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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 31 DECEMBER 2014

The directors (the “Directors”) of Auto Italia Holdings Limited (the “Company”) hereby announce the audited consolidated results of the Company and its subsidiaries (together, the “Group”) for the year ended 31 December 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Year ended 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Continuing operations			
Revenue	4	1,095,363	1,182,788
Cost of sales		<u>(847,583)</u>	<u>(989,973)</u>
Gross profit		247,780	192,815
Other income	5	39,329	19,081
Other gains and losses	6	(2,579)	617
Selling and distribution costs		(139,415)	(151,553)
Administrative expenses		(95,287)	(90,554)
Finance costs	7	<u>(5,881)</u>	<u>(13,068)</u>
Profit (loss) before taxation		43,947	(42,662)
Taxation	8	<u>(7,642)</u>	<u>(2,437)</u>
Profit (loss) for the year from continuing operations	9	<u>36,305</u>	<u>(45,099)</u>
Discontinued operations			
Loss for the year from discontinued operations	10	<u>–</u>	<u>(10,563)</u>
Profit (loss) for the year		<u>36,305</u>	<u>(55,662)</u>

* For identification purposes only

	<i>Note</i>	2014 HK\$'000	2013 HK\$'000
Profit (loss) for the year attributable to:			
Owners of the Company			
– from continuing operations		27,576	(36,916)
– from discontinued operations		<u>–</u>	<u>(11,126)</u>
Profit (loss) for the year attributable to owners of the Company		<u>27,576</u>	<u>(48,042)</u>
Non-controlling interests			
– from continuing operations		8,729	(8,183)
– from discontinued operations		<u>–</u>	<u>563</u>
Profit (loss) for the year attributable to non-controlling interests		<u>8,729</u>	<u>(7,620)</u>
		<u>36,305</u>	<u>(55,662)</u>
Earnings (loss) per share attributable to the owners of the Company	<i>11</i>		
From continuing and discontinued operations			
– Basic and diluted		<u>HK0.71 cent</u>	<u>HK(1.62) cents</u>
From continuing operations			
– Basic and diluted		<u>HK0.71 cent</u>	<u>HK(1.25) cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 December 2014

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the year	36,305	(55,662)
Other comprehensive income (expense):		
Items that may be subsequently reclassified to profit or loss:		
Reclassification adjustments relating to foreign operations disposed of during the year	–	2,865
Exchange differences arising on translation of foreign operations	269	(5,588)
	269	(2,723)
Item that will not be reclassified to profit or loss:		
Gain on property revaluation upon transfer to investment properties	–	15,620
Other comprehensive income for the year	269	12,897
Total comprehensive income (expense) for the year	<u>36,574</u>	<u>(42,765)</u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	27,774	(33,891)
Non-controlling interests	8,800	(8,874)
	<u>36,574</u>	<u>(42,765)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	<i>Notes</i>	2014 HK\$'000	2013 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		97,803	45,207
Investment properties	<i>12</i>	–	44,700
Goodwill	<i>13</i>	2,480	2,480
Rental deposits		10,997	10,531
		<u>111,280</u>	<u>102,918</u>
Current assets			
Inventories		138,570	206,051
Tax recoverables		1,072	2,381
Trade and other receivables	<i>14</i>	104,978	38,695
Loan receivables	<i>15</i>	79,270	–
Pledged bank deposits		58,896	73,247
Bank balances and cash		269,915	269,387
		<u>652,701</u>	<u>589,761</u>
Current liabilities			
Trade and other payables	<i>16</i>	308,497	311,777
Tax payable		3,581	674
Amount due to a related company	<i>17</i>	–	26,000
Bank and other borrowings		84,288	186,322
Obligations under finance leases		149	149
		<u>396,515</u>	<u>524,922</u>
Net current assets		<u>256,186</u>	<u>64,839</u>
Total assets less current liabilities		<u>367,466</u>	<u>167,757</u>

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Capital and reserves		
Share capital	103,784	59,189
Reserves	255,312	89,677
	<hr/>	<hr/>
Equity attributable to owners of the Company	359,096	148,866
Non-controlling interests	–	8,718
	<hr/>	<hr/>
Total equity	359,096	157,584
	<hr/>	<hr/>
Non-current liabilities		
Bank and other borrowings	8,296	9,950
Obligations under finance leases	74	223
	<hr/>	<hr/>
	8,370	10,173
	<hr/>	<hr/>
	367,466	167,757
	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL

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 aftersales 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied the following amendments to HKFRSs and a new Interpretation issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKFRS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of agriculture and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

The application of the amendments to HKFRSs and a new Interpretation 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.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers ²
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ⁴
Amendments to HKAS 1	Disclosure initiative ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ⁴
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ⁴
Amendments to HKAS 19	Defined benefit plans: Employee contributions ³
Amendments to HKAS 27	Equity method in separate financial statements ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ⁴
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle ⁵
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle ³
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle ⁴

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

The Directors do not anticipate that the above new and revised HKFRSs will have a material effect on the Group's consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the chief operating decision maker ("CODM"), being the executive Directors, for the purposes of resource allocation and assessment of segment performance, focuses on the types of goods or services provided.

During the year ended 31 December 2013, the operating and reportable segments of "electrical appliances", "fashion apparels and accessories", "others" were discontinued. Accordingly, the segment information reported below does not include any amounts for these discontinued operations.

During the year ended 31 December 2014, the Group has two new operating segments as "Financial services" and "Other" and the operating segments under HKFRS 8 are as follows:

- (i) Cars – Trading of cars and related accessories and provision of car repairing services;
- (ii) Financial services – Provision for financing and corporate finance services; and
- (iii) Other – Property investment.

Segment profit represents the profit earned by each segment without allocation of interest income from bank deposits/bank balances, certain unallocated corporate expenses and finance costs. This is the measure reported to CODM for the purpose of resource allocation and assessment of segment performance. The accounting policies of this segment are the same as the Group's accounting policies.

Segment revenue and results

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

For the year ended 31 December 2014

	Cars <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Other <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
SEGMENT REVENUE				
Group's revenue	<u>1,073,374</u>	<u>20,119</u>	<u>1,870</u>	<u>1,095,363</u>
SEGMENT RESULTS				
Segment profit from continuing operations	<u>35,009</u>	<u>19,194</u>	<u>1,777</u>	<u>55,980</u>
Interest income				1,639
Unallocated corporate expenses				(7,791)
Finance costs				<u>(5,881)</u>
Profit before taxation from continuing operations				<u>43,947</u>

For the year ended 31 December 2013

	Consolidated <i>HK\$'000</i>
SEGMENT REVENUE	
Group's revenue – Cars	<u>1,182,788</u>
SEGMENT RESULTS	
Segment loss from continuing operations – Cars	<u>(14,558)</u>
Interest income	962
Unallocated corporate expenses	(15,998)
Finance costs	<u>(13,068)</u>
Loss before taxation from continuing operations	<u>(42,662)</u>

Segment assets and liabilities

At 31 December 2014

	Cars HK\$'000	Financial services HK\$'000	Other HK\$'000	Consolidated HK\$'000
Assets				
Segment assets	<u>300,703</u>	<u>86,870</u>	<u>–</u>	<u>387,573</u>
Bank balances and cash				269,915
Pledged bank deposits				58,896
Tax recoverable				1,072
Unallocated corporate assets				<u>46,525</u>
Consolidated assets				<u>763,981</u>
Liabilities				
Segment liabilities	<u>304,086</u>	<u>–</u>	<u>–</u>	<u>304,086</u>
Bank and other borrowings				92,584
Tax payable				3,581
Unallocated corporate liabilities				<u>4,634</u>
Consolidated liabilities				<u>404,885</u>

At 31 December 2013

		Consolidated HK\$'000
Assets		
Segment assets – Cars		300,649
Bank balances and cash		269,387
Pledged bank deposits		73,247
Tax recoverable		2,381
Unallocated corporate assets		<u>47,015</u>
Consolidated assets		<u>692,679</u>
Liabilities		
Segment liabilities – Cars		332,481
Bank and other borrowings		196,272
Tax payable		674
Unallocated corporate liabilities		<u>5,668</u>
Consolidated liabilities		<u>535,095</u>

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

- all assets are allocated to operating segment other than corporate assets, tax recoverable, bank balances and cash and pledged bank deposits;
- all liabilities are allocated to operating segment other than corporate liabilities, tax payable, and bank and other borrowings.

Other segment information

For the year ended 31 December 2014

Continuing operations:

	Cars HK\$'000	Financial services HK\$'000	Other HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment result or segment assets					
Addition of property, plant and equipment	44,159	–	–	–	44,159
Depreciation of property, plant and equipment	(14,408)	–	(209)	(581)	(15,198)
(Loss) gain on disposal of property, plant and equipment	(814)	–	(6)	3	(817)
Impairment losses on trade and other receivables	(161)	–	–	–	(161)
Reversal of allowance (allowance) for inventories					
– People's Republic of China ("PRC")	23,653	–	–	–	23,653
– Hong Kong	(9,639)	–	–	–	(9,639)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 31 December 2013

Continuing operations:

	Cars HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment result or segment assets			
Addition of property, plant and equipment	36,155	216	36,371
Depreciation of property, plant and equipment	(19,317)	(1,775)	(21,092)
Gain on disposal of property, plant and equipment	1,023	–	1,023
Impairment losses on trade and other receivables	(3,208)	(3,214)	(6,422)
Allowance for inventories			
– People's Republic of China ("PRC")	(26,200)	–	(26,200)
– Hong Kong	(2,571)	–	(2,571)
Impairment losses on goodwill	(308)	–	(308)
	<u> </u>	<u> </u>	<u> </u>

Information about major customers

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

Geographical information

The Group's continuing operations are mainly located in Hong Kong, 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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Hong Kong	874,884	770,179
Mainland China	220,479	412,609
	<u>1,095,363</u>	<u>1,182,788</u>

The following is an analysis of the carrying amount of non-current assets analysed by the geographical area in which the assets are located:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Hong Kong	109,929	87,375
Mainland China	1,351	15,543
	<u>111,280</u>	<u>102,918</u>

4. REVENUE

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Sales of goods to customers, less returns and discounts	899,666	1,035,842
Maintenance service income	173,708	146,946
Financial service income	14,175	–
Interest income	5,944	–
Others	1,870	–
	<u>1,095,363</u>	<u>1,182,788</u>

5. OTHER INCOME

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Continuing operations		
Commission income	3,453	3,343
Interest income	1,639	962
Dividend income	3,695	–
Subsidies income from suppliers	20,190	7,362
Others	10,352	7,414
	<u>39,329</u>	<u>19,081</u>

6. OTHER GAINS AND LOSSES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Continuing operations		
Impairment losses on goodwill	–	(308)
Impairment losses on trade and other receivables, net	(161)	(6,422)
Net foreign exchange (losses) gains	(1,601)	6,324
(Loss) gain on disposal of property, plant and equipment	(817)	1,023
	<u>(2,579)</u>	<u>617</u>

7. FINANCE COSTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Continuing operations		
Interests on bank and other borrowings		
– wholly repayable within five years	5,668	12,825
– wholly repayable after five years	202	232
Interest on finance leases	11	11
	<u>5,881</u>	<u>13,068</u>

8. TAXATION

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Continuing operations		
Current tax		
Hong Kong	4,740	53
Other jurisdictions	<u>2,616</u>	<u>1,214</u>
	<u>7,356</u>	<u>1,267</u>
Under (over) provision in prior years		
Hong Kong	–	1,215
Other jurisdictions	<u>286</u>	<u>(45)</u>
	<u>286</u>	<u>1,170</u>
	<u>7,642</u>	<u>2,437</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the both years and the service income for the non-PRC subsidiary with permanent establishment in the PRC is subject to deemed profit tax rate of 20%.

9. PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit (loss) for the year from continuing operations has been arrived at after charging (crediting):		
Auditor’s remuneration	1,510	1,867
Depreciation of property, plant and equipment	15,198	21,092
Staff costs:		
Directors’ emoluments	7,415	6,494
Salaries and allowances	74,816	72,677
Share-based payments	1,330	–
Retirement benefits scheme contributions	2,405	2,712
	<u>85,966</u>	<u>81,883</u>
Cost of inventories recognised as expense	847,583	989,973
(Reversal of allowance) allowance for inventories (included in cost of inventories) (<i>Note</i>)	(14,014)	28,771
Operating lease payments in respect of rented properties	<u>55,168</u>	<u>54,620</u>

Note: The reversal allowance for the year ended 31 December 2014 is resulted from the subsequent sale of the relevant inventories.

10. DISCONTINUED OPERATIONS

On 23 October 2013, the Company signed a disposal agreement with Victor Glory Holdings Limited (the “Purchaser”), 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 and these operations were also discontinued accordingly.

The Purchaser is a company incorporated in the Cayman islands with limited liability which is wholly and beneficially owned by Dr. Richard Man Fai Lee, a substantial shareholder and an executive Director as at 23 October 2013, who subsequently resigned as a Director on 24 October 2013 and ceased to be substantial shareholder on 12 November 2013 after completion of the placing of his shares in the Company to independent places.

The loss for the year from discontinued operations was 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.

	2013 <i>HK\$'000</i>
Loss of Non-car Business for the year	(10,031)
Loss on disposal of Non-car Business	<u>(532)</u>
	<u><u>(10,563)</u></u>

The results of the discontinued operations included in the loss for the year were set out below.

	2013 <i>HK\$'000</i>
Loss for the year from discontinued operations was analysed as follows:	
Revenue	363,754
Cost of sales	(269,716)
Other income	5,181
Other gains and losses	(8,301)
Selling and distribution costs	(47,795)
Administrative expenses	(49,535)
Finance costs	<u>(3,312)</u>
	(9,724)
Taxation	<u>(307)</u>
Loss for the year from discontinued operations	<u><u>(10,031)</u></u>

11. 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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit (loss)		
Profit (loss) for the year attributable to owners of the Company and profit (loss) for the purpose of basic and diluted earnings (loss) per share	<u>27,576</u>	<u>(48,042)</u>

	2014 Number of shares	2013 Number of shares
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Number of shares

Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	<u>3,888,107,199</u>	<u>2,959,452,260</u>
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The computation of diluted loss per share for both continuing and discontinued operations for the year ended 31 December 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.

For the year ended 31 December 2014, the computation of diluted earnings per share does not assume the exercise of the share options granted since the exercise price of the share options outstanding was higher than average market price of the shares during the year.

From continuing operations

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit (loss) for the year attributable to owners of the Company	27,576	(48,042)
Less: Loss for the year from discontinued operations	<u>–</u>	<u>(11,126)</u>
Profit (loss) for the purposes of calculating basic and diluted earnings (loss) per share from continuing operations	<u>27,576</u>	<u>(36,916)</u>

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 year ended 31 December 2013, basic and diluted loss per share from discontinued operations is HK0.38 cents, based on the loss for the year from discontinued operations of HK\$11,126,000 and the denominators detailed above for both basic and diluted loss per share from continuing and discontinued operations.

12. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
Fair value	
At 1 January 2013	–
Transfer from property, plant and equipment	44,700
	<hr/>
At 31 December 2013	44,700
Transfer to property, plant and equipment	(44,700)
	<hr/>
At 31 December 2014	–
	<hr/>

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes were measured using the fair value model and were classified and accounted for as investment properties. The above investment properties as at 31 December 2013 comprised industrial buildings and carparks located in Hong Kong, held under medium-term leases. The fair value of the investment properties at the date of transfer and as at 31 December 2013 was under Level 3 of fair value hierarchy and based on the Directors' valuation taking into account the recent transaction price and adjusted for the relevant circumstances. The key input was the adjustment to the recent transaction price of 8.6%. A decrease in this adjustment would result in an increase in fair value measurement of the investment properties and vice versa.

In December 2014, the above investment properties was transferred to property, plant and equipment in view of a change of use evidenced by commencement of owner-occupation.

13. GOODWILL

	<i>HK\$'000</i>
Cost	
At 1 January 2013	33,379
Disposal of subsidiaries	<u>(30,591)</u>
At 31 December 2013 and 2014	<u>2,788</u>
Impairment	
At 1 January 2013	30,524
Impairment loss recognised in the year	308
Disposal of subsidiaries	<u>(30,524)</u>
At 31 December 2013 and 2014	<u>308</u>
Carrying values	
At 31 December 2013 and 2014	<u>2,480</u>

14. TRADE AND OTHER RECEIVABLES

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	45,889	12,845
Less: Allowance for doubtful debts	<u>(2,162)</u>	<u>(2,001)</u>
	43,727	10,844
Purchase deposits	35,612	9,922
Utility and rental deposits	5,720	2,046
Prepayments and other receivables	<u>19,919</u>	<u>15,883</u>
	<u>104,978</u>	<u>38,695</u>

Trade receivables

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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 30 days	29,040	3,751
31 to 60 days	7,647	4,157
61 to 90 days	4,652	649
91 days to 1 year	2,388	2,258
Over 1 year	—	29
	<u>43,727</u>	<u>10,844</u>

Ageing of trade receivables which are past due but not impaired:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
91 days to 1 year	2,388	2,258
Over 1 year	—	29
	<u>2,388</u>	<u>2,287</u>

15. LOAN RECEIVABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Fixed-rate loans	<u>79,270</u>	<u>-</u>

The outstanding loan receivables are due from third parties and carry an interest rate of 2.0% per month. The loans amounts of HK\$40,000,000 and HK\$39,270,000 will be repaid in March 2015 and November 2015 respectively. They are secured by listed securities in Hong Kong with fair values of HK\$143,632,000 and HK\$168,300,000 respectively. In February 2015, a supplemental agreement was entered by the subsidiary with the independent third party in which the maturity date of the loan of HK\$40,000,000 is extended to June 2015 and the interest rate remains unchanged.

The Group has a policy for allowance of doubtful debts which is based on the evaluation of collectability and aging analysis of accounts and on Directors' judgement, including the current creditworthiness of each debtor and the collaterals.

In determining the recoverability of the loan receivables, the Group considers any change in the credit quality of the loan receivables from the date credit was initially granted up to the end of the reporting period and the fair value of the securities pledged by the borrowers. The balances are neither past due nor impaired at the end of the reporting period for which the Group believes that the amounts are considered recoverable as the creditworthiness is satisfactory. Accordingly, the Directors believe that there is no further credit provision required.

16. TRADE AND OTHER PAYABLES

Trade and other payables comprise amounts outstanding for trade purposes and daily operating costs. The average credit period on purchase of goods is 30 – 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.

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	27,397	23,377
31 to 60 days	2,198	1,091
61 to 90 days	835	234
91 days to 1 year	–	31
Over 1 year	501	749
	<hr/>	<hr/>
Trade and bills payables	30,931	25,482
Deposits received from customers	186,485	201,529
Advance payments from customers	31,406	44,886
Accrued charges	18,185	20,421
Other payables	41,490	19,459
	<hr/>	<hr/>
	308,497	311,777
	<hr/>	<hr/>

17. AMOUNT DUE TO A RELATED COMPANY

On 16 July 2013, Auto Italia Limited (“AIL”), an effectively 75.4%-owned subsidiary of the Company, as borrower entered into a loan note with VMS Investment Group Limited (“VMSIG”) as lender in relation to a revolving loan facility in the amount of HK\$26 million (“Revolving Loan”). VMSIG is interested in approximately 23.81% of the issued share capital of the Company as at 31 December 2013. The Revolving Loan was unsecured and non-interest bearing. AIL shall notify VMSIG a proposed date of repayment for each drawdown which may be extended by VMSIG at its sole discretion at the request of AIL. The proceeds of the Revolving Loan was used to finance partially the purchase of the anticipated increase in scheduled delivery of new cars in the coming months as well as for the general working capital of car business of the Group. On 28 August 2013, AIL had drawn down the amount of HK\$26,000,000 which was fully repaid on 17 January 2014.

DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2014 (2013: Nil), nor has any dividend been proposed since the end of the reporting period (2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

CAR DIVISION

Revenue

For the year ended 31 December 2014, the Car division's revenue decreased by 9.2% to HK\$1,073.4 million (2013: HK\$1,182.8 million) mainly caused by the closure of the Nanjing dealership business.

In mainland China, excluding the impact of closure of Nanjing operation, the revenue generated from our pre-delivery inspection services in Shanghai increased two-fold to HK\$52.2 million due to increase in units of Maserati cars imported into the Mainland.

In Hong Kong, with increase in units of car sold, our revenue from this location recorded an increase of 10.7% to HK\$852.9 million (2013: HK\$770.2 million).

Cost of Sales and Gross Profit

Gross profit margin in 2014 recorded an increase from 16.3% in 2013 to 21.0%. Accordingly, our gross profit was increased from HK\$192.8 million in 2013 to HK\$225.8 million in 2014. The increase of HK\$33 million was mainly contributed by the introduction of new car models in 2014.

Other Income

For the year ended 31 December 2014, other income amounted to HK\$39.3 million (2013: HK\$19.1 million). The net increase of HK\$20.2 million was mainly contributed by the increase in subsidies income from our suppliers.

Other Gains and Losses

Other gains and losses amounted to a net loss of HK\$2.6 million (2013: gain of HK\$0.6 million) which included loss on disposal of property, plant and equipment of HK\$0.8 million, net foreign exchange loss of HK\$1.6 million and an impairment of trade and other receivables of HK\$0.2 million.

Selling and Distribution Costs and Administrative Expenses

Selling and distribution costs and administrative expenses in 2014 aggregated to HK\$234.7 million (2013: HK\$242.1 million), which accounted for 21.9% (2013: 20.5%) of revenue. The decrease of HK\$7.4 million was mainly due to a decrease in marketing expenses by HK\$12.7 million resulting from the absence of the one-off expensed “30th anniversary with Ferrari” held in 2013, but partially offset by an increase in staff cost of HK\$4 million that included a non-cash share-based payment of HK\$2.5 million newly incurred in 2014 as a result of granting of share option to employees in October 2014.

Finance Costs

Finance costs in 2014 were reduced by 55.0% to HK\$5.9 million (2013: HK\$13.1 million).

FINANCIAL SERVICES AND OTHER BUSINESS

Operating Results

2014 is the first full financial year of operation of our Financial Services Business, which recorded revenue of HK\$20.1 million and segment profit of HK\$19.2 million. Furthermore, the Group recorded rental income of HK\$1.9 million for leasing the property of the Group to a connected party. The tenancy agreement was terminated in November 2014.

Profit Attributable to Shareholders

Profit attributable to shareholders of the Company for the year was HK\$27.6 million (2013: loss of HK\$48 million). A turnaround of the Group’s performance was primarily due to (i) an increase in unit sales of cars in Hong Kong as well as increased income from the provision of pre-delivery inspection services in mainland China; (ii) an improvement in gross profit margin in the car division mainly attributable to the introduction of new car models in 2014; and (iii) income contribution from Financial Services Business in its first full year of operation.

Liquidity and Financial Resources

Cash Flow

In 2014, the Group financed its operations primarily through cash from the Group's operations. The Company also raised HK\$174.9 million from share placements and an open offer of new shares in the Company during the year for financing its expansion and business operations.

Cash and Cash Equivalents

As at 31 December 2014, the Group had cash and cash equivalents (including pledged bank deposits) of HK\$328.8 million as compared with HK\$342.6 million as at 31 December 2013, which were mainly denominated in Hong Kong dollars (as to 77%), Renminbi (as to 11%) and U.S. dollars (as to 12%).

Bank Loans

As at 31 December 2014, the Group has bank loans totalling HK\$92.6 million, of which HK\$8.3 million were repayable more than one year. Net cash position as at 31 December 2014 was HK\$236.2 million (2014: HK\$146.3 million).

Loan Receivables

During the year, the Group has engaged in Financial Services Business, which includes the provision of loan financing. As at 31 December 2014, the Group has outstanding secured loans lent to these customers totalling HK\$79.3 million, which were carried at an interest rate of 2.0% per month and were repayable within 12 months.

Pledge of Assets

As at 31 December 2014, certain of the Group's properties, bank deposits, inventories totaling HK\$119.8 million (2013: HK\$176.0 million) were pledged as securities for relevant bank loans and other bank facilities granted.

Capital Expenditures, Commitments and Contingent Liabilities

The Group made payment for the capital expenditures representing the expansion and renovation of the after-sales service in our service centre in Shatin and a newly established service centre in Sheung Shui and the purchase of equipment totalling HK\$32.3 million. As at 31 December 2014, the Group had total capital commitments (authorised but not contracted for) of HK\$31.9 million, primarily related to a proposed establishment of a new Maserati showroom in Kowloon and the refurbishment of our existing Ferrari showroom in Repulse Bay in the second quarter of 2015. These capital commitments are expected to be financed by internal resources of the Group.

As at 31 December 2014, the Group had no material contingent liabilities.

HUMAN RESOURCES

As at 31 December 2014, the Group had 176 (2013: 211) employees. The Group's remuneration policies are reviewed on a regular basis and remuneration packages are in line with market practices. The Group offers KPI related bonuses to eligible employees based on the performance of the Group and the individual employee. The Group also provides training to our staff to enhance technical and product knowledge. Other benefits include insurance, medical, sponsorship for educational or training programmes and share option scheme.

BUSINESS REVIEW

Ferrari

Ferrari sales in 2014 were hampered by the late delivery of the new California T model. The model was successfully launched in May with the event winning the coveted Best Marketing Event awarded by Ferrari Greater China. Delivery will only commence during the first quarter of 2015. Sales of the 458 Speciale continue from strength to strength with the ending of the production run in June 2015. The allocation of the limited edition Speciale Aperta was pre-sold out in a very short time with delivery to complete within this year. A special preview of the 488GTB model was held during Chinese New Year at Maranello factory and the Geneva show in March. Orders are coming in with increased exposure in the international and local media but as with production to commence in September, a very limited local delivery is anticipated for the year. Sales of the flagship model F 12 continue its momentum and anticipate delivery to be positive for 2015. The LaFerrari model allocated to Hong Kong will complete the production and local delivery by year end.

Maserati

Maserati unit sales had achieved remarkable growth of approximately 190% to 341 units in 2014 as compared to 2013. The market share of Maserati in luxury car segment was increased from 6.9% to 13.5% by the end of 2014. This success was mainly brought by the launch of Ghibli at the beginning of year which has aroused a lot of market attention. The increase in popularity of Maserati and presence on road enhanced the brand recognition and created positive sales effect on other Maserati models.

Besides the successful launch of the new Ghibli, the Group has also explored new media and creative sales channel in marketing for brand building and sales support in 2014 in conjunction with the Centennial of Maserati. Maserati Centennial Exhibition was held in September with Maserati vintage cars, rare historical images together with the two special editions – Quattroporte Zegna and GranTurismo MC centennial Edition displayed for public viewing to enhance the brand's 100-year background of Italian passion, racing DNA and the superior elegance. The Maserati Club (Hong Kong) was established in December with the objective to gather all Maserati enthusiasts to share the passion and knowledge of the Trident. With increasing number of owners, we target to maintain closer bonding with them through the owner's club and enhance customer loyalty.

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 and the biggest one in Hong Kong with surface area over 9,000 square feet. The Group has invested 16 million on the new Maserati showroom and the objective of setting up new sales facility is to expand point-of-sales network and offer more convenient shopping experience to customers to ensure high level of customer satisfaction.

Looking forward, the profile of Maserati will continue to broaden and will launch a new engine variant of Quattroporte in 2015 to expand the market share in luxury sports sedan segment.

After-sales Service

The after-sales service revenue for 2014 grew by 5% to HK\$112.4 million as compared to 2013, which was mainly benefited from the increase in service income and parts. New service facility in Sheung Shui has accomplished and commenced full operation in January 2015. By February 2015, the Group has also completed the expansion of its service center in Shatin. The Group has invested HK\$31.8 million on expansion for both service facilities. Both service centers accumulate gross size over 133,000 square feet which offer 65 workbays in total to attain 30% increase in service capacity. Individual service teams of Ferrari and Maserati were formed and are equipped with advanced equipment to enhance service quality.

OUTLOOK

The medium and longer-term outlook for luxury automobile business in the greater China region remains promising, as this region will continue to grow for many years.

In the more immediate term, however, owing to an uncertain retail sentiment on luxury products in Hong Kong coupled with the slowing of mainland China's economy, we expect to see a more challenging business environment in the sale of luxury cars in the Hong Kong market. Added to the indeterminate economic climate is the ongoing increase in property rentals and costs of other outgoings in Hong Kong, which will continue to pose as a challenge to the business environment of the city in the long run. Bracing the uncertainties and challenges in 2015, the Group will continue to strive for long term profitability through implementation of innovative and smart sales and marketing strategies, improvement of operational efficiency and raising levels of financial discipline.

It is evident from the above set of results and business strategies that we are moving in the right direction and the positive changes realised so far. Nevertheless, with the aim of bringing progressive profitability and long term enhancement of value to our shareholders, we remain open and are constantly on the lookout for initiatives to explore new business opportunities.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 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 year ended 31 December 2014, except Code Provisions A.2.1 and A.6.7 of the CG 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.

The Company deviates from this provision in that Mr. CHONG Tin Lung Benny 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 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 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 other engagements, one of the Executive Directors and one of the Independent Non-executive Directors (the "INEDs") were unable to attend the annual general meeting of the Company held on 21 May 2014.

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

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as standard for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors, during the year ended 31 December 2014, the Directors confirmed that they have complied with the standards set out in the Model Code.

AUDIT COMMITTEE REVIEW

The audit committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2014 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 ("AGM")

The AGM of the Company will be held on 20 May 2015. For details of the AGM, please refer to the notice of AGM, which will be despatched to the Shareholders in due course.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

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

Hong Kong, 25 March 2015

As at the date of this announcement, the Board comprises Mr. CHONG Tin Lung Benny (Executive Chairman and Chief Executive Officer), Mr. JACOBSEN William Keith and Mr. LAM Chi Yan, all of whom are executive Directors; and Dr. SANTOS Antonio Maria, Mr. KONG To Yeung Frankie and Mr. LEE Ben Tiong Leong, all of whom are independent non-executive Directors.