrowing.

CAPITAL EXPENDITURES AND COMMITMENTS

As at 30 June 2021 and 31 December 2020, the Group had no capital commitment.

CONTINGENT LIABILITIES

As at 30 June 2021 and 31 December 2020, the Group had no significant contingent liabilities.

EVENT AFTER THE REPORTING PERIOD

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

HUMAN RESOURCES AND CHARITY

As at 30 June 2021, the Group employed a total of 11 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.

During the period, COVID-19 pandemic became apparent since January 2020 and subsequently further developed to a worldwide pandemic. We implemented a variety of pandemic control measures to ensure our employees and customers can stay safe, such as regularly sanitizing touchpoints at offices and common areas, mandatory wearing masks and maintaining social distancing, and allowing work from homes and stagger lunch hours, etc..

As always, we provided not only competitive remuneration packages and benefits programs to our employees, but also provided reasonable and safe working environment, as well as supporting employee's continued education to uncover their hidden potential.

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

BUSINESS REVIEW

Property Investment

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

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

Subsequent to our further investment of approximately HK\$53.5 million in March 2021, the Group currently holds 54.98% equity interest in Dakota Capella LLP, which in turn holds 92.75% interest in Capella, an office building located at 60 York Street, Glasgow, G2 8JX, United Kingdom. As the Group is now a controlling shareholder of the investment property, the financial results will be consolidated into the financial results of the Group. As at 30 June 2021, approximately 93% of the total net internal area of Capella is subject to various tenancy agreements at a total rental of approximately GBP2.9 million per annum with the latest expiry date in February 2030 and a weighted average unexpired lease term to expiry of 6.78 years.

Management Discussion and Analysis

Financial Investments and Services

As a result of the COVID-19 pandemic outbreak which has impacted the global economic outlook, the US Federal Reserve cut the federal funds rate to near 0%. Market interest rates were falling with lower return on interest-bearing assets. The financial market became more volatile amidst the pandemic situation and elevated Sino-US political and trade disputes.

Faced with the aforementioned challenging operating environment, the Group has continue to adopt a prudent and cautious approach to balance the return and risk of the financing activities. As at 30 June 2021, the Group had a total amount of HK\$14 million outstanding secured loan lent to customer.

Life Sciences Investment

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

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

For the six month ended 30 June 2021, CBL generated unaudited consolidated revenue of US\$ 6.7 million (2020: US\$3.3 million) and recorded unaudited consolidated operating losses of US\$ 4.7 million (2020: US\$4.8 million).

Maserati

As announced on 16 April 2021, the board of directors of the Company (the “**Board**”) have considered (i) the substantial time and costs to be involved in pursuing the legal proceedings against Maserati for wrongful purported termination of dealership agreement in reliance on a purported “Importership and Distributorship Agreement” allegedly signed on 1 October 2018 and the associated litigation risk; (ii) the increasingly challenging business environment which has been adversely affecting the Maserati car dealership business (the “**Dealership Business**”); and (iii) the unsatisfactory performance of the Dealership Business in recent years, the Board has make a decision that the Group has no option but to accept the termination notice of the Maserati dealership notified by Maserati on 28 October 2020 (the “**Acceptance of Termination**”), with a view to re-allocating and focusing its resources to develop the Group’s other principal businesses, namely financial investments and services, life sciences investment and property investment. The Dealership Business was terminated on 26 April 2021.

During the period, the Maserati business delivered 70 new vehicles to customers (2020: 41) included Levante GranSport, Levante Trofeo, Ghibli and Quattroporte. The Group also provided certain aftersales service for our customers until 26 April 2021 to show our business commitment.

OUTLOOK

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

The board (the “**Board**”) of directors (the “**Directors**”) of Auto Italia Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021.

INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the six months ended 30 June 2021 (2020: Nil).

DISCLOSURE OF INTERESTS

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

As at 30 June 2021, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO; or are required, pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange are as follows:

Long positions in the shares of the Company

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

Notes:

1. The percentage of shareholding is calculated on the basis of the Company’s issued share capital of 5,292,515,390 shares as at 30 June 2021.
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.

Interests in the shares of associated corporation of the Company

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

Note:

The percentage of shareholding is calculated on the basis of the total number of issued ordinary shares of Chime Biologics of 236,182,295 shares as at 30 June 2021.

Save as disclosed in the section headed "Share Option Scheme" of this Report, as at 30 June 2021, none of the Directors or the Chief Executives or their respective associates had or was deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which had otherwise been notified to the Company and the Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information

Arrangement for Directors to acquire Shares or debentures

Save as disclosed in the section headed "Share Option Scheme" of this Report, at no time during the six months ended 30 June 2021 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and the Chief Executives (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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

As at 30 June 2021, so far as is known to the Directors, the persons or corporations (other than the Directors or the Chief Executives) who had interests or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions in the Shares and underlying Shares

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

[#] Based on the total number of issued Shares of 5,292,515,390 as at 30 June 2021.

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

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

Corporate Governance and Other Information

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

Save as disclosed above, as at 30 June 2021, the Company had not been notified by any persons or corporations (other than the Directors or the Chief Executives) who had interests or short positions in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTION SCHEME

Under the Share option scheme adopted by the Company on 28 May 2012 (the “**Option Scheme**”), options were granted to certain Directors, employees and other eligible participants of the Company entitling them to subscribe for Shares of HK\$0.02 each in the capital of the Company.

Details of the movements in outstanding Share options, which have been granted under the Option Scheme, during the six months ended 30 June 2021 were as below:

Name or category of participants	Date of grant	Exercise price (HK\$)	Exercisable period	As at 1 January 2021	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period <small>(Note 3)</small>	As at 30 June 2021
(a) Directors								
Mr. CHONG Tin Lung Benny	07/10/2020 <small>(Note 4)</small>	0.1754	27/07/2021 to 26/07/2025 <small>(Note 2)</small>	300,000,000	-	-	-	300,000,000
Mr. LAM Chi Yan (resigned on 13 June 2021)	15/06/2017	0.0932	15/06/2018 to 14/06/2023 <small>(Note 2)</small>	18,700,000	-	(18,700,000)	-	-
Mr. HUANG Zuie-Zhin	07/10/2020 <small>(Note 4)</small>	0.1754	27/07/2021 to 26/07/2025 <small>(Note 2)</small>	300,000,000	-	-	-	300,000,000
Mr. NG Siu Wai	07/10/2020 <small>(Note 4)</small>	0.1754	27/07/2021 to 26/07/2025 <small>(Note 2)</small>	240,000,000	-	-	-	240,000,000

Corporate Governance and Other Information

Name or category of participants	Date of grant	Exercise price (HK\$)	Exercisable period	As at 1 January 2021	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period <small>(Note 3)</small>	As at 30 June 2021
Mr. LIN Chun Ho Simon (appointed on 13 June 2021)	15/06/2017	0.0932	15/06/2018 to 14/06/2023 <small>(Note 2)</small>	18,700,000	-	-	-	18,700,000
	27/07/2020	0.1754	27/07/2021 to 26/07/2025 <small>(Note 2)</small>	30,000,000	-	-	-	30,000,000
(b) Employee in aggregate	20/04/2015	0.3510	20/04/2016 to 19/04/2021 <small>(Note 2)</small>	260,000	-	-	(260,000)	-
(c) Other eligible participants	15/06/2017	0.0932	15/06/2018 to 14/06/2023 <small>(Note 2)</small>	60,000,000	-	-	-	60,000,000
	27/07/2020	0.1754	27/07/2021 to 26/07/2025 <small>(Note 2)</small>	97,000,000	-	-	-	97,000,000
Total				1,064,660,000	-	(18,700,000)	(260,000)	1,045,700,000

Notes:

- The closing prices per Share immediately before 20 April 2015, 15 June 2017, 27 July 2020 and 7 October 2020 (the dates on which the Share options were granted) were HK\$0.335, HK\$0.093, HK\$0.172 and HK\$0.170 respectively.
- Share options granted under the Option Scheme on 20 April 2015, 15 June 2017, 27 July 2020 and 7 October 2020 shall vest in the grantees in accordance with the timetable below (for this purpose, the date or each such date on which the Share options are to vest being hereinafter referred to as a "Vesting Date"):

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

- The share options were lapsed due to resignation of an employee during the period.
- These share options are conditionally granted on 27 July 2020 and approved by the Company's special general meeting on 7 October 2020.

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 2021.

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 throughout the six months ended 30 June 2021, except Code Provisions A.2.1 of the CG Code.

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers set out in Appendix 10 of the Listing Rules (the "**Model Code**") as standard for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors by the Company, the Directors confirmed in writing that they have complied with the standards set out in the Model Code throughout the six months ended 30 June 2021.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2020 annual report of the Company are set out below:

Director	Details of Change
Mr. LAM Chi Yan	Resigned as an Executive Director of the Company with effect from 13 June 2021, and ceased as the member of the Executive Directors' Committee of the Company (" Executive Directors' Committee ")
Mr. LIN Chun Ho Simon	Appointed as the Executive Director of the Company and the member of Executive Directors' Committee with effect from 13 June 2021

Mr. CHONG Tin Lung Benny, an executive Director of the Company, entered into an old service agreement with the Company for two years commencing from 13 June 2019 to 12 June 2021 (both dates inclusive). On 13 June 2021, the Company entered into a new service agreement with Mr. Chong for a term of three years commencing from 13 June 2021 to 12 June 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. KONG Kai Chuen Frankie, an independent non-executive Director of the Company (the "**INED**"), entered into an old letter of appointment with the Company for two years commencing from 21 June 2019 to 20 June 2021 (both dates inclusive). On 20 June 2021, the Company entered into a new letter of appointment with Mr. Kong for a term of two years commencing from 21 June 2021 to 20 June 2023 (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. LIN Chun Ho Simon, an executive Director of the Company, entered into a service agreement with the Company for three years commencing from 13 June 2021 to 12 June 2024 (both days 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. NG Siu Wai, an executive Director of the Company, has retired as the non-executive director of New Horizon Health Limited (a company listed on the main Board of the Stock Exchange, Stock code: 6606) at the conclusion of the 2021 annual general meeting on 18 June 2021.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules on the Stock Exchange.

THE BOARD

The Directors who held office during the six months ended 30 June 2021 and up to the date of this Report are:

Executive Directors

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

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

Mr. HUANG Zuie-Chin

Mr. NG Siu Wai

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

INEDs

Mr. KONG Kai Chuen Frankie

Mr. LEE Ben Tiong Leong

Mr. TO Chun Wai

BOARD COMMITTEES

Audit Committee

The members of the Audit Committee comprise Mr. KONG Kai Chuen Frankie, Mr. LEE Ben Tiong Leong and Mr. TO Chun Wai, all of whom are INEDs. Mr. KONG Kai Chuen Frankie is the chairman of the Audit Committee.

The principal duties of the Audit Committee include to review the financial reporting process, internal control and risk management systems of the Group and to provide advices and comments to the Board.

Corporate Governance and Other Information

Remuneration Committee

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

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

Nomination Committee

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

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

Executive Directors' Committee

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

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

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2021 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 2021.

By order of the Board

CHONG Tin Lung Benny

Executive Chairman and Chief Executive Officer

Hong Kong, 26 August 2021

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF AUTO ITALIA HOLDINGS LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Auto Italia Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 24 to 56, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Continuing operations		Discontinued operation		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
Notes	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
		(restated)		(restated)		
				(note 8)		
Revenue from goods and services	-	-	51,426	55,773	51,426	55,773
Rental income	8,050	1,016	-	-	8,050	1,016
Interest income from loan receivables	1,118	2,005	-	-	1,118	2,005
Total revenue	9,168	3,021	51,426	55,773	60,594	58,794
Cost of sales and services	(1,449)	-	(43,459)	(31,197)	(44,908)	(31,197)
Gross profit	7,719	3,021	7,967	24,576	15,686	27,597
Other income	4	-	2,033	7,217	2,033	7,271
Other gains and losses	5	12,547	(884)	2,368	115	14,915
Reversal of impairment losses (impairment losses) under expected credit loss ("ECL") model, net						
	5	158	6	(26)	11	132
Selling and distribution costs	-	-	(7,881)	(21,577)	(7,881)	(21,577)
Administrative expenses	(6,841)	(4,413)	(8,411)	(11,424)	(15,252)	(15,837)
Finance costs	6	(5,016)	(6,976)	(299)	(842)	(5,315)
Share of result of an associate accounted for using equity method						
	768	1,338	-	-	768	1,338
Profit (loss) before taxation	9,182	(7,702)	(4,217)	(1,961)	4,965	(9,663)
Taxation	7	(132)	(17)	1,628	(132)	1,611
Profit (loss) for the period	9	9,050	(7,719)	(4,217)	(333)	4,833
						(8,052)

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021

	Note	Total	
		Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Profit (loss) for the period attributable to owners of the Company			
– from continuing operations		3,120	(7,719)
– from discontinued operation		(4,217)	(333)
		(1,097)	(8,052)
Profit for the period attributable to non-controlling interests			
– from continuing operations		5,930	–
Profit (loss) for the period		4,833	(8,052)
Loss per share (from continuing and discontinued operations)			
– Basic	10	(HK0.02 cents)	(HK0.15 cents)
– Diluted	10	(HK0.02 cents)	(HK0.15 cents)
Earning (loss) per share (from continuing operations)			
– Basic	10	HK0.06 cents	(HK0.15 cents)
– Diluted	10	HK0.06 cents	(HK0.15 cents)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Profit (loss) for the period	4,833	(8,052)
Other comprehensive income (expense) <i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	1,614	(6,149)
Other comprehensive income (expense) for the period	1,614	(6,149)
Total comprehensive income (expense) for the period	6,447	(14,201)
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	548	(14,201)
Non-controlling interests	5,899	–
	6,447	(14,201)
Total comprehensive income (expense) for the period attributable to owners of the Company:		
– from continuing operations	4,534	(13,081)
– from discontinued operation	(3,986)	(1,120)
	548	(14,201)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Non-current assets			
Investment properties	12	600,506	55,200
Property, plant and equipment	13	2,842	1,903
Interest in an associate accounted for using equity method	14a	–	56,285
Investment of an associate measured at fair value through profit or loss (“FVTPL”)	14b	248,480	248,080
Other financial asset at FVTPL	15	13,606	–
Other receivables	16	12,796	791
		878,230	362,259
Current assets			
Inventories		3,755	61,220
Trade and other receivables	16	4,697	16,502
Loan receivables	17	13,994	21,599
Tax recoverable		495	636
Pledged bank deposits		–	20,000
Bank balances and cash		59,224	52,512
		82,165	172,469
Current liabilities			
Trade and other payables	18	22,190	22,807
Contract liabilities		200	18,750
Bank and other borrowings	19	–	10,329
Corporate bonds	20	24,973	62,482
Lease liabilities		2,140	16,274
		49,503	130,642
Net current assets		32,662	41,827
Total assets less current liabilities		910,892	404,086

Condensed Consolidated Statement of Financial Position

At 30 June 2021

	Notes	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Capital and reserves			
Share capital	23	105,850	105,476
Reserves		300,924	297,558
Equity attributable to owners of the Company			
		406,774	403,034
Non-controlling interests		108,526	–
Total equity		515,300	403,034
Non-current liabilities			
Other borrowings	19	340,694	–
Loan from a non-controlling member of a subsidiary	21	8,932	–
Promissory note	22	45,456	–
Deferred taxation		510	510
Lease liabilities		–	542
		395,592	1,052
		910,892	404,086

Approved by the Board of Directors on 26 August 2021 and are signed on its behalf by:

CHONG Tin Lung Benny
DIRECTOR

LIN Chun Ho Simon
DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to the owners of the Company									Non-controlling	
	Share capital	Share premium	Capital redemption reserve	Share option reserve	Revaluation reserve	Translation reserve	Other reserve	Accumulated losses	Subtotal	interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021 (audited)	105,476	263,147	2,151	30,557	19,246	(478)	166,431	(183,496)	403,034	-	403,034
(Loss) profit for the period	-	-	-	-	-	-	-	(1,097)	(1,097)	5,930	4,833
Other comprehensive income (expense) for the period	-	-	-	-	-	1,645	-	-	1,645	(31)	1,614
Total comprehensive income (expense) for the period	-	-	-	-	-	1,645	-	(1,097)	548	5,899	6,447
Arising on acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	102,627	102,627
Exercise of share options	374	2,579	-	(1,210)	-	-	-	-	1,743	-	1,743
Recognition of equity settled share-based payments	-	-	-	1,449	-	-	-	-	1,449	-	1,449
Transfer upon lapse of share option	-	-	-	(40)	-	-	-	40	-	-	-
At 30 June 2021 (unaudited)	105,850	265,726	2,151	30,756	19,246	1,167	166,431	(184,553)	406,774	108,526	515,300
At 1 January 2020 (audited)	104,391	249,345	2,151	17,200	19,246	(1,656)	166,431	(100,191)	456,917	-	456,917
Loss for the period	-	-	-	-	-	-	-	(8,052)	(8,052)	-	(8,052)
Other comprehensive expense for the period	-	-	-	-	-	(6,149)	-	-	(6,149)	-	(6,149)
Total comprehensive expense for the period	-	-	-	-	-	(6,149)	-	(8,052)	(14,201)	-	(14,201)
Recognition of equity settled share-based payments	-	-	-	315	-	-	-	-	315	-	315
Transfer upon lapse of share option	-	-	-	(233)	-	-	-	233	-	-	-
At 30 June 2020 (unaudited)	104,391	249,345	2,151	17,282	19,246	(7,805)	166,431	(108,010)	443,031	-	443,031

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
OPERATING ACTIVITIES			
Profit (loss) before tax		4,965	(9,663)
Adjustments for:			
Depreciation of property, plant and equipment		233	2,749
Depreciation of right-of-use assets		–	12,252
Fair value (gain) loss of investment properties		(12,129)	500
Finance costs		5,087	7,069
Other adjustments		(1,970)	(900)
Operating cash flows before movement in working capital		(3,814)	12,007
Decrease in inventories		57,646	19,193
Decrease in loan receivables		7,610	43,611
Decrease in trade and other receivables		9,196	16,742
Decrease in trade and other payables		(5,288)	(22,200)
Decrease in contract liabilities		(18,550)	(3,730)
Other movements in operating activities		–	(2,050)
NET CASH FROM OPERATING ACTIVITIES		46,800	63,573
INVESTING ACTIVITIES			
Dividends received from an associate		–	17,890
Proceeds from disposal of property, plant and equipment		2,234	2,947
Interest received		25	190
Investment in an associate		–	(248,800)
Purchase of other financial asset at FVTPL		(13,606)	–
Purchase of property, plant and equipment		(146)	(3,432)
Net cash inflow on acquisition of a subsidiary	24	18,290	–
Withdrawal of pledged bank deposits		20,000	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES		26,797	(231,205)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
FINANCING ACTIVITIES		
Corporate bonds issued	–	171,600
Bank and other borrowings raised	–	8,982
Exercise of share options	1,743	–
Repayment of corporate bonds	(36,000)	(41,600)
Repayment of bank and other borrowings	(10,316)	(12,529)
Repayment of promissory note	(9,000)	–
Payments for lease liabilities	(7,917)	(12,018)
Other financing cash flows	(5,667)	(2,506)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(67,157)	111,929
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,440	(55,703)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	52,512	104,014
Effect of exchange rate changes	272	39
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	59,224	48,350

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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**”).

1A. Significant events in the current interim period

During the six months ended 30 June 2021, the Group acquired additional 27.49% equity interest in Dakota RE II Limited (“**Dakota RE II**”) at a consideration of HK\$53,500,000 by issue of promissory note. Together with the 27.49% equity interest originally held by the Group which was accounted for as interest in an associate using equity accounting, Dakota RE II became a subsidiary of the Group upon completion of the acquisition. Details of the acquisition are set out in note 24.

In addition, Auto Italia (Hong Kong) Limited, a wholly-owned subsidiary of the Company, entered into a transition services and settlement agreement with Maserati S.p.A. (“**Maserati**”) in relation to the termination of dealership. The termination was effective on 26 April 2021 and the Group’s cars business has discontinued. Details are set out in note 8.

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 policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
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In addition, the Group has early applied the Amendment to HKFRS 16 “COVID-19-Related Rent Concessions beyond 30 June 2021”.

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 position and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts on early application of Amendment to HKFRS 16 “COVID-19-Related Rent Concessions beyond 30 June 2021”

The Group has early applied the amendment in the current interim period. The application of this amendment has had no material impact on the Group’s financial positions and performance for the current and prior periods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Basis of 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.

Optional concentration test

Effective from 1 January 2020, 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

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and 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.

Refund liabilities

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

3. SEGMENT INFORMATION

During the six months ended 30 June 2021, the Group has two operating segments under HKFRS 8 "Operating Segments" from continuing operations as follows:

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

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

An operating segment regarding the cars business was discontinued in the current period. 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 8. The comparative figures in this note have been restated to conform with the current period's presentation.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

Six months ended 30 June 2021 (unaudited)

Continuing operations

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

Six months ended 30 June 2020 (unaudited and restated)

Continuing operations

	Financial investments and services HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
SEGMENT REVENUE			
Group revenue	2,005	1,016	3,021
SEGMENT RESULTS			
Segment (loss) profit	(92)	457	365
Share of result of an associate accounted for using equity method			1,338
Share-based payments			(315)
Unallocated corporate expenses			(2,114)
Finance costs			(6,976)
Loss before taxation			(7,702)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

At 30 June 2021 (unaudited)

	Financial investments and services HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
Assets			
Segment assets	14,321	618,354	632,675
Bank balances and cash			59,224
Investment of an associate measured at FVTPL			248,480
Other financial asset at FVTPL			13,606
Tax recoverable			495
Unallocated corporate assets			454
Assets relating to discontinued operation			5,461
Consolidated assets			960,395
Liabilities			
Segment liabilities	30	355,916	355,946
Corporate bonds			24,973
Promissory note			45,456
Deferred taxation			510
Unallocated corporate liabilities			1,434
Liabilities relating to discontinued operation			16,776
Consolidated liabilities			445,095

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

At 31 December 2020 (audited and restated)

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

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

- all assets are allocated to operating segments other than unallocated corporate assets, assets relating to discontinued operation, interest in an associate accounted for using equity method, investment of an associate measured at FVTPL, other financial asset at FVTPL, tax recoverable, bank balances and cash and pledged bank deposits;
- all liabilities are allocated to operating segments other than unallocated corporate liabilities, liabilities relating to discontinued operation, corporate bonds, promissory note, deferred taxation and certain bank and other borrowings.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

4. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
Continuing operations		
Government grants	–	54

During the prior interim period, the Group recognised government grants of HK\$54,000 in respect of COVID-19-related subsidies, which related to Employment Support Scheme.

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
Continuing operations		
Net foreign exchange gain (loss)	418	(384)
Fair value gain (loss) on investment properties	12,129	(500)
	12,547	(884)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

6. FINANCE COSTS

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)
Continuing operations		
Interests on bank and other borrowings	1,978	17
Interest on loan from a non-controlling member of a subsidiary	219	–
Interest on promissory note	1,090	–
Interest on corporate bonds	1,729	6,959
	5,016	6,976

7. TAXATION

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)
Continuing operations		
Current tax charge:		
Hong Kong	132	17

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

8. DISCONTINUED OPERATION

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

The results for the current period from the discontinued cars business is set out in condensed consolidated statement of profit or loss on page 24. The comparative figures in the condensed consolidated statement of profit or loss have been restated to re-present the cars business as a discontinued operation.

During the current interim period, the cars business contributed HK\$23,961,000 (for the six months ended 30 June 2020: HK\$23,715,000) to the Group's net operating cash flows, received HK\$2,259,000 (for the six months ended 30 June 2020: paid HK\$295,000) in respect of investing activities and paid HK\$18,544,000 (for the six months ended 30 June 2020: HK\$15,398,000) in respect of financing activities.

9. PROFIT (LOSS) FOR THE PERIOD

Profit (loss) for the period has been arrived at after charging:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
Continuing operations		
Depreciation of property, plant and equipment	161	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

10. EARNING (LOSS) PER SHARE

From continuing operations

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company (from continuing and discontinued operations)	(1,097)	(8,052)
Less: Loss for the period from discontinued operation	4,217	333
Profit (loss) for the period for the purpose of calculating basic and diluted earning (loss) per share from continuing operations	3,120	(7,719)

Number of shares

	Six months ended 30 June	
	2021	2020
Weighted average number of ordinary shares for the purpose of calculating basic earning (loss) per share	5,291,172,296	5,219,541,190
Effect of dilutive potential ordinary shares: Share options issued by the Company	39,221,523	–
Weighted average number of ordinary shares for the purpose of calculating diluted earning (loss) per share	5,330,393,819	5,219,541,190

For the six months ended 30 June 2020, 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

10. EARNING (LOSS) PER SHARE *(Continued)*

From discontinued operation

For the six months ended 30 June 2021, basic loss per share for the discontinued operation is HK0.08 cents per share (for the six months ended 30 June 2020: HK0.006 cent) and diluted loss per share for the discontinued operation is HK0.08 cents per share (for the six months ended 30 June 2020: HK0.006 cent), based on the loss for the period from the discontinued operation of approximately HK\$4,217,000 (for the six months ended 30 June 2020: HK\$333,000) and the denominators detailed above for both basic and diluted earning (loss) per share.

11. DIVIDEND

No dividend was paid or declared during the six months ended 30 June 2021 and 2020 nor has any dividend been proposed since the end of the reporting period.

12. INVESTMENT PROPERTIES

	HK\$'000
Fair value	
At 1 January 2020	56,500
Fair value loss on investment properties	(1,300)
At 31 December 2020	55,200
Exchange adjustments	2,009
Acquired on an acquisition of a subsidiary	531,168
Fair value gain on investment properties	12,129
At 30 June 2021	600,506

The investment properties comprised industrial buildings and carparks located in Hong Kong and an office building located in Scotland which was acquired through acquisition of a subsidiary as set out in note 24.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group spent HK\$146,000 (2020: HK\$3,432,000) on the acquisition of property, plant and equipment. The Group disposed of property, plant and equipment with carrying value of HK\$1,832,000 and resulted in a gain of HK\$402,000 (2020: disposed of property, plant and equipment with carrying value of HK\$2,778,000 resulting in a gain of HK\$169,000).

14a. INTEREST IN AN ASSOCIATE ACCOUNTED FOR USING EQUITY METHOD

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Cost of interest in an associate	55,053	55,053
Share of post-acquisition profits (losses), net of dividend received	665	(103)
Exchange adjustments	1,978	1,335
Deemed disposal	(57,696)	–
	–	56,285

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 24.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

14b. INVESTMENT OF AN ASSOCIATE MEASURED AT FVTPL

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Investment of an associate measured at FVTPL	248,480	248,080

At 30 June 2021 and 31 December 2020, the Group held 51,847,997 series A preferred shares of Chime Biologics Limited ("CBL"). The Group has the right to appoint director of the board of CBL and therefore the Group has the power to exercise significant influence over CBL and CBL is an associate of the Group.

The investment in CBL is measured at FVTPL in accordance with HKFRS 9 "Financial Instruments". Details of fair value measurements are set out in note 27.

15. OTHER FINANCIAL ASSET AT FVTPL

During the period, the Group acquired other financial asset at FVTPL, which is unlisted equity investment in a private entity established in the People's Republic of China.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

16. TRADE AND OTHER RECEIVABLES

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Trade receivables	168	4,423
Less: Allowance for ECL	(16)	(22)
	152	4,401
Utility and rental deposits	1,141	6,975
Interest receivables	327	409
Prepayments and other receivables	1,161	5,508
Lease incentives	14,712	–
	17,493	17,293
Less: Amount due more than one year shown under non-current assets	(12,796)	(791)
Amount shown under current assets	4,697	16,502

The lease incentives represent incentives granted to tenants of rental of premises.

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

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Within 30 days	13	3,311
31 – 60 days	–	546
61 – 90 days	–	42
91 days to 1 year	139	502
	152	4,401

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For the six months ended 30 June 2021

17. LOAN RECEIVABLES

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Fixed-rate loans	14,000	21,610
Less: Allowance for ECL	(6)	(11)
	13,994	21,599

As at 30 June 2021, loan receivable amounting to HK\$14,000,000 will be matured in July 2021 and is interest-bearing at 10% per annum and secured by listed shares in Hong Kong with fair values of approximately HK\$59,330,000. Subsequent to the end of the reporting period, HK\$2,000,000 of the loan has been partially repaid in July 2021. The maturity date of remaining loan balance of HK\$12,000,000 is further extended to September 2021 at the same interest rate.

18. TRADE AND OTHER PAYABLES

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Trade payables	35	15,560
Advance payments from customers	236	388
Accrued charges	3,718	4,366
Other payables	1,688	2,493
Lease payments received in advance	5,271	–
Refund liabilities	11,242	–
	22,190	22,807

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

18. TRADE AND OTHER PAYABLES (Continued)

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

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Within 30 days	–	15,286
31 – 60 days	26	265
61 – 90 days	–	1
91 days to 1 year	9	8
	35	15,560

19. BANK AND OTHER BORROWINGS

During the current interim period, the Group did not obtain any new loans from banks and financial institutions (for the six months ended 30 June 2020: HK\$8,982,000) and fully repaid the balance of HK\$10,316,000 (for the six months ended 30 June 2020: HK\$12,529,000).

Through the acquisition of Dakota RE II as set out in note 24, other borrowing increased by HK\$339,203,000 (for the six months ended 30 June 2020: nil), which was secured by an investment property in Scotland. The secured borrowing has maturity of three years until May 2023 and carries interest at 2.3% per annum.

20. CORPORATE BONDS

On 2 February 2020, the Group issued unsecured corporate bonds amounting to HK\$171,600,000 in Hong Kong for the investment in an associate as set out in note 14b. The unsecured corporate bonds have maturity of one and half years until August 2021 and carry interest at 10% per annum. During the six months ended 30 June 2021, the Group early repaid principal of HK\$36,000,000 (for the six months ended 30 June 2020: HK\$41,600,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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

Through the acquisition of Dakota RE II as set out in note 24, a loan from a non-controlling member of a subsidiary increased by HK\$8,681,000. The unsecured loan will be matured in May 2023 or after full repayment of the other borrowing, whichever earlier, and carries interest at 10% per annum.

22. 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 24. 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 2021, the Group early repaid principal of HK\$9,000,000.

23. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.02 each:		
Authorised		
At 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	17,500,000,000	350,000
Issued and fully paid		
At 1 January 2020 and 30 June 2020	5,219,541,190	104,391
Exercise of share options	54,274,200	1,085
At 1 January 2021	5,273,815,390	105,476
Exercise of share options	18,700,000	374
At 30 June 2021	5,292,515,390	105,850

24. 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 22. One of an indirect subsidiary of Dakota RE II holds an office building which is located in Scotland.

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

24. 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	(5,401)
Other borrowings	(339,203)
Loan from a non-controlling member of a subsidiary	(8,681)
	213,823
Less: non-controlling interests	(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: Interest in an associate accounted for using equity method with fair value of HK\$57,696,000 is approximate to the carrying amount.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

25. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transaction with VMS Securities Limited (“**VMS Securities**”). Ms. Mak Siu Hang Viola is a controlling shareholder of VMS Securities, and together with her associate are beneficially interested in 28.7% of the Company and Mr. Chong Tin Lung Benny is a director of VMS Securities and the Chairman of the Company.

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Financial advisory services fee paid to VMS Securities	100	–

Compensation of key management personnel

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Key management personnel compensation (Note)	3,777	3,583

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

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26. SHARE-BASED PAYMENTS

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

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

	Number of share options
Outstanding as at 1 January 2021	1,064,660,000
Exercised during the period	(18,700,000)
Lapsed during the period	(260,000)
Outstanding as at 30 June 2021	1,045,700,000

During the six months ended 30 June 2021, the Group recognised a total expense of HK\$1,449,000 (six months ended 30 June 2020: HK\$315,000) in administrative expenses in relation to share options granted by the Company.

27. FINANCIAL INSTRUMENTS

Fair value measurements of financial instruments

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

27. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements of financial instruments *(Continued)*

Fair value hierarchy

Financial assets	Fair values at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30 June 2021 HK\$'000	31 December 2020 HK\$'000			
Investment of an associate measured at FVTPL	248,480	248,080	Level 3	Market comparison approach	<ol style="list-style-type: none"> Volatility of 49% (At 31 December 2020: 46%) (Note 1) Discount for lack of marketability on equity level ("DLOM") of 38% (At 31 December 2020: 38%) (Note 2)
Other financial asset	13,606	-	Level 2	Recent transaction price	N/A

Note 1: An increase in the volatility used in isolation would result in a decrease in the fair value, and vice versa.

Note 2: An increase in the DLOM used in isolation would result in a decrease in the fair value, and vice versa.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

27. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements of financial instruments *(Continued)*

Reconciliation of Level 3 fair value measurements of financial assets

	HK\$'000
Balance at 1 January 2021	248,080,000
Exchange adjustments	400,000
Balance at 30 June 2021	248,480,000

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.

28. EVENT AFTER THE REPORTING PERIOD

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