AUTO ITALIA

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 720)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014 AND RESIGNATION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The directors (the "Directors") of Auto Italia Holdings Limited (the "Company") are pleased to announce that the unaudited condensed consolidated results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2014 were as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2014

		Six months ended 30 June	
	Notes	**2014** ***HK$'000*** **(unaudited)**	2013 *HK$'000* (unaudited) (restated)
Continuing operations			
Revenue	*3*	**582,273**	560,201
Cost of sales		**(452,088)**	(445,949)
Gross profit		**130,185**	114,252
Other income		**9,005**	6,156
Other gains and losses	*4*	**(1,316)**	1,295
Selling and distribution cost		**(73,753)**	(64,690)
Administrative expenses		**(52,631)**	(42,300)
Finance costs	*5*	**(3,376)**	(7,005)
Profit before taxation		**8,114**	7,708
Taxation	*7*	**(1,942)**	(5,590)
Profit for the period from continuing operations	*6*	**6,172**	2,118
Discontinued operations			
Loss for the period from discontinued operations	*13*	**–**	(1,617)
Profit for the period		**6,172**	501

* *For identification purpose only*

	Notes	Six months ended 30 June **2014** ***HK$'000*** **(unaudited)**	2013 *HK$'000* (unaudited) (restated)
Profit (loss) for the period attributable to:			
Owners of the Company			
– from continuing operations		**1,844**	606
– from discontinued operations		**–**	(1,824)
Profit (loss) for the period attributable to owners of the Company		**1,844**	(1,218)
Non-controlling interests			
– from continuing operations		**4,328**	1,512
– from discontinued operations		**–**	207
Profit for the period attributable to non-controlling interests		**4,328**	1,719
		6,172	501
Earnings (loss) per share attributable to the owners of the Company			
From continuing and discontinued operations			
– Basic and diluted	*8*	**HK0.06 cent**	HK(0.04) cent
From continuing operations			
– Basic and diluted	*8*	**HK0.06 cent**	HK0.02 cent

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Profit for the period	**6,172**	501
Other comprehensive income (expense)		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**395**	(300)
Other comprehensive income (expense) for the period	**395**	(300)
Total comprehensive income for the period	**6,567**	201
Total comprehensive income (expense) attributable to:		
Owners of the Company	**2,142**	(1,557)
Non-controlling interests	**4,425**	1,758
	6,567	201

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	At 30 June 2014 HK$'000 (unaudited)	At 31 December 2013 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**34,919**	45,207
Investment properties		**44,700**	44,700
Goodwill		**2,480**	2,480
Rental deposits		**10,487**	10,531
		92,586	102,918
Current assets			
Inventories		**166,298**	206,051
Tax recoverables		**2,381**	2,381
Trade and other receivables	*10*	**145,766**	38,695
Pledged bank deposits		**63,148**	73,247
Bank balances and cash		**240,248**	269,387
		617,841	589,761
Current liabilities			
Trade and other payables	*11*	**372,413**	311,777
Tax payable		**1,572**	674
Amount due to a related company		**–**	26,000
Bank and other borrowings	*12*	**101,990**	186,322
Obligations under finance leases		**149**	149
		476,124	524,922
Net current assets		**141,717**	64,839
Total assets less current liabilities		**234,303**	167,757

	Note	At 30 June 2014 *HK$'000* (unaudited)	At 31 December 2013 *HK$'000* (audited)
Capital and reserves			
Share capital		**69,189**	59,189
Reserves		**142,696**	89,677
Equity attributable to owners of the Company		**211,885**	148,866
Non-controlling interests		**13,143**	8,718
Total equity		**225,028**	157,584
Non-current liabilities			
Bank and other borrowings	*12*	**9,126**	9,950
Obligations under finance leases		**149**	223
		9,275	10,173
		234,303	167,757

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the import, marketing and distribution, and provision of after-sales service of Italian "Ferrari" and "Maserati" branded cars in Hong Kong and Macau, the provision of pre-delivery inspection service in Shanghai, the PRC as well as provision of financing and property investment.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" 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").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, a new Interpretation and certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period except that the Group has adopted the amendment to HKAS 36 "Recoverable amount disclosures for non-financial assets" since the financial year beginning on 1 January 2013.

The application of the new Interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Impact of the application of HKFRS 10

In prior period, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated financial statements", HKFRS 11 "Joint arrangements", HKFRS 12 "Disclosure of interests in other entities", HKAS 27 (as revised in 2011) "Separate financial statements" and HKAS 28 (as revised in 2011) "Investments in associates and joint ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) - INT 12 "Consolidation - Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee; b) it is exposed, or has rights, to variable returns from its involvement with the investee; and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. HKFRS 10 contains detailed guidance regarding whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee.

Specifically, the Group has a 49.77% ownership interest in China Premium Lifestyle Enterprise, Inc. ("CPLY") which has a wholly-owned subsidiary CPMM (Asia) Limited ("CPMM"). CPLY is listed on OTC Bulletin Board in the United States of America. The Group's 49.77% ownership interest in CPLY gives the Group the same percentage of the voting rights in CPLY. The Group's 49.77% ownership interest in CPLY was acquired in July 2006 under a group reorganisation and there has been no change in the Group's ownership in CPLY since then. The remaining 50.23% of the ordinary shares of CPLY are owned by two individuals each holding not more than 15% and over 40 shareholders, none individually holding more than 6%.

The directors of the Company made an assessment of the application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over CPLY in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that it has had control over CPLY since the acquisition in July 2006 on the basis of the Group's absolute size of holding in CPLY and the relative size of and dispersion of the shareholdings owned by the other shareholders. Therefore, in accordance with the requirements of HKFRS 10, CPLY, together with its subsidiary, CPMM, have been subsidiaries of the Company since July 2006. Previously, CPLY was treated as an associate of the Group and accounted for using the equity method of accounting.

Comparative amounts for 2013 have been restated in accordance with the relevant transitional provisions set out in HKFRS 10 (see the tables below for details).

Summary of the effects of the above changes in accounting policy

In accordance with the transitional provisions under HKFRS 10, the effects of changes in accounting policy described above are set out as follows:

Impact on profit for the period of the application of HKFRS 10

	Six months ended 30 June 2013 *HK$'000*
Increase in administration expenses and decrease in profit for the period	(1,436)
Decrease in profit for the period from continuing operations attributable to:	
Owners of the Company	(715)
Non-controlling interests	(721)
	(1,436)

Impact on equity as at 1 January 2013

	As at 1 January 2013 (originally stated) *HK$'000*	HKFRS 10 Adjustments *HK$'000*	As at 1 January 2013 (restated) *HK$'000*
Accumulated losses	(89,714)	(62,942)	(152,656)
Non-controlling interests	18,280	(10,200)	8,080
Total effects on equity	(71,434)	(73,142)	(144,576)

Impact on cash flows for the six months ended 30 June 2013

	HKFRS 10 adjustments *HK$'000*
Decrease in net cash inflow from operating activities	(1,436)

Impact on basic and diluted loss per share from continuing and discontinued operations

	Six months ended 30 June 2013 *HK cent*
Figure before adjustments	(0.02)
Adjustments from the impact of HKFRS 10	(0.02)
Figure after adjustments	(0.04)

Impact on basic and diluted earnings (loss) per share from continuing operations

	Six months ended 30 June 2013 *HK cent*
Figure before adjustments	0.04
Adjustments from the impact of HKFRS 10	(0.02)
Figure after adjustments	0.02

3. SEGMENT INFORMATION

During the six months ended 30 June 2014, the Group has new operating segments under "Others" and the operating segments under HKFRS 8 are as follows:

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

(ii) Others – Provision of financing and property investment

During the second half of the year ended 31 December 2013, the operating and reportable segments of "electrical appliance", "fashion apparels and accessories", "others" were discontinued. Accordingly, the segment information reported below for the six months ended 30 June 2013 has restated retrospectively and does not include any amounts for these discontinued operations which are described with more details in Note 13.

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

Six months ended 30 June 2014 (unaudited)

	Cars	Others	Total
	HK$'000	*HK$'000*	*HK$'000*
SEGMENT REVENUE			
Group revenue	**580,132**	**2,141**	**582,273**
SEGMENT RESULTS			
Segment profit from continuing operations	**21,541**	**2,033**	**23,574**
Interest income			**515**
Unallocated corporate expenses			**(12,599)**
Finance costs			**(3,376)**
Profit before taxation from continuing operations			**8,114**

Six months ended 30 June 2013 (unaudited and restated)

	HK$'000
SEGMENT REVENUE	
Group revenue – Cars	560,201
SEGMENT RESULTS	
Segment profit from continuing operations – Cars	21,888
Interest income	459
Unallocated corporate expenses	(7,634)
Finance costs	(7,005)
Profit before taxation from continuing operations	7,708

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

Segment assets and liabilities

At 30 June 2014 (unaudited)

	Cars *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Assets			
Segment assets	**274,776**	**65,095**	**339,871**
Bank balances and cash			**240,248**
Pledged bank deposits			**63,148**
Unallocated corporate assets			**67,160**
Consolidated assets			**710,427**
Liabilities			
Segment liabilities	**360,696**	**–**	**360,696**
Bank and other borrowings			**111,116**
Unallocated corporate liabilities			**13,587**
Consolidated liabilities			**485,399**

At 31 December 2013 (audited)

	HK$'000
Assets	
Segment assets – Cars	303,030
Bank balances and cash	269,387
Pledged bank deposits	73,247
Unallocated corporate assets	47,015
Consolidated assets	692,679
Liabilities	
Segment liabilities – Cars	333,155
Bank and other borrowings	196,272
Unallocated corporate liabilities	5,668
Consolidated liabilities	535,095

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Reversal of impairment loss (impairment loss) on trade and other receivables, net	**346**	(116)
(Loss) gain on disposal of property, plant and equipment	**(1,404)**	904
Net foreign exchange (loss) gain	**(258)**	507
	(1,316)	1,295

5. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Interests on bank and other borrowings		
– wholly repayable within five years	**3,266**	6,878
– wholly repayable after five years	**104**	121
Interests on finance leases	**6**	6
	3,376	7,005

6. PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

Profit for the period from continuing operations has been arrived at after charging (crediting):

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Cost of inventories recognised as expense	**452,088**	445,949
Depreciation of property, plant and equipment	**8,943**	10,103
(Reversal of allowance) allowance for inventories (included in cost of sales)	**(24,811)**	469

7. TAXATION

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Continuing operations		
Current tax:		
Hong Kong	**–**	5,052
Other jurisdictions	**1,942**	538
	1,942	5,590

8. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Profit (loss) for the period attributable to owners of the Company and profit (loss) for the purpose of calculating basic and diluted earnings (loss) per share	**1,844**	(1,218)

Number of shares

	Six months ended 30 June	
	2014	2013
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings (loss) per share	**3,243,982,647**	2,959,452,260

The computation of diluted loss per share for both continuing and discontinued operations for the six months ended 30 June 2013 does not assume the exercise of the Company's outstanding share options because the exercise of the share options would result in a decrease in loss per share. There are no outstanding potential ordinary shares during the six months ended 30 June 2014.

From continuing operations

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

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Profit (loss) for the period attributable to owners of the Company	**1,844**	(1,218)
Less: Loss for the period from discontinued operations	**–**	(1,824)
Profit (loss) for the purposes of calculating basic and diluted earnings (loss) per share from continuing operations	**1,844**	606

The denominators used are the same as those detailed above for basic and diluted loss per share from continuing and discontinued operations.

From discontinued operations

For the six months ended 30 June 2013, basic and diluted loss per share from discontinued operations is HK0.06 cent based on the loss for the period of HK$1,824,000 and the denominators detailed above for both basic and diluted loss per share from continuing and discontinued operations.

9. DIVIDEND

No dividend was paid, declared or proposed during the interim period. The directors of the Company have determined that no interim dividend will be paid for the six months ended 30 June 2014 (2013: Nil).

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2014 *HK$'000* (unaudited)	At 31 December 2013 *HK$'000* (audited)
Trade receivables	**18,506**	12,845
Less: Allowance for doubtful debts	**(1,655)**	(2,001)
	16,851	10,844
Purchase deposits	**36,924**	9,922
Loan receivable	**17,955**	–
Utility and rental deposits	**2,669**	2,046
Prepayments and other receivables	**71,367**	15,883
	145,766	38,695

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:

	At 30 June 2014 *HK$'000* (unaudited)	At 31 December 2013 *HK$'000* (audited)
0 – 30 days	**11,403**	3,751
31 – 60 days	**2,317**	4,157
61 – 90 days	**649**	649
91 days to 1 year	**2,482**	2,258
Over 1 year	**–**	29
	16,851	10,844

11. TRADE AND OTHER PAYABLES

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

	At 30 June 2014 *HK$'000* **(unaudited)**	At 31 December 2013 *HK$'000* (audited)
0 – 30 days	**48,121**	23,377
31 – 60 days	**1,234**	1,091
61 – 90 days	**522**	234
91 days to 1 year	**66**	31
Over 1 year	**742**	749
	50,685	25,482

	At 30 June 2014 *HK$'000* **(unaudited)**	At 31 December 2013 *HK$'000* (audited)
Trade and bills payables	**50,685**	25,482
Deposits received from customers	**252,374**	201,529
Advance payments from customers	**20,578**	44,886
Accrued charges	**18,713**	20,421
Other payables	**30,063**	19,459
	372,413	311,777

12. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained several new bank loans from various banks amounting to approximately HK$276,842,000 (six months ended 30 June 2013: HK$504,061,000) and repaid approximately HK$361,371,000 (six months ended 30 June 2013: HK$554,896,000). The new loans carry interest at variable market rates ranging from 1.86% to 6.25% (six months ended 30 June 2013: 1.70% to 6.72% per annum).

13. DISCONTINUED OPERATIONS

On 23 October 2013, the Company signed a disposal agreement with Victor Glory Holdings Limited, to dispose the entire issued share capital of Wo Kee Hong (B.V.I.) Limited ("WKH (BVI)"), a wholly-owned subsidiary of the Company, at a consideration of HK$112,574,000. The disposal was completed on 30 December 2013. WKH (BVI) and its subsidiaries are principally engaged in the import, distribution and after-sales service of electrical appliances, distribution of fashion apparels and accessories and motor yacht ("Non-car Business") and these operations were also discontinued. Comparative amounts for the six months ended 30 June 2013 have been restated retrospectively.

The loss for the period from discontinued operations is set out below. The comparative figures in the consolidated statement of profit or loss have been restated to re-present the Non-car Business as discontinued operations.

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss of Non-car Business for the period	–	(1,617)

The results of the discontinued operations included in the loss for the period are set out below.

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period from discontinued operations is analysed as follows:		
Revenue	–	179,618
Cost of sales	–	(132,894)
Other income and expenses	–	3,034
Other gains and losses	–	(1,608)
Selling and distribution costs	–	(23,241)
Administrative expenses	–	(24,782)
Finance costs	–	(1,608)
	–	(1,481)
Taxation	–	(136)
Loss for the period from discontinued operations	–	(1,617)

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period from discontinued operations have been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**–**	1,198
Cost of inventories recognised as expense	**–**	132,894
Reversal of allowance for inventories (included in cost of sales)	**–**	(1,386)

14. EVENTS AFTER THE REPORTING PERIOD

(1) Pursuant to the purchase agreement dated 8 July 2014, CPLY Acquisition Corp., an indirect wholly-owned subsidiary of the Group, has conditionally agreed to purchase an aggregate of 9,879,389 shares, representing approximately 40.27% equity interest of CPLY from six of the shareholders of CPLY, at a total consideration of approximately US$839,749 (equivalent to approximately HK$6,550,042) (the "Acquisition"). The Acquisition was completed on 26 August 2014 and accounted for as equity transaction when this change in the Group's ownership interests in CPLY does not result in the Group losing control over CPLY. Upon the completion, the Company holds indirectly 90.04% equity interest of CPLY.

(2) In August 2014, the Company proposed an open offer of 1,729,726,130 shares at a subscription price of HK$0.065 per new share on the basis of one new share for every two existing shares on 15 August 2014 (the "Open Offer"), The estimated net proceeds from the Open Offer are expected to be approximately HK$110,000,000. Details of the Open Offer are set out in the Company's prospectus dated 18 August 2014. Up to the date of approving the issuance of these condensed consolidated financial statements, the Open Offer has not yet been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2014, the Group's revenue was HK$582.3 million, increased by 3.9% as compared to HK$560.2 million, the same period in 2013 (restated).

Gross Profit and Gross Profit Margin

The gross profit margin increased by 2.0 percentage point to 22.4% from 20.4% for the first half of 2013. Accordingly, our gross profit increased to HK$130.2 million from HK$114.3 million in the first half of 2013 (restated). The increase in gross profit and gross profit margin was mainly contributed by the increase in after-sales service income.

Selling and Distribution Costs and Administrative Expenses

Selling and distribution costs and administrative expenses in the first half of 2014 aggregated to HK$ 126.4 million (2013 (restated): HK$107.0 million), accounted for 21.7% (2013 (restated): 19.2%) of revenue. This net increase of HK$19.4 million was mainly due to an one-off staff redundancy cost for the closure of our Nanjing operations, increase in staff cost in Hong Kong as well as the rental cost in our Shanghai operation.

Finance Costs

For the first half of 2014, the Group's recorded finance costs of HK$3.4 million, representing a year-on-year decrease of HK$3.6 million, which mainly reflected the improved cash position of the Group.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company for the period ended 30 June 2014 was HK$1.8 million (2013 (restated): loss of HK$1.2 million).

FINANCIAL POSITION

Liquidity and financial resources

The Group has been 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.

On 7 March 2014, the Company entered into an agreement with a placing agent for a private placement to not less than six independent investors of 500,000,000 shares of HK$0.02 each in the Company, at a price of HK$0.125 per shares. The placement was completed on 20 March 2014 and the net proceeds of approximately HK$60.8 million have been applying for the general working capital of the Group.

Cash and cash equivalents (including pledged bank deposits) at 30 June 2014 were HK$303.4 million, representing a net decrease of HK$39.2 million as compared with the cash and cash equivalents balance of HK$342.6 million as at 31 December 2013. The decrease was attributable to: (1) cash inflows from operating activities amounting to HK$13.6 million, (2) cash inflows from investing activities amounting to HK$10.5 million, (3) net cash outflows from financing activities amounting to HK$53.0 million, mainly attributable to the net repayment of bank borrowings and a loan from a related party of HK$84.5 million and HK$26 million, respectively, which was partly offset by the net proceeds from the share placement of HK$60.9 million.

The Group had total borrowings at 30 June 2014 amounting to HK$111.1 million (31 December 2013: HK$222.3 million), including long term borrowings of HK$9.1 million (31 December 2013: HK$9.9 million).

As at 30 June 2014, the Group maintained a net cash position of HK$192.3 million (31 December 2013: net cash position of HK$120.3 million). The current ratio was 1.3 (31 December 2013 : 1.12), based on current assets of HK$617.8 million (31 December 2013: HK$589.8 million) and current liabilities of HK$476.1 million (31 December 2013: HK$524.9 million).

The Group had trading facilities at 30 June 2014 amounting to HK$284.4 million (31 December 2013: HK$410.8 million) of which HK$162.4 million (31 December 2013: HK$243.7 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 period, the Group had not entered into any forward exchange contracts. There were no outstanding foreign exchange contracts at 30 June 2014 and 31 December 2013.

Pledge of Assets

Certain of the Group's properties, inventories, cash deposits and all assets of certain subsidiaries were pledged as at 30 June 2014 in an aggregate amount of HK$115.1 million (31 December 2013: HK$176.0 million) to secure loans and facilities granted.

Capital Commitments and Contingent Liabilities

The Group had no material capital commitments and contingent liabilities at 30 June 2014 (31 December 2013: Nil).

BUSINESS REVIEW

Ferrari

Ferrari sales in the first half of 2014 started slowly as compared to corresponding period in 2013. This is due to California 30 model ceased production and the replacement California T model will only have allocation for Hong Kong market at the fourth quarter of 2014. The launch of this model took place in May this year and was well received with orders taken to start delivery forecasted at the first quarter of 2015. The 458 Speciale that was launched last year with expected delivery gradually to increase in the second half of this year.

Maserati

The Maserati sales has performed well in the first half of 2014 as compared to the same period of 2013 with a growth of more than two folds in unit sales. The new Ghibli, the brand's first mid-sized luxury sport sedan which was launched in January 2014, has been well received by our customers and the public. The portfolio in all model range remains strong and we anticipate that the brand will achieve an overall segment share of over 10% in 2014.

Besides the successful launch of the new Ghibli, the Group has also made a massive effort in marketing for brand building and sales support in the first half of 2014. The result has proven to be successful with the brand awareness in the market and sales growth. A series of marketing activities are in the pipeline to be rolled-out in the second half of the year, such as Maserati Owner Club, Maserati China Drive and Maserati Centennial celebration. The objective is to further enhance the brand image, value and the customer base for the preparation of more new models, such as the SUV, to come in the nearest future.

After-sales Service

The after-sales service revenue for the first half of 2014 grew by 23.4% as compared to the same period in 2013, which was mainly benefited from the increase in service income from our pre-delivery inspection center in Shanghai. For the first half of 2014, the Group has completed the expansion of its facilities in Shanghai for meeting the anticipated increase in importation of new cars into mainland China.

Human Resources

As at 30 June 2014, the Group had 187 staff.

The management is committed to continuous staff training and development to ensure the standard of our employees remains competitive in the marketplace. We are confident that our employees will continue to grow with the business and contribute their best to the Group.

PROSPECTS

To increase the overall service capacity and efficiency, the Group will set up a new after-sales service facility together with a new car pre-delivery inspection center with area over 60,000 square feet in the New Territories and will commence to provide comprehensive body and paint services in 2015. It is expected that the new set up will increase the overall service capacity by 100% as compared to the current service capacity. The existing facility in Shatin will also be renovated and expanded to further increase the overall capacity for its mechanical services. Furthermore, a new Maserati showroom is planned to set up in 2015, which will be the first Maserati showroom of the Company in the Kowloon area. Our objective is always to ensure high customer satisfaction which is today’s key to success in the service sector.

Looking forward, the Group's order portfolio for Ferrari continues to remain strong with the 458 Speciale and the new California T with an average overall lead-time of just under a year, whilst the profile of Maserati will continue to broaden. Both brands are introducing exciting new models, includes Ferrari's next 'Supercar', the LaFerrari and the 458 limited production Speciale Spider, Maserati new Sport Utility Vehicle, Levante and the Alfieri in the coming years to further expand their market dominance and targeting for new clients.

Events after the Reporting Period

a) *Acquisition of an aggregate of approximately 40.27% of China Premium Lifestyle Enterprise, Inc. ("CPLY") and proposed merger of CPLY Acquisition Corp. ("CPLY NewCo") and CPLY*

On 8 July 2014, CPLY NewCo, a wholly-owned subsidiary of the Company, conditionally agreed to purchase an aggregate of 9,879,389 shares of CPLY ("CPLY Shares"), a company incorporated in the United States of America (the "US"), and an indirect non wholly-owned subsidiary of the Company, from the six sellers their respective number of CPLY Shares which in aggregate amount to 9,879,389 CPLY Shares, representing approximately 40.27% of the total CPLY Shares in issue (the "Acquisition").

The total consideration for the Acquisition was approximately US$839,749 (equivalent to approximately HK$6,550,042) which was satisfied wholly in cash and the Acquisition was completed on 26 August 2014. Upon the completion, CPLY NewCo holds 90.04% of the total CPLY Shares in issue.

On 8 July 2014, the Company approved the adoption of a merger plan under which, after the completion, the Company will merge CPLY NewCo with and into CPLY in accordance with the applicable laws of the State of Nevada, the US (the "Merger"). As of the effective date of the Merger, CPLY will be an indirect wholly-owned subsidiary of the Company. Details of the Acquisition and the Merger are set out in the Company's announcement dated 8 July 2014.

b) *Proposed open offer of 1,729,726,130 new shares (the "Offer Shares") on the basis of one (1) offer share for every two (2) existing shares of the Company and change of board lot size*

On 25 July 2014, the Company proposed to raise approximately HK$112.4 million before expenses by issuing 1,729,726,130 Offer Shares at the Price of HK$0.065 per Offer Share on the basis of 1 Offer Share for every 2 existing shares of the Company held on 15 August 2014 (the "Open Offer") and payable in full on application. Moreover, the Board also proposed to change the board lot size for trading of the shares of the Company from 12,500 Shares to 25,000 Shares (the "Change of Board Lot Size") with effect from 11 September 2014.

The estimated net proceeds of the Open Offer are expected to be approximately HK$110 million. The Company intends to apply such net proceeds from the Open offer (i) as to approximately HK$35 million for repayment of its current outstanding bank loans; (ii) as to approximately HK$65 million for expansion of its existing business and/or future investments in properties as and when opportunities arise; and (iii) any remaining net proceeds will be for the general working capital of the Group and/or short term investments.

The Open Offer is scheduled to be completed on or before 10 September 2014. Details of the Open Offer and Change of Board Lot Size are set out in the Company's prospectus dated 18 August 2014.

INTERIM DIVIDENDS

The board of the directors of the Company (the "Board") does not recommend payment of an interim dividends for the six months ended 30 June 2014 (2013: Nil).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2014, 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") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the six months ended 30 June 2014, 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.

Mr. Chong Tin Lung Benny ("Mr. Chong") is the Executive Chairman and the Chief Executive Officer of the Company. Mr. Chong has extensive experience in corporate management and securities investments and is responsible for the overall corporate strategies, planning and business development of the Group. The Board considers that 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 Company shall nevertheless review the structure from time to time in light of the prevailing circumstances.

In respect of Code Provision A.6.7 of the CG Code, due to another engagement, one of the Independent Non-executive Directors (the "INEDs") was unable to attend the annual general meeting of the Company held on 21 May 2014 (the "AGM").

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. 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 six months ended 30 June 2014.

RESIGNATION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The Board announces that Mr. Tan Boon Seng ("Mr. Tan") has tendered his resignation as an INED with effect from 29 August 2014 due to his decision to devote more time to his other personal commitments.

Following the resignation of Mr. Tan, he will also cease to be the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Company with effect from 29 August 2014.

Mr. Tan confirmed that he has no disagreement with the Board and there are no other matters with respect to his resignation that need to be brought to the attention of the shareholders of the Company or the Stock Exchange. The Board would like to take this opportunity to express its sincerest gratitude to Mr. Tan for his valuable contribution to the Company during his tenure of office.

COMPLIANCE WITH THE LISTING RULES

Following the resignation of Mr. Tan, the Company has only two INEDs and two audit committee members, the number of which falls below the minimum number required under Rule 3.10(1), Rule 3.10A and Rule 3.21 of the Listing Rules. In addition, the remuneration committee is not chaired by an INED, contrary to Rule 3.25 of the Listing Rules.

The Company is endeavouring to identify a suitable candidate to fill the vacancy as soon as practicable within three months from the date of resignation of Mr. Tan pursuant to Rule 3.11, Rule 3.23 and rule 3.27 of the Listing Rules. The Company will make a further announcement as and when appropriate.

REVIEW OF INTERIM RESULTS

Following the resignation of Mr. Tan as an INED, the Company's Audit Committee comprises Mr. Kong To Yeung Frankie (the Chairman of the Audit Committee) who has appropriate professional qualifications, accounting and related financial management expertise and Dr. Antonio Maria Santos, both of whom are INEDs as at the date hereof. The principal responsibilities of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. The interim results of the Group for the six months ended 30 June 2014 have not been audited but they have been reviewed by Deloitte Touche Tohmatsu, the auditor of the Company, and the Audit Committee.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on the websites of Hong Kong Exchanges and Clearing Limited ("HKEx") (www.hkex.com.hk) and the Company (www.autoitalia.com.hk). The interim report of the Company for the six months ended 30 June 2014 will be dispatched to shareholders of the Company and published on the websites of HKEx and the Company in due course.

By Order of the Board
Auto Italia Holdings Limited
Chong Tin Lung Benny
Executive Chairman and Chief Executive Officer

Hong Kong, 29 August 2014

As at the date of this announcement, the Board comprises Mr. Chong Tin Lung Benny (Executive Chairman and Chief Executive Officer), Mr. William Keith Jacobsen and Mr. Lam Chi Yan, all of whom are executive Directors; and Dr. Antonio Maria Santos and Mr. Kong To Yeung Frankie, both of whom are independent non-executive Directors.