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AUTO ITALIA HOLDINGS LIMITED

意達利控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 720)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 2015 were as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

	<i>Notes</i>	Six months ended 30 June	
		2015	2014
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	468,252	582,273
Cost of sales		(354,303)	(452,088)
Gross profit		113,949	130,185
Other income		8,529	9,005
Other gains and losses	4	(1,616)	(1,316)
Selling and distribution cost		(67,867)	(73,753)
Administrative expenses		(42,742)	(52,631)
Finance costs	5	(1,353)	(3,376)
Profit before taxation		8,900	8,114
Taxation	7	(2,401)	(1,942)
Profit for the period	6	6,499	6,172

* *For identification purposes only*

		Six months ended 30 June	
		2015	2014
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Profit for the period attributable to:			
Owners of the Company		6,499	1,844
Non-controlling interests		<u>–</u>	<u>4,328</u>
		<u>6,499</u>	<u>6,172</u>
Earnings per share attributable to the owners of the Company			
– Basic	8	<u>HK0.13 cent</u>	<u>HK0.06 cent</u>
– Diluted	8	<u>HK0.12 cent</u>	<u>N/A</u>

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

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit for the period	<u>6,499</u>	<u>6,172</u>
Other comprehensive (expense) income		
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>(207)</u>	<u>395</u>
Other comprehensive (expense) income for the period	<u>(207)</u>	<u>395</u>
Total comprehensive income for the period	<u>6,292</u>	<u>6,567</u>
Total comprehensive income attributable to:		
Owners of the Company	6,292	2,142
Non-controlling interests	<u>–</u>	<u>4,425</u>
	<u>6,292</u>	<u>6,567</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

		At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		109,429	97,803
Goodwill		2,480	2,480
Rental deposits		10,582	10,997
		122,491	111,280
Current assets			
Inventories		192,205	138,570
Tax recoverable		1,630	1,072
Trade and other receivables	10	81,258	104,978
Loan receivables		68,000	79,270
Pledged bank deposits		59,396	58,896
Bank balances and cash		257,558	269,915
		660,047	652,701
Current liabilities			
Trade and other payables	11	316,830	308,497
Tax payable		5,715	3,581
Bank and other borrowings	12	80,573	84,288
Obligations under finance leases		149	149
		403,267	396,515
Net current assets		256,780	256,186
Total assets less current liabilities		379,271	367,466

		At 30 June 2015 <i>HK\$'000</i> (unaudited)	At 31 December 2014 <i>HK\$'000</i> (audited)
Capital and reserves			
Share capital	<i>13</i>	103,784	103,784
Reserves		268,029	255,312
		<hr/>	<hr/>
Equity attributable to owners of the Company		371,813	359,096
		<hr/>	<hr/>
Total equity		371,813	359,096
		<hr/>	<hr/>
Non-current liabilities			
Bank and other borrowings	<i>12</i>	7,458	8,296
Obligations under finance leases		–	74
		<hr/>	<hr/>
		7,458	8,370
		<hr/>	<hr/>
		379,271	367,466
		<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 condensed 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 (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 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are mandatorily effective for the accounting period beginning on or after 1 January 2015.

The application of the 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.

3. SEGMENT INFORMATION

During the six months ended 30 June 2015, the Group has three operating segments under HKFRS 8 which are as follows:

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

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

Six months ended 30 June 2015 (unaudited)

	Cars <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
SEGMENT REVENUE				
Group revenue	<u>454,733</u>	<u>13,519</u>	<u>–</u>	<u>468,252</u>
SEGMENT RESULTS				
Segment profit (loss)	<u>5,833</u>	<u>13,116</u>	<u>(13)</u>	<u>18,936</u>
Interest income				350
Unallocated corporate expenses				(9,033)
Finance costs				<u>(1,353)</u>
Profit before taxation				<u>8,900</u>

Six months ended 30 June 2014 (unaudited)

	Cars <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
SEGMENT REVENUE				
Group revenue	<u>580,132</u>	<u>1,121</u>	<u>1,020</u>	<u>582,273</u>
SEGMENT RESULTS				
Segment profit	<u>21,541</u>	<u>1,237</u>	<u>796</u>	<u>23,574</u>
Interest income				515
Unallocated corporate expenses				(12,599)
Finance costs				<u>(3,376)</u>
Profit before taxation				<u>8,114</u>

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

Segment assets and liabilities

At 30 June 2015 (unaudited)

	Cars <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets				
Segment assets	<u>349,482</u>	<u>69,017</u>	<u>–</u>	418,499
Bank balances and cash				257,558
Pledged bank deposits				59,396
Tax recoverable				1,630
Unallocated corporate assets				<u>45,455</u>
Consolidated assets				<u>782,538</u>
Liabilities				
Segment liabilities	<u>312,021</u>	<u>82</u>	<u>–</u>	312,103
Bank and other borrowings				88,031
Tax payables				5,715
Unallocated corporate liabilities				<u>4,876</u>
Consolidated liabilities				<u>410,725</u>

At 31 December 2014 (audited)

	Cars HK\$'000	Financial services HK\$'000	Others HK\$'000	Consolidated HK\$'000
Assets				
Segment assets	<u>300,703</u>	<u>86,870</u>	<u>–</u>	387,573
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>	304,086
Bank and other borrowings				92,584
Tax payable				3,581
Unallocated corporate liabilities				<u>4,634</u>
Consolidated liabilities				<u>404,885</u>

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Reversal of impairment loss on trade and other receivables, net	24	346
Loss on disposal of property, plant and equipment	(79)	(1,404)
Net foreign exchange loss	<u>(1,561)</u>	<u>(258)</u>
	<u>(1,616)</u>	<u>(1,316)</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interests on bank and other borrowings		
– wholly repayable within five years	1,257	3,266
– wholly repayable after five years	90	104
Interests on finance leases	6	6
	<u>1,353</u>	<u>3,376</u>

6. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Cost of inventories recognised as expense	354,303	452,088
Depreciation of property, plant and equipment	9,522	8,943
Reversal of allowance for inventories (included in cost of sales)	(324)	(24,811)
	<u>354,303</u>	<u>452,088</u>

7. TAXATION

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax:		
– Hong Kong	1,894	–
– Other jurisdictions	507	1,942
	<u>2,401</u>	<u>1,942</u>

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

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%.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period attributable to owners of the Company and profit for the purpose of calculating basic and diluted earnings per share	<u>6,499</u>	<u>1,844</u>
Number of shares		
	Six months ended 30 June	
	2015	2014
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	5,189,178,390	3,243,982,647
Effect of dilutive potential ordinary shares:		
Share options	<u>63,296,304</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>5,252,474,694</u>	<u>3,243,982,647</u>

No diluted earnings per share for six months ended 30 June 2014 has been presented as there was no potential ordinary shares outstanding during the period.

9. DIVIDEND

No dividend was paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid for the six months ended 30 June 2015 (for the six months ended 30 June 2014: Nil).

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2015 <i>HK\$'000</i> (unaudited)	At 31 December 2014 <i>HK\$'000</i> (audited)
Trade receivables	43,401	45,889
Less: Allowance for doubtful debts	<u>(2,138)</u>	<u>(2,162)</u>
	41,263	43,727
Purchase deposits	26,979	35,612
Utility and rental deposits	3,150	5,720
Prepayments and other receivables	<u>9,866</u>	<u>19,919</u>
	<u>81,258</u>	<u>104,978</u>

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 2015 <i>HK\$'000</i> (unaudited)	At 31 December 2014 <i>HK\$'000</i> (audited)
0 – 30 days	24,752	29,040
31 – 60 days	10,035	7,647
61 – 90 days	3,038	4,652
91 days to 1 year	<u>3,438</u>	<u>2,388</u>
	<u>41,263</u>	<u>43,727</u>

11. TRADE AND OTHER PAYABLES

	At 30 June 2015 <i>HK\$'000</i> (unaudited)	At 31 December 2014 <i>HK\$'000</i> (audited)
Trade and bills payables	34,155	30,931
Deposits received from customers	190,879	186,485
Advance payments from customers	41,922	31,406
Accrued charges	19,359	18,185
Other payables	30,515	41,490
	<u>316,830</u>	<u>308,497</u>

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 2015 <i>HK\$'000</i> (unaudited)	At 31 December 2014 <i>HK\$'000</i> (audited)
0 – 30 days	31,103	27,397
31 – 60 days	1,406	2,198
61 – 90 days	412	835
91 days to 1 year	555	–
Over 1 year	679	501
	<u>34,155</u>	<u>30,931</u>

12. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained several new bank loans from various banks amounting to approximately HK\$297,478,000 (six months ended 30 June 2014: HK\$276,842,000) and repaid approximately HK\$302,031,000 (six months ended 30 June 2014: HK\$361,371,000). The new loans carry interest at variable market rates ranging from 1.88% to 5.00% (six months ended 30 June 2014: 1.86% to 6.25% per annum).

13. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.02 each:		
Authorised		
At 1 January 2014, 30 June 2014 and 2015	<u>17,500,000,000</u>	<u>350,000</u>
Issued and fully paid		
At 1 January 2014	2,959,452,260	59,189
Issue of shares under placement (<i>Note</i>)	<u>500,000,000</u>	<u>10,000</u>
At 30 June 2014	<u>3,459,452,260</u>	<u>69,189</u>
At 1 January 2015 and 30 June 2015	<u>5,189,178,390</u>	<u>103,784</u>

Note: As disclosed in the announcement dated 20 March 2014, a total of 500,000,000 ordinary shares of HK\$0.125 each were issued on 20 March 2014 through placement to various placees, who and whose ultimate beneficial owners were independent and not connected to the Group. The net proceeds of HK\$60,830,000 were used as general working capital of the Group. The net price per share was HK\$0.122 and the market price on 7 March 2014, being the date of signing the Placing Agreement, was HK\$0.145.

On 10 September 2014, the Company completed an open offer to the existing shareholders 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.

All the shares issued rank pari passu with the existing shares in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

CAR DIVISION

Revenue

For the six months ended 30 June 2015, the Car division's revenue decreased by 21.6% to HK\$454.7 million mainly caused by the closure of the Nanjing dealership business in the second half of 2014.

In mainland China, excluding the impact of closure of the Nanjing operation, the revenue generated from our pre-delivery inspection services in Shanghai recorded a 13.2% increase to HK\$32.7 million.

In Hong Kong, with the delivery of the new limited edition Ferrari model – LaFerrari and the increase in units of car sold, our revenue from this location recorded an increase of 10.2% to HK\$422.1 million (2014: HK\$383 million).

Cost of Sales and Gross Profit

Gross profit margin increased by 0.1 percentage point to 22.2%. Our gross profit decreased from HK\$128.0 million in the first half of 2014 to HK\$101 million that was mainly caused by the closure of the Nanjing dealership business.

Selling and Distribution Costs and Administrative Expenses

Selling and distribution costs and administrative expenses in the first half of 2015 aggregated to HK\$105.0 million (2014: HK\$113.6 million), which accounted for 23.0% (2014: 19.6%) of revenue. The net decrease of HK\$8.6 million was mainly due to a decrease in staff related cost resulting from the absence of a one-off staff redundancy cost for the closure of our Nanjing operations in 2014, but partially offset by an increase in rental cost of HK\$3.8 million that included an additional rental cost for the newly opened Maserati Showroom in Kowloon Bay.

Finance Costs

Finance costs in the first half of 2015 were reduced by 60.0% to HK\$1.4 million (2014: HK\$3.4 million).

FINANCIAL SERVICES DIVISION

Operating Results

For the six months ended 30 June 2015, the revenue of Financial Services division jumped to HK\$13.5 million (2014: HK\$1.1 million) and segment profit also rose to HK\$13.1 million (2014: HK\$1.2 million). Increased revenue and segment profit were mainly derived from an increase in total amount of financing activities as well as the provision of financial consultation services.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders of the Company for the six months ended 30 June 2015 was HK\$6.5 million (2014: HK\$1.8 million). The increase was mainly due to an increase in the Group's revenue and profit generated from our Financial Services division and the 100% profit contribution from our Car division after the completion of the acquisition of its remaining interest from a non-wholly owned subsidiary in August, 2014.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Flow

In the first six months of 2015, the Group financed its operations primarily through cash generated from the Group's operations. The Group invested HK\$20.5 million in its capital expenditure which was mainly for the new Maserati mono brand showroom in Kowloon Bay and the enhancement of the after-sales facilities.

Cash and Cash Equivalents

As at 30 June 2015, the Group had cash and cash equivalents (including pledged bank deposits) of HK\$317.0 million as compared with HK\$328.8 million as at 31 December 2014, which were mainly denominated in Hong Kong dollars (as to 74.0%), Renminbi (as to 14.0%) and U.S. dollars (as to 12.0%).

Bank Loans

As at 30 June 2015, the Group had bank loans totalling HK\$88.0 million, of which HK\$7.5 million was repayable more than one year. Net cash position as at 30 June 2015 was HK\$228.9 million (31 December 2014: HK\$236.2 million).

Loan Receivables

During the period, the Group had engaged in Financial Services business, which included the provision of loan financing. As at 30 June 2015, the Group had outstanding loans lent to customers totalling HK\$68.0 million (31 December 2014: HK\$79.3 million), which carry an interest rate of 20% per annum and 15% per annum and were repayable within 12 months.

PLEDGE OF ASSETS

As at 30 June 2015, certain of the Group's properties, bank deposits, inventories totalling HK\$123.9 million (31 December 2014: HK\$119.8 million) were pledged as securities for relevant bank loans and other bank facilities granted.

CAPITAL EXPENDITURES, COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2015, the Group had total capital commitments (authorized but not contracted for) of HK\$10.9 million, primarily related to the establishment of a new PDI service centre in Hong Kong and the refurbishment of our existing Ferrari showroom in Repulse Bay in the second half of 2015. These capital commitments are expected to be financed by internal resources of the Group.

As at 30 June 2015, the Group had no material contingent liabilities.

BUSINESS REVIEW

Ferrari

The overall deliveries of Ferrari cars had recorded a growth in the first half of 2015. This increase was supported by the much anticipated arrival of the California T, which leads Ferrari into a new millennium of technology, and the continuation of overwhelming support of the 458 Speciale. This very strong demand of the 458 Speciale had driven its sales significantly as compared to its predecessor, the 430 Scuderia. Ferrari had also surprised everyone with the innovative turbo-charged 670 horsepower 488GTB, which ability surpasses that of any other road cars in the history of Ferrari. We are expecting the first batch of right-hand drive delivery in the first quarter of 2016. A special edition of the F12 is scheduled to be unveiled in the second half of 2015, and this model is promised to be rewriting the definition of V12 models in the history of Ferrari.

Maserati

For the first half of 2015, Maserati unit sales had approximately been maintained year on year in spite of recent market instabilities. Nevertheless, we continue to increase our market share in this segment. This continuance of stability was mainly attributed to the new model variants of both the Ghibli and Quattroporte, which still lead the segment in styling and exclusivity. In addition, the flagship stablemate GranTurismo remains remarkably strong long after market introduction.

Another milestone reached was the opening of a 9,000 plus square feet Maserati exclusive showroom in the Kowloon Bay automotive district in June, 2015. Within one month in comparison to the previous Repulse Bay showroom, this centralized and convenient location saw a 10% increase in showroom traffic. This HK\$12 million investment not only further cements the Group's commitment, but also demonstrates the long term potential of the Maserati brand. In addition, the Wan Chai district showroom's presence is also maintained.

With the exposure as an official event car sponsor of the 2015 Macau Grand Prix in the second half of the year, plus the anticipated launch of special edition of various models, Maserati unit sales is on track to achieve another encouraging year.

After-sales Service

Taking into consideration the closure of the Ap Lei Chau service centre and the refurbishment of the Shatin service centre which resulted in the Group having only five months of full service capacity, the after-sales service revenue of Hong Kong operation for the first half dipped by 4% year on year to HK\$56.3 million. However, the service revenue output is increased by 14% on average compared with performance on a month-by-month basis. With all major projects completed, the Group is poised to deliver improving results by fully utilizing the 30% increased facility capacity, further reducing service customer waiting time, increasing service penetration rate with effective service marketing campaigns and improving service workshop utilization.

Financial Services

During the period, the Group continued to expand its financing business and financing-related consultancy services. The Group mainly provides short to medium-term financing, normally not exceeding 12 months, to our clients. During the period, we recorded an increase in total amount of financing activities. Commencing from the second half of 2014, the Group has expanded its financing-related consultancy services to selected clients by offering custom-made financing solutions.

Human Resources

The Group employed a total of 187 employees as at 30 June 2015. The Group believes that people are the most valuable asset for supporting its business growth. To this end, competitive remuneration packages and benefits programs as well as learning and development opportunities are provided to attract, motivate and retain talented employees.

The Group continues its contribution to local communities through active participation in charitable events such as donations and volunteer work for the elderly and the disadvantaged.

OUTLOOK

The economic outlook of the world will still be uncertain and volatile in the second half of 2015. We continue to expect a more challenging business environment in the sale of luxury cars in the Hong Kong market going ahead. In this regard, the Group will continue to strive for long term profitability through further enhancement in our after-sales and showroom facilities, improvement of operational efficiency and raising standards of operational procedures and levels of financial disciplines.

The Repulse Bay showroom is now becoming a strictly Ferrari-only facility serving our new and pre-owned customers. The pre-owned Ferrari will begin its operation at Repulse Bay in the third quarter of 2015, delivering pre-owned Ferrari with the highest quality. Customers will be able to look at both new and used Ferrari with just one stop.

Furthermore, commencing from 1 September 2015, the Group has further expanded its business by providing pre-delivery inspection service in Hong Kong for the Audi brand.

On the other hand, with the aim of bringing long term enhancement of value to our shareholders, other than the startup of our financial service business in 2014, we remain open and are constantly on the lookout to explore new business opportunities.

INTERIM DIVIDEND

The board of the directors of the Company (the “**Board**”) does not recommend payment of an interim dividend for the six months ended 30 June 2015 (2014: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 30 June 2015, the Company and its subsidiaries had not purchased, sold or redeemed any of the Company’s listed securities.

CORPORATE GOVERNANCE

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 2015, except Code Provision A.2.1 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.

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 2015.

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors. 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 2015 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 (www.hkex.com.hk) and the Company (www.autoitalia.com.hk). The interim report of the Company for the six months ended 30 June 2015 will be despatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
Auto Italia Holdings Limited
CHONG Tin Lung Benny

Executive Chairman and Chief Executive Officer

Hong Kong, 28 August 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.