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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)

ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2012

The directors of Auto Italia Holdings Limited (the "Company") (the "Directors") announce that the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended December 31, 2012 were as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended December 31

	Notes	2012 HK$'000	2011 HK$'000 (restated)
Revenue	3	**1,507,401**	1,416,310
Cost of sales		**(1,213,046)**	(1,121,184)
Gross profit		**294,355**	295,126
Other income and expenses		**19,867**	13,754
Other gains and losses	5	**(47,489)**	2,811
Selling and distribution costs		**(185,171)**	(170,928)
Administrative expenses		**(138,448)**	(142,840)
Finance costs		**(20,837)**	(14,098)
Share of result of a jointly controlled entity		**–**	313
Loss before taxation		**(77,723)**	(15,862)
Taxation	7	**(2,914)**	(2,706)
Loss for the year	6	**(80,637)**	(18,568)
Loss for the year attributable to:			
Owners of the Company		**(78,472)**	(23,115)
Non-controlling interests		**(2,165)**	4,547
		(80,637)	(18,568)
Loss per share attributable to the owners of the Company			
– Basic and diluted	8	**(2.92) cents**	(0.99) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31

	2012	2011
	HK$'000	*HK$'000*
Loss for the year	**(80,637)**	(18,568)
Exchange differences arising on translation of foreign operations	**1,706**	371
Total comprehensive expense for the year	**(78,931)**	(18,197)
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(76,631)**	(22,789)
Non-controlling interests	**(2,300)**	4,592
	(78,931)	(18,197)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At December 31

	Notes	2012 HK$'000	2011 HK$'000 (restated)
Non-current assets			
Property, plant and equipment		**78,162**	129,178
Investment properties		**–**	4,000
Goodwill		**2,855**	30,111
Intangible assets		**5,400**	5,400
Available-for-sale investments		**252**	9,552
Interest in associates		**–**	–
Amounts due from associates		**41,246**	–
Rental deposits		**7,539**	6,042
Deferred tax assets		**194**	118
		135,648	184,401
Current assets			
Inventories		**416,577**	300,995
Properties held for sale		**30,070**	30,070
Trade and other receivables	*9*	**128,275**	201,818
Loan receivables		**6,086**	15,811
Amounts due from associates		**30,234**	66,311
Pledged bank deposits		**151,603**	134,000
Bank balances and cash		**85,780**	71,754
		848,625	820,759
Current liabilities			
Trade and other payables	*10*	**380,596**	401,041
Tax payable		**123**	52
Amount due to a related company		**441**	441
Bank and other borrowings	*11*	**326,563**	309,758
Obligations under finance leases		**302**	148
		708,025	711,440
Net current assets		**140,600**	109,319
Total assets less current liabilities		**276,248**	293,720

	Note	2012 HK$'000	2011 HK$'000 (restated)
Capital and reserves			
Share capital		**59,189**	49,178
Reserves		**186,510**	200,275
Equity attributable to owners of the Company		**245,699**	249,453
Non-controlling interests		**18,280**	20,580
Total equity		**263,979**	270,033
Non-current liabilities			
Bank and other borrowings	*11*	**11,577**	23,251
Obligations under finance leases		**679**	423
Deferred tax liabilities		**13**	13
		12,269	23,687
		276,248	293,720

Notes:

1. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")**

In the current year, the Group has applied the following amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred tax: Recovery of underlying assets;
Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets; and
Amendments to HKAS 1	As part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle

Amendments to HKAS 1 Presentation of Financial Statements (as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle)

In current year, the Group has applied for the first time the amendments to HKAS 1 (the effective date of these amendments is annual periods beginning on or after January 1, 2013) in advance of the effective date.

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In accordance with the amendments to HKAS 1, the Group has not presented a third statement of financial position as at January 1, 2012 and the related notes as the restatement has no material effect on the information in the third statement of financial position and that related notes.

Amendments to HKAS 12 Deferred tax: Recovery of underlying assets

The Group has applied for the first time the amendments to HKAS 12 "Deferred tax: Recovery of underlying assets" in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property" are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the Directors reviewed the Group's investment property portfolios and concluded that certain of the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, the Directors have determined that the "sale" presumption set out in the amendments to HKAS 12 is not rebutted.

The application of the amendments to HKAS 12 has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment properties. However, the Directors considered that the application of the above amendments has had no material impact on these consolidated financial statements and hence no retrospective restatement is made.

The application of the amendments to other HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

Amendments to HKFRSs	Annual improvement to HKFRSs 2009 – 2011 cycle, except for the amendments HKAS 1[1]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[4]
HKFRS 9	Financial instruments[2]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
Amendments to HKAS 1	Presentation of items of other comprehensive income[3]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[4]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[1]

[1] Effective for annual periods beginning on or after January 1, 2013.

[2] Effective for annual periods beginning on or after January 1, 2015.

[3] Effective for annual periods beginning on or after July 1, 2012.

[4] Effective for annual periods beginning on or after January 1, 2014.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a “statement of comprehensive income” is renamed as a “statement of profit or loss and other comprehensive income” and an “income statement” is renamed as a “statement of profit or loss”.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for the Group for annual period beginning on or after January 1, 2013. It is not expected to modify the presentation of items of other comprehensive income when the amendments are applied in the future accounting periods based on the items presented in the consolidated financial statements as at December 31, 2012.

New and revised standards on consolidation

In June 2011, HKFRS 10 was issued. Key requirement of this standards is described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC) – Int 12 Consolidation – *Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

In July 2012, the amendments to HKFRS 10 was issued to clarify certain transitional guidance on the application of this HKFRS for the first time.

HKFRS 10, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The application of HKFRS 10 may affect the accounting for the Group's 49.8% ownership interest in China Premium Lifestyle Enterprise, Inc. ("CPLY") and CPMM (Asia) Limited ("CPMM") that are currently classified as the Group's associates. Taking into account the new definition of control and the additional guidance on control set out in HKFRS 10, the application of HKFRS 10 may result in CPLY and CPMM being treated as the Group's subsidiaries. If CPLY and CPMM are consolidated as the Group's subsidiaries, the assets and liabilities as well as income and expenses of CPLY and CPMM will be presented as separate line items in the consolidated statement of financial position and in the consolidated income statement respectively, rather than being presented as one line item in the Group's consolidated financial statements and recognised the loss accordingly. A detailed review will be performed by the Directors to determine and quantify the impact on the application of HKFRS 10.

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013 and that the application of the new Standard may not affect significantly on the amounts reported in the consolidated financial statements but will result in more extensive disclosures in the consolidated financial statements.

The Directors anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the Group's consolidated financial statements.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

3. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Sales of goods to customers, less returns and discounts	**1,358,197**	1,284,221
Maintenance service income	**149,204**	131,860
Rental income	**–**	229
	1,507,401	1,416,310

4. SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker ("CODM"), being the executive directors of the Group, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services rendered which is also consistent with the basis of organisation of the Group. The Group's operating and reportable segments under HKFRS 8 are as follows:

(i) Cars – Trading of cars and related accessories and provision of car repairing services

(ii) Electrical appliances – Distribution of air-conditioning products, audio-visual equipment, car audio and other electrical appliances

(iii) Fashion apparels and accessories – Distribution and retail of fashion apparels and accessories

(iv) Others – Motor yachts and property investment

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

2012

	Cars	Electrical appliances	Fashion apparels and accessories	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE						
External sales	1,190,230	263,055	54,116	–	–	1,507,401
Inter-segment sales	64	94	118	–	(276)	–
Group revenue	1,190,294	263,149	54,234	–	(276)	1,507,401
SEGMENT RESULTS						
Segment profit/(loss)	7,693	9,076	(12,629)	(2,092)	–	2,048
Interest income						1,428
Unallocated corporate expenses						(15,702)
Finance costs						(20,837)
Impairment loss on goodwill	–	–	(27,256)	–	–	(27,256)
Impairment losses on loan receivables						(8,104)
Impairment loss on available-for-sale investment						(9,300)
Loss before taxation						(77,723)

2011

	Cars	Electrical appliances	Fashion apparels and accessories	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
						(restated)
SEGMENT REVENUE						
External sales	1,114,500	256,311	38,270	7,229	–	1,416,310
Inter-segment sales	83	1,263	4	–	(1,350)	–
Group revenue	1,114,583	257,574	38,274	7,229	(1,350)	1,416,310
SEGMENT RESULTS						
Segment profit/(loss)	28,424	9,127	(1,868)	1,466	–	37,149
Interest income						1,433
Unallocated corporate expenses						(34,421)
Finance costs						(14,098)
Impairment losses on loan receivables						(6,238)
Share of result of a jointly controlled entity	–	–	313	–	–	313
Loss before taxation						(15,862)

Segment assets and liabilities

2012

	Cars *HK$'000*	**Electrical appliances** *HK$'000*	**Fashion apparels and accessories** *HK$'000*	**Others** *HK$'000*	**Consolidated** *HK$'000*
Assets					
Segment assets	**474,455**	**116,513**	**29,675**	**41,620**	**662,263**
Available-for-sale investment					**252**
Loan receivables					**6,086**
Bank balances and cash					**85,780**
Pledged bank deposits					**151,603**
Unallocated corporate assets					**78,289**
Consolidated assets					**984,273**
Liabilities					
Segment liabilities	**291,035**	**53,578**	**8,705**	**18,401**	**371,719**
Bank and other borrowings					**338,140**
Unallocated corporate liabilities					**10,435**
Consolidated liabilities					**720,294**

2011

	Cars *HK$'000*	Electrical appliances *HK$'000*	Fashion apparels and accessories *HK$'000*	Others *HK$'000*	Consolidated *HK$'000* (restated)
Assets					
Segment assets	426,252	91,359	83,422	47,736	648,769
Available-for-sale investments					9,552
Loan receivables					15,811
Bank balances and cash					71,754
Pledged bank deposits					134,000
Unallocated corporate assets					125,274
Consolidated assets					1,005,160
Liabilities					
Segment liabilities	308,359	51,612	28,635	785	389,391
Bank and other borrowings					333,009
Unallocated corporate liabilities					12,727
Consolidated liabilities					735,127

Other segment information

2012

	Cars HK$'000	Electrical appliances HK$'000	Fashion apparels and accessories HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets						
Addition of property, plant and equipment	**19,631**	**534**	**728**	**–**	**4,835**	**25,728**
Depreciation of property, plant and equipment	**16,884**	**715**	**1,948**	**42**	**3,110**	**22,699**
Gain/(loss) on disposal of property, plant and equipment	**(409)**	**(17)**	**(4)**	**(42)**	**8,421**	**7,949**
Loss on disposal of investment properties	**–**	**–**	**–**	**–**	**(838)**	**(838)**
Impairment loss on available-for-sale investment	**–**	**–**	**–**	**–**	**(9,300)**	**(9,300)**
Impairment losses on loan receivables	**–**	**–**	**–**	**–**	**(8,104)**	**(8,104)**
Impairment losses on trade and other receivables	**(1,502)**	**(79)**	**(2,777)**	**–**	**(4,902)**	**(9,260)**

2011

	Cars HK$'000	Electrical appliances HK$'000	Fashion apparels and accessories HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets						
Addition of property, plant and equipment	26,467	809	1,428	–	4,172	32,876
Depreciation of property, plant and equipment	15,574	696	1,322	183	3,964	21,739
Amortisation of prepaid lease payments	–	–	–	19	10	29
Fair value gains on investment properties	–	–	–	1,000	–	1,000
Reversal of properties held for sale to net realisable value	–	–	–	4,600	–	4,600
Gain/(loss) on disposal of property, plant and equipment	719	(49)	26	745	(402)	1,039
Gain on disposal of prepaid lease payments	–	–	–	1,339	122	1,461
Impairment losses on trade and other receivables	–	(60)	–	–	–	(60)
Impairment losses on loan receivables	–	–	–	–	(6,238)	(6,238)
Written-off of other receivables	–	–	–	–	(721)	(721)

Information about major customers

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

Geographical information

The Group's operations are mainly located in Hong Kong, Singapore, Malaysia, Mainland China and Macau. The following table provides an analysis of the Group's revenue by location of customers, irrespective of the origin of the goods/services:

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Hong Kong	**937,239**	858,596
Singapore	**115,537**	105,035
Malaysia	**50,204**	58,644
Mainland China	**392,670**	385,123
Macau	**11,751**	8,912
	1,507,401	1,416,310

The following is an analysis of the carrying amount of non-current assets (excluding deferred tax assets and financial instruments) analysed by the geographical area in which the assets are located:

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Hong Kong	**84,638**	122,125
Singapore	**697**	790
Malaysia	**635**	727
Mainland China	**7,986**	51,075
Macau	**–**	14
	93,956	174,731

5. OTHER GAINS AND LOSSES

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Impairment loss on available-for-sale investment	**(9,300)**	–
Impairment loss on goodwill relating to fashion businesses	**(27,256)**	–
Impairment losses on loan receivables	**(8,104)**	(6,238)
Impairment losses on trade and other receivables, net	**(9,260)**	(60)
Loss on disposal of investment properties	**(838)**	–
Written-off of other receivables	**–**	(721)
Net foreign exchange (losses) gains	**(680)**	1,730
Gain on disposal of property, plant and equipment	**7,949**	1,039
Gain on disposal of prepaid lease payments	**–**	1,461
Fair value gains on investment properties	**–**	1,000
Reversal of properties held-for-sale to net realisable value	**–**	4,600
	(47,489)	2,811

6. LOSS FOR THE YEAR

	2012	2011
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**2,941**	873
Depreciation of property, plant and equipment	**22,699**	21,739
Staff costs:		
Directors' emoluments	**4,371**	8,490
Salaries and allowances	**107,831**	99,794
Retirement benefits scheme contributions	**5,881**	5,764
	118,083	114,048
Cost of inventories recognised as expense	**1,209,538**	1,124,745
Allowance (reversal of allowance) for inventories (included in cost of sales)	**6,879**	(2,259)
Operating lease payments in respect of rented properties	**57,280**	43,871
Amortisation of prepaid lease payments	**–**	29
Loss on disposal of financial assets at fair value through profit or loss	**–**	17
Interest income	**(1,428)**	(1,423)
Dividend income	**(4,409)**	(2,244)
Commission income	**(3,481)**	(3,569)
Legal and professional fees in relation to voluntary cash offers	**–**	6,826

7. TAXATION

	2012	2011
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**2,023**	2,794
Other jurisdictions	**898**	787
	2,921	3,581
Under (over) provision in prior years		
Hong Kong	**20**	(751)
Other jurisdictions	**41**	–
	61	(751)
Deferred tax		
Other jurisdictions	**(68)**	(124)
	2,914	2,706

8. LOSS PER SHARE

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

	2012	2011
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company and loss for the purpose of basic and diluted loss per share	**(78,472)**	(23,115)

	2012	2011
	Number of shares	*Number of shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,685,140,988**	2,341,621,208

No diluted loss per share has been presented for the year ended December 31, 2012 and 2011 because the assumed conversion of the share options would result in reduction in loss per share.

9. TRADE AND OTHER RECEIVABLES

Trade and other receivables at the end of the reporting period comprise receivables from third parties as follows:

	2012	2011
	HK$'000	*HK$'000* (restated)
Trade receivables	**73,237**	99,665
Less: Allowance for doubtful debts	**(3,770)**	(1,009)
	69,467	98,656
Purchase deposits	**10,646**	31,981
Utility and rental deposits	**7,559**	7,431
Other tax receivables	**12,456**	9,197
Prepayments and other receivables	**28,147**	54,553
	128,275	201,818

The Group allows its trade customers an average credit period of 90 days. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**36,707**	63,869
31 to 60 days	**18,142**	25,332
61 to 90 days	**6,608**	3,163
91 days to 1 year	**7,058**	2,556
Over 1 year	**952**	3,736
	69,467	98,656

Included in the allowance for doubtful debts are individually impaired trade receivables, which were either in the severe financial difficulties or overdue for a long period time. The Group has made full impairment on these receivables and considered that they are generally not recoverable.

10. TRADE AND OTHER PAYABLES

Trade and other payables at the end of the reporting period comprise amounts outstanding for trade purposes and daily operating costs. The average credit period on purchase of goods is 30 to 90 days. The following is an aged analysis of trade and bills payables presented based on invoice date at the end of the reporting period.

	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**57,613**	59,290
31 to 60 days	**6,775**	20,159
61 to 90 days	**1,358**	12,391
91 days to 1 year	**834**	1,229
Over 1 year	**2,464**	586
Trade and bills payables	**69,044**	93,655
Deposits received from customers	**165,341**	200,274
Advance payments from customers	**65,883**	19,161
Accrued charges	**16,037**	46,907
Other payables	**64,291**	41,044
	380,596	401,041

11. BANK AND OTHER BORROWINGS

	2012	2011
	HK$'000	*HK$'000*
Bank overdrafts	**12,853**	31,816
Bank borrowings	**217,365**	189,399
Trust receipt loans	**106,649**	92,031
Other borrowings	**1,273**	19,763
	338,140	333,009
Secured	**324,307**	302,105
Unsecured	**13,833**	30,904
	338,140	333,009
Carrying amount repayable:		
Within one year	**326,563**	309,199
More than one year, but not exceeding two years	**1,622**	3,011
More than two years, but not more than five years	**5,056**	7,654
More than five years	**4,899**	13,145
	338,140	333,009
Less: Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause	**–**	(559)
Amounts due within one year shown under current liabilities	**(326,563)**	(309,199)
Amounts shown under non-current liabilities	**11,577**	23,251

12. PRIOR YEAR FINANCIAL INFORMATION

During the year ended December 31, 2012, the management has further evaluated the classifications and terminologies of certain balances of the consolidated financial statements. Reclassifications were made for the comparative information to achieve consistent presentation with the current year's presentation. The reconciliations in respect of the comparative information are shown as follows:

Financial statements line item	As originally stated	Reclassification	As restated
	HK$'000	*HK$'000*	*HK$'000*
Consolidated income statement			
Revenue *(Note)*	1,761,357	(345,047)	1,416,310
Cost of sales *(Note)*	(1,466,231)	345,047	(1,121,184)
Selling and distribution costs	(152,616)	(18,312)	(170,928)
Administrative expenses	(168,171)	25,331	(142,840)
Other operating income	24,810	(24,810)	–
Other income and expenses	–	13,754	13,754
Other gains and losses	–	2,811	2,811
Legal and professional fees in relation to voluntary cash offers	(6,826)	6,826	–
Fair value gains on investment properties	1,000	(1,000)	–
Reversal of properties held for sale to net realisable value	4,600	(4,600)	–
Consolidated statement of financial position			
Trade and other receivables	223,671	(21,853)	201,818
Loan receivables	–	15,811	15,811
Bank balances and cash	205,754	(134,000)	71,754
Pledged bank deposits	–	134,000	134,000
Rental deposits	–	6,042	6,042
Bills payables	25,545	(25,545)	–
Trade and other payables	375,496	25,545	401,041

Note: The amount represent first registration tax ("FRT") charged by the Hong Kong Government. On the first registration of a motor vehicle in Hong Kong, FRT is charged to the buyer. Licensing of vehicles takes place only after registration by the importer who collects the FRT from the buyer on behalf of the Hong Kong Government. As a result, the Directors consider it is more appropriate to exclude FRT in both revenue and cost of sales.

DIVIDENDS

The Directors do not recommend the payment of a final dividend (2011: nil) for the year ended December 31, 2012. No interim dividend was paid during the year (2011: nil).

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

FINANCIAL REVIEW

Results of Operations

For the year ended December 31, 2012, the Group's revenue increased from HK$1,416.3 million in 2011 (restated) to HK$1,507.4 million, representing a growth of 6.4%.

Gross profit margin for 2012 recorded a slight decrease from 20.8% in 2011 (restated) to 19.5%. Accordingly our gross profit figure dropped from HK$295.1 million in 2011 to HK$294.4 million in 2012.

For the year ended 2012, other income and expenses amounted to HK$19.9 million (2011: HK$13.8 million), of which HK$11.6 million was derived from our car segment.

Other gains and losses amounted to a net loss of HK$47.5 million (2011: gain of HK$2.8 million) which included non-recurring impairments in respect of: available-for-sale investment of HK$9.3 million; goodwill of HK$27.3 million; loan receivables of HK$8.1 million and trade and other receivables of HK$9.3 million.

Our core expense items of selling and distribution costs and administrative expenses in 2012 aggregated to HK$323.6 million (2011 restated: HK$313.7 million), representing 21.5% of revenue (2011 restated: 22.1%). This increase of HK$9.9 million was mainly related to our car business: increased costs of rental by HK$6.1 million and increased sales commission by HK$5.8 million as a result of the sales growth.

The board of Directors (the "Board") regrets to report that the consolidated loss for the year amounted to HK$80.6 million (2011: HK$18.6 million). As a highlight, a sum of HK$60.1 million out of this loss was derived from impairment losses which are substantially of non-recurring nature. Moreover, a loss in aggregate of HK$28.0 million was derived from our car segment in Mainland China due to the closing down of Dalian car business as well as the operating loss incurred by our Nanjing car dealership as a result of the severe market condition in Mainland China for the year under review.

Financial Condition and Capital Structure

The Group was financed by a combination of its equity capital base, cash flow generated from operations and bank borrowings. As usual, bank and other liabilities were being met upon their maturities in the normal course of business.

Cash and cash equivalents (including pledged bank deposits) at December 31, 2012 were HK$237.4 million (2011: HK$205.8 million). A net cash inflow of HK$32.6 million (2011 restated: net cash outflow of HK$42.2 million) was recorded, representing in aggregate funds generated from operating, investing and financing activities in the year.

The Group had total borrowings at December 31, 2012 amounting to HK$338.2 million (2011: HK$333.1 million). The Group's long term gearing ratio stood at 5.0% (2011: 9.5%), based on long term liabilities (excluding deferred tax) of HK$12.3 million (2011: HK$23.7 million) and shareholders' equity of HK$245.7 million (2011: HK$249.5 million). The current ratio was 1.2 (2011: 1.2), based on current assets of HK$848.6 million (2011 restated: HK$820.8 million) and current liabilities of HK$708.0 million (2011: HK$711.4 million).

The Group had trading facilities at December 31, 2012 amounting to HK$452.4 million (2011: HK$494.1 million) of which HK$438.7 million (2011: HK$402.5 million) was utilized.

Foreign Exchange Exposure

The Group's purchases are mainly conducted in HK Dollar, Renminbi and US Dollar whilst sales are mainly conducted in HK Dollar and Renminbi. During the year, the Group had entered into several forward exchange contracts with bankers to hedge foreign currency transactions with the objective to stabilize the cost. There were no outstanding foreign exchange contracts at both years ended 2012 and 2011.

Pledge of Assets

Certain of the Group's properties, inventories, cash deposits and all assets of certain subsidiaries were pledged at year ended 2012 in an aggregate amount of HK$395.6 million (2011: HK$384.3 million) to secure loans and facilities granted.

Capital Commitments and Contingent Liabilities

The Group had capital commitments of HK$4.5 million at December 31, 2012 (2011: HK$5.4 million). The Group had no material contingent liabilities at December 31, 2012 and 2011.

BUSINESS REVIEW

Cars

The business consists mainly of the import, distribution and after-sales service of Italian "Ferrari" and "Maserati" cars and spare parts in Hong Kong and Macau. In the Mainland China, we operate "Ferrari" and "Maserati" car dealerships in Dalian and Nanjing.

Compared to 2011, revenue increased by 6.8% to HK$1,190.2 million.

In Hong Kong, with 2012 representing the second full year of production of the 458 Italia and deliveries of the first examples of the new 458 Spider (convertible) in May 2012, a record number of cars were delivered with an outstanding order bank of close to two years.

In March 2012, Ferrari announced the successor to the 599 series, the F12 Berlinetta. This new model was received very well by our customers as evidenced by the large number of firm orders secured by the end of 2012. First deliveries to customers are scheduled from second quarter of 2013.

Demand for Maserati's two-door range of coupes and convertibles remained relatively high. The new Maserati Quattroporte (four-door saloon), to be followed by a completely new model, the Ghibli, in the medium size segment as well as a new Sport Utility Vehicle (SUV) will elevate Maserati to an important new platform in the car market during the next three years.

Total workshop service revenue for the full year recorded double-digit growth. This was primarily due to a continuing increase in our service activities, the introduction of new working practices in Hong Kong and an increase in the Ferrari/Maserati pre-delivery inspection business which we operate in Shanghai.

The sales performance of both Nanjing and Dalian dealerships was not satisfactory and resulted in a segmental loss of HK$21.3 million for the year 2012 due to severe market conditions in Mainland China. (In February 2013, our business in Dalian was closed down as we considered that its business performance as well as potential was far from satisfactory.)

Electrical Appliances

The business consists of distribution of consumer and commercial air-conditioning and home appliances products, namely "MHI" (Mitsubishi Heavy Industries of Japan), "Bodysonic" and "Gree", audio-visual products of the "Rogers" brand and "Alpine" car electronics.

Revenue in this segment recorded a growth of 2.7%, from HK$256.3 million in 2011 to HK$263.1 million.

In Hong Kong, demand and sales of air-conditioning products and audio visual products remained steady throughout the year 2012.

In Singapore and Malaysia, we also recorded a growth in both revenue and profit in 2012. The success was mainly due to the OEM car audio business and the continuous steady growth of air-conditioning markets in these regions.

Fashion Apparels and Accessories

The business consists of the distribution of our men's wear brand "V-one" and fashionable watches, namely "D&G", "Moschino", "Vivienne Westwood", "Jorg Gray" and "Braun".

2012 continued to be a difficult year for our men's wear brand "V-one" in Mainland China. Due to the austerity measures adopted by the central government, local consumption was weakened and our apparel business was under great pressure.

Our watch business in Hong Kong recorded a double-digit growth whilst our watch business in Mainland China was not satisfactory due to the retreat of the D&G brand from the market.

HUMAN RESOURCES

At the end of 2012, the total number of employees of the Group, excluding associates, was 431 (2011: 464).

The management is committed to staff training and development to ensure that the standard of our employees remains competitive in the marketplace. Leadership training seminars for our managerial and supervisory staff were conducted during the year to enhance their skills and spirits of co-operation. We are confident that our employees will continue to grow with the business and contribute their best to the Group.

The Company was awarded the Caring Company Logo since 2010, launched by the Hong Kong Council of Social Service. This is the third consecutive year the Company awarded this logo. The Caring Company Logo is awarded to companies which demonstrate good corporate citizenship. It aims to promote corporate social responsibility through caring for community, employees and the environment. Both the Company and our staff are very proud to receive the honor.

EVENTS AFTER THE REPORTING PERIOD

Update on placing of Reverse Convertible Notes and Straight Bonds

On September 11, 2012, the Company entered into a placing agreement (the "Placing Agreement") with Freeman Securities Limited (the "Placing Agent") in respect of placing of unsecured reverse convertible notes (the "Reverse Convertible Notes") with an aggregate principal amount of HK$250,000,000 and unsecured straight bonds (the "Straight Bonds") with an aggregate principal amount of HK$250,000,000 to independent subscribers.

On December 24, 2012, the Company and the Placing Agent entered into a supplemental agreement to the Placing Agreement to, among others, extend the placing period and amend the obligations of the Placing Agent as a result of the demand from Ferrari Greater China (the "Principal") on imposing certain requirements on the subscribers taking shares of the Company (the "Shares") under the Reverse Convertible Notes.

Up to the date of this announcement, the Company is still in discussions with the Principal in respect of its requirements. The Company will further notify the shareholders of the Company (the "Shareholders") the results of such discussions and the consequential amendments to the instrument constituting the Reverse Convertible Notes. A special general meeting will be convened for approving, inter alia, a specific mandate to allot and issue Shares under the Reverse Convertible Notes with amendments to be made. For more details, please refer to the announcements of the Company dated September 12, 2012, December 24, 2012 and January 28, 2013 respectively and the circular of the Company dated November 9, 2012.

PROSPECTS

Looking forward, the Group intends to increase its focus on the premium car distribution in Greater China and more resources will be utilized to support this business segment.

Our order portfolio for "Ferrari" continues to grow healthily with a lead time of up to 2 years, whilst the profile of "Maserati" will continue to broaden. Both brands are expected to introduce exciting new models in the coming years to further expand their market dominance and reach for new clients.

Our electrical appliances business will work closely with our major suppliers such as "MHI" and "Alpine" in order to improve our market share and market positioning through innovative marketing and sales programs.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended December 31, 2012, the Company and its subsidiaries have not repurchased, sold or redeemed any of the Company's securities.

CORPORATE GOVERNANCE

Maintaining an effective corporate governance framework is one of the priorities of the Company. In the opinion of the Directors, the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") (known as Code on Corporate Governance Practices until March 31, 2012) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the year ended December 31, 2012, except Code Provisions A.2.1 and A.6.7 of the CG Code.

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Dr. Richard Man Fai LEE is the Executive Chairman and Chief Executive Officer of the Company. Dr. LEE has extensive experience in marketing consumer products and is responsible for the overall strategic planning and business development of the Group. The Board considers that vesting the roles of Chairman and Chief Executive Officer simultaneously by Dr. LEE is beneficial to the business prospects and management of the Group. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management. This is because the Board has adopted clear guidelines as to the power and authority of the Board and the management. There are guidelines as to the power and duties of Chief Executive Officer. The details were set out fully in the corporate governance report in the Company's 2005 annual report.

In addition, the Board which comprises experienced and high caliber individuals meets regularly to discuss issues and operation of the Group. The Board believes that this structure is conducive to strengthen and maintain consistent leadership, enabling the Group to make and implement decisions promptly and efficiently.

In respect of Code Provision A.6.7 of the CG Code, due to other engagements, two Independent Non-executive Directors ("INEDs") and the former Non-executive Director of the Company were unable to attend the annual general meeting of the Company held on May 28, 2012; two INEDs were unable to attend the special general meetings of the Company held on August 30, 2012 and November 26, 2012 respectively; and three INEDs were unable to attend the special general meeting of the Company held on October 3, 2012.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted a code of conduct for transactions in the Company's securities by the Directors that complies with the Model Code as set out in Appendix 10 to the Listing Rules. Followed specific enquiries by the Company, all Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended December 31, 2012.

AUDIT COMMITTEE REVIEW

The audit committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2012 including the accounting principles and practices adopted by the Group, and discussed the internal control and financial reporting matters during the review.

ANNUAL GENERAL MEETING

The annual general meeting of the Company ("Annual General Meeting") will be held on May 30, 2013. For details of the Annual General Meeting, please refer to the notice of Annual General Meeting, which will be despatched to the Shareholders in due course.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.autoitalia.com.hk). The annual report will be despatched to the Shareholders and available on the above websites in due course.

By order of the Board
AUTO ITALIA HOLDINGS LIMITED
Dr. Richard Man Fai LEE
Executive Chairman & CEO

Hong Kong, March 26, 2013

At the date of this announcement, the Board comprises of Dr. Richard Man Fai LEE (Executive Chairman and Chief Executive Officer), Mr. Jeff Man Bun LEE, Mr. Tik Tung WONG and Mr. William Keith JACOBSEN, all of whom are Executive Directors, Mr. Boon Seng TAN, Mr. Ying Kwan CHEUNG, Mr. Peter Pi Tak YIN and Dr. Antonio Maria SANTOS, all of whom are Independent Non-executive Directors.

* *for identification purposes only*