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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 2016

The directors (the “Directors”) of Auto Italia Holdings Limited (the “Company”) hereby announce the unaudited condensed consolidated results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 June 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	3	404,383	468,252
Cost of sales		<u>(309,706)</u>	<u>(354,303)</u>
Gross profit		94,677	113,949
Other income		11,411	8,529
Other gains and losses	4	(7,777)	(1,616)
Selling and distribution cost		(69,073)	(67,867)
Administrative expenses		(37,736)	(42,742)
Finance costs	5	<u>(1,210)</u>	<u>(1,353)</u>
(Loss) profit before taxation		(9,708)	8,900
Taxation	7	<u>(1,732)</u>	<u>(2,401)</u>
(Loss) profit for the period	6	<u>(11,440)</u>	<u>6,499</u>
(Loss) earnings per share			
– Basic	8	<u>(HK0.22 cent)</u>	<u>HK0.13 cent</u>
– Diluted	8	<u>(HK0.22 cent)</u>	<u>HK0.12 cent</u>

* For identification purposes only

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

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
(Loss) profit for the period	(11,440)	6,499
Other comprehensive income (expense)		
<i>Item that will not be reclassified to profit or loss:</i>		
Gain on property revaluation upon transfer to investment properties	3,626	–
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	207	(207)
Other comprehensive income (expense) for the period	3,833	(207)
Total comprehensive (expense) income attributable to owners of the Company for the period	(7,607)	6,292

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

		At 30 June 2016 <i>HK\$'000</i> (unaudited)	At 31 December 2015 <i>HK\$'000</i> (audited)
Non-current assets			
Investment properties		46,800	–
Property, plant and equipment		59,497	108,403
Goodwill		2,480	2,480
Rental deposits		14,094	14,094
		<u>122,871</u>	<u>124,977</u>
Current assets			
Inventories		172,797	200,457
Tax recoverable		1,148	1,956
Trade and other receivables	10	49,467	78,450
Loan receivables		69,000	76,000
Investments in convertible bonds		24,985	26,772
Pledged bank deposits		48,888	59,655
Bank balances and cash		299,150	207,611
		<u>665,435</u>	<u>650,901</u>
Current liabilities			
Trade and other payables	11	303,403	252,943
Tax payable		7,748	7,695
Bank and other borrowings	12	70,656	105,532
Obligations under finance leases		–	74
		<u>381,807</u>	<u>366,244</u>
Net current assets		<u>283,628</u>	<u>284,657</u>
Total assets less current liabilities		<u>406,499</u>	<u>409,634</u>
Capital and reserves			
Share capital	13	104,391	104,079
Reserves		295,644	298,221
Equity attributable to owners of the Company		<u>400,035</u>	<u>402,300</u>
Non-current liabilities			
Bank and other borrowings	12	5,756	6,610
Deferred taxation		708	724
		<u>6,464</u>	<u>7,334</u>
		<u>406,499</u>	<u>409,634</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015. In addition, the following accounting policies are applicable upon the transfer of properties from property, plant and equipment to investment properties in the current period.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

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 2016.

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 2016, the Group has three operating segments under HKFRS 8 are as follows:

- (i) Cars – Trading of cars and related accessories and provision of car repairing services;
- (ii) Financial investments and services – Investments in securities, provision for financing and corporate finance services; and
- (iii) Property investment.

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

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 chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Six months ended 30 June 2016 (unaudited)

	Cars <i>HK\$'000</i>	Financial investments and services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
SEGMENT REVENUE				
Group revenue	<u>401,396</u>	<u>2,836</u>	<u>151</u>	<u>404,383</u>
SEGMENT RESULTS				
Segment (loss) profit	<u>(4,958)</u>	<u>392</u>	<u>103</u>	<u>(4,463)</u>
Interest income				223
Unallocated corporate expenses				(4,258)
Finance costs				<u>(1,210)</u>
Loss before taxation				<u><u>(9,708)</u></u>

Six months ended 30 June 2015 (unaudited)

	Cars <i>HK\$'000</i>	Financial investments and services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
SEGMENT REVENUE				
Group revenue	454,733	13,519	–	468,252
SEGMENT RESULTS				
Segment profit (loss)	5,833	13,116	(13)	18,936
Interest income				350
Unallocated corporate expenses				(9,033)
Finance costs				(1,353)
Profit before taxation				<u>8,900</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 2016 (unaudited)

	Cars <i>HK\$'000</i>	Financial investments and services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets				
Segment assets	<u>296,889</u>	<u>94,366</u>	<u>47,231</u>	438,486
Bank balances and cash				299,150
Pledged bank deposits				48,888
Tax recoverable				1,148
Unallocated corporate assets				<u>634</u>
Consolidated assets				<u>788,306</u>
Liabilities				
Segment liabilities	<u>297,729</u>	<u>81</u>	<u>811</u>	298,621
Bank and other borrowings				76,412
Deferred taxation				708
Tax payable				7,748
Unallocated corporate liabilities				<u>4,782</u>
Consolidated liabilities				<u>388,271</u>

At 31 December 2015 (audited)

	Cars HK\$'000	Financial investments and services HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
Assets				
Segment assets	360,185	103,197	–	463,382
Bank balances and cash				207,611
Pledged bank deposits				59,655
Tax recoverable				1,956
Unallocated corporate assets				43,274
Consolidated assets				<u>775,878</u>
Liabilities				
Segment liabilities	247,808	333	–	248,141
Bank and other borrowings				112,142
Deferred taxation				724
Tax payable				7,695
Unallocated corporate liabilities				4,876
Consolidated liabilities				<u>373,578</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.

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
(Impairment loss) reversal of impairment loss on trade and other receivables, net	(1,196)	24
Gain (loss) on disposal of property, plant and equipment	289	(79)
Net foreign exchange loss	(1,618)	(1,561)
Loss on fair value change of derivative component of investments in convertible bonds	(5,252)	–
	<u>(7,777)</u>	<u>(1,616)</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Interests on bank and other borrowings	1,204	1,347
Interests on finance leases	<u>6</u>	<u>6</u>
	<u>1,210</u>	<u>1,353</u>

6. (LOSS) PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Depreciation of property, plant and equipment	11,654	9,522
Reversal of allowance for inventories (included in cost of sales)	<u>-</u>	<u>(324)</u>

7. TAXATION

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Current tax:		
Hong Kong	529	1,894
Other jurisdictions	<u>1,203</u>	<u>507</u>
	<u>1,732</u>	<u>2,401</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 periods 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. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit for the period for the purpose of calculating basic and diluted (loss) earnings per share	<u>(11,440)</u>	<u>6,499</u>

Number of shares

	Six months ended 30 June	
	2016	2015
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	5,212,003,168	5,189,178,390
Effect of dilutive potential ordinary shares:		
Share options	<u>–</u>	<u>63,296,304</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u>5,212,003,168</u>	<u>5,252,474,694</u>

The computation of diluted loss per share for the period ended 30 June 2016 does not assume the exercise of the Company's share options since their exercise would result in a decrease in loss per share.

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 2016 (for the six months ended 30 June 2015: Nil).

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2016 <i>HK\$'000</i> (unaudited)	At 31 December 2015 <i>HK\$'000</i> (audited)
Trade receivables	29,731	49,809
Less: Allowance for doubtful debts	<u>(1,825)</u>	<u>(641)</u>
	27,906	49,168
Purchase deposits	6,228	18,388
Utility and rental deposits	2,281	2,036
Prepayments and other receivables	<u>13,052</u>	<u>8,858</u>
	<u>49,467</u>	<u>78,450</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 2016 <i>HK\$'000</i> (unaudited)	At 31 December 2015 <i>HK\$'000</i> (audited)
0 – 30 days	16,325	35,428
31– 60 days	5,094	10,349
61 – 90 days	1,658	419
91 days to 1 year	4,735	2,878
Over 1 year	<u>94</u>	<u>94</u>
	<u>27,906</u>	<u>49,168</u>

As the balances were either subsequently settled or these customers have good repayment history, the amounts are still considered recoverable. Accordingly, the directors believe that no further impairment is required.

11. TRADE AND OTHER PAYABLES

	At 30 June 2016 <i>HK\$'000</i> (unaudited)	At 31 December 2015 <i>HK\$'000</i> (audited)
Trade payables	31,754	21,511
Deposits received from customers	226,851	171,953
Advance payments from customers	10,471	8,040
Accrued charges	14,042	17,795
Other payables	20,285	33,644
	<u>303,403</u>	<u>252,943</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 2016 <i>HK\$'000</i> (unaudited)	At 31 December 2015 <i>HK\$'000</i> (audited)
0 – 30 days	20,855	14,431
31 – 60 days	1,716	5,225
61 – 90 days	6,926	120
91 days to 1 year	1,002	949
Over 1 year	1,255	786
	<u>31,754</u>	<u>21,511</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\$174,803,000 (six months ended 30 June 2015: HK\$297,478,000) and repaid approximately HK\$210,533,000 (six months ended 30 June 2015: HK\$302,031,000). The new loans carry interest at variable market rates ranging from 1.86% to 4.75% per annum (six months ended 30 June 2015: 1.88% to 5.00% per annum).

13. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.02 each:		
Authorised		
At 1 January 2015, 30 June 2015, 1 January 2016 and 30 June 2016	<u>17,500,000,000</u>	<u>350,000</u>
Issued and fully paid		
At 1 January 2015 and 30 June 2015	<u>5,189,178,390</u>	<u>103,784</u>
At 1 January 2016	5,203,951,190	104,079
Exercise of share option (<i>Note</i>)	<u>15,590,000</u>	<u>312</u>
At 30 June 2016	<u>5,219,541,190</u>	<u>104,391</u>

Note: During the six months ended 30 June 2016, the Company issued and allotted a total of 15,590,000 shares of HK\$0.02 each in the Company at exercise price of HK\$0.184 each to certain options holders who exercised their share options.

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

14. EVENTS AFTER THE REPORTING PERIOD

On 1 August 2016, the Group entered into an agreement with an independent third party (the “Third Party”) to acquire the Third Party’s 15% beneficial interests in its investment in preference shares of a private company (the “Investee”) at a price of US\$4,800,000 (equivalent to approximately HK\$37,241,000). The Investee is engaged in automobile finance business. The management of the Company is in the process of assessing the financial impact to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Car Division

Revenue

The business environment remained challenging in the first half of 2016 and had adversely affected the performance of our operations. The Car division's revenue decreased by 11.7% to HK\$401.4 million (2015: HK\$454.7 million).

In mainland China, the revenue generated from our Pre-Delivery Inspection services in Shanghai maintained at HK\$32.1 million (2015: HK\$32.7 million) notwithstanding the adverse exchange variations of Renminbi against Hong Kong dollars during the 2016 interim period. Excluded the exchange variations, the Shanghai operation recorded approximately 5% increase in revenue.

In Hong Kong, our business was adversely affected by the subdued market sentiment on the luxury products market. The overall revenue from this location recorded a decrease of 12% to HK\$369.3 million (2015: HK\$422 million) and recorded a drop in overall car unit sales. Nevertheless, with the additional revenue contribution from the Pre-Delivery Inspection services for the Audi brand, our maintenance service income managed to record an increase of 19.6% to HK\$67 million (2015: HK\$56 million).

Cost of Sales and Gross Profit

Gross profit margin increased by 0.6 percentage point to 22.8%. Our gross profit decreased from HK\$101 million in the first half of 2015 to HK\$91.7 million owing to the decrease in overall car unit sales in Hong Kong operation.

Selling and Distribution Costs and Administrative Expenses

Selling and distribution costs and administrative expenses in the first half of 2016 aggregated to HK\$104.2 million (2015: HK\$105.0 million), which accounted for 25.9% (2015: 23%) of revenue. The net decrease of HK\$0.8 million was mainly due to a decrease in staff related cost resulting from the Group cost optimisation and restructuring plan in second quarter of 2016, but partially offset by an increase of rental cost and depreciation that included the full six months impact of the Maserati Showroom in Kowloon Bay which opened in June 2015.

Finance Costs

Finance costs in the first half of 2016 were reduced by 14.3% to HK\$1.2 million (2015: HK\$1.4 million).

Financial Investments and Services and Property Investment Divisions

Operating Results

For the six months ended 30 June 2016, the revenue of Financial Investments and Services division dropped to HK\$2.8 million (2015: HK\$13.5 million) as more stringent measures on granting financing services were adopted due to the uncertain economic environment. Segment profit also dropped to HK\$0.4 million (2015: HK\$13.1 million) due to the HK\$5.3 million fair value loss of the derivative component of investments in convertible notes. Furthermore, the Group recorded a rental income of HK\$0.2 million for leasing the property of the Group to a third party. The tenancy agreement was commenced in June 2016.

Loss Attributable to Shareholders

Loss attributable to shareholders of the Company for the six months ended 30 June 2016 was HK\$11.4 million (2015: Profit of HK\$6.5 million). It was mainly due to decreases in the Group's revenue and profit generated from both Car Division and Financial Investments and Services Division.

Liquidity and Financial Resources

Cash Flow

In the first six months of 2016, the Group financed its operations primarily through cash generated from the Group's operations. The Group invested HK\$8.9 million in its capital expenditure which was mainly for the registration of demo cars for sales display purpose in showrooms.

Cash and Cash Equivalents

As at 30 June 2016, the Group had cash and cash equivalents (including pledged bank deposits) of HK\$348 million as compared with HK\$267.3 million as at 31 December 2015, which were mainly denominated in Hong Kong dollars (as to 76%), Renminbi (as to 13%) and U.S. dollars (as to 11%).

Bank Loans

As at 30 June 2016, the Group had bank loans totalling HK\$76.4 million, of which HK\$5.8 million was repayable more than one year. Net cash position as at 30 June 2016 was HK\$271.6 million (31 December 2015: HK\$155.2 million), no gearing ratio is presented.

Loan Receivables

During the period, the Group had engaged in Financial Investments and Services business, which included the provision of loan financing. As at 30 June 2016, the Group had outstanding loans lent to customers totalling HK\$69 million (31 December 2015: HK\$76 million), which carry on interest rates of 8% per annum and will be repayable within six months.

Pledge of Assets

As at 30 June 2016, certain of the Group's properties, bank deposits, inventories totaling HK\$115.4 million (31 December 2015: HK\$119.2 million) were pledged as securities for relevant bank loans and other bank facilities granted.

Capital Expenditures, Commitments and Contingent Liabilities

As at 30 June 2016, the Group had total capital commitments (authorised but not contracted for) of HK\$15.4 million, primarily related to the registration of demo cars for sales display purpose in showrooms. These capital commitments are expected to be financed by internal resources of the Group.

As at 30 June 2016, the Group had no material contingent liabilities.

BUSINESS REVIEW

Ferrari

During the first half of 2016, delivery of new Ferraris declined due to several factors beyond our direct control. In spite of the Hong Kong launch success and market reception of the 488 GTB model, factory supply was curtailed due to worldwide demand and the late production of Right Hand Drive units released for our market. Deliveries of the California T H&S model were delayed until late May arrival and normal shipment is not anticipated until August. These two factors impacted on new car delivery. The delivery of the limited edition F-12 TDF models began in May and expected all local orders to be completed by the second half of this year. Ferrari also launched a limited LaFerrari Roadster in April and delivery, again in very limited allocation will commence soon. All deliveries of LaFerrari will be completed in this year.

After-sales Services were re-established after the refurbishment of the Shatin service facility, but the area of major concern is the recruitment of skilled technicians, a common problem share amongst the Hong Kong motor trade business which will affect the capabilities in servicing customers' car within a reasonable time.

Ferrari pre-owned business continues to bounce back after relocation from our old facility. Buyers are now familiarising with our new location and we experience a slow but steady increase of visitor's traffic.

With both new and pre-owned under one roof, we are pleased to report the synergistic effects of offerings a broad representation of current and old models for our visitors.

Maserati

Amid the visible recession of economy in Hong Kong, overall sales of luxury car brand segment in the first quarter of 2016 dropped by 42% compared to 2015, while Maserati dropped 18% in the same period. With tactical sales campaigns and marketing activities, Maserati strived to create sales momentum and achieved over hundred units new car sold in first half of 2016 with a drop of 32% compared to 2015, while the total value of car sales decreased by 37% in the same period.

Under the weak automobile market, Maserati adopted more aggressive sales approaches by organising different test drive events in luxury residential areas and two car shows in high-end shopping malls, targeted to reach out to customers proactively. To utilise cost more effectively, Maserati also focused on digital marketing to generate brand exposure and create campaign awareness, which included but not limited to social media and online advertising. This also enables the brand to capture extensive database for future launch of new model ranges.

Customer opinion and satisfaction is paramount to Maserati and thus we conducted a revamp on WeChat platform with new interactive functions such as online Customer Satisfaction Survey (CSI) and test drive bookings to enhance our service quality and enabled instance responses to customers. With new CSI online platform launched, response rate of customer increased from 46.8% from Jan-May to 88% in Jun with average score remains highly positive at 98 out of 100.

Pre-Delivery Inspection

For our Pre-Delivery Inspection Division, with strong demand of new model introduction, we have managed to sustain similar volume in the first half of the year compared to 2015 even with bulk of production yet to arrive in second half of the year.

After-sales Services

Ferrari

As the broader luxury retail sector in Hong Kong faces continued headwinds, the overall Ferrari After-sales Services revenue in the first half of 2016 is stable. We anticipate long term growth from new model introductions and concerted marketing efforts to increase customer loyalty.

The new generation of 488 sports cars started delivery and will represent a large portion of After-sales Services in the near future, much like the 458 did in previous years. We expect that the volume of these sports cars will increase in proportional to new car sales, therefore additional technical staff are currently being trained to address projected volumes, and to maintain the regional industry standard for service appointment waiting times.

Several marketing programs were launched to increase customer loyalty and reintroduce the Ferrari experience, these include the Welcome Back program sponsored by Ferrari, and our Ferrari Hong Kong F430 and F360 specialty programs that increase service value for older models.

Maserati

Under significant contraction in the luxury automotive market segment in 2016, Maserati division managed to record increase in overall After-sales Services revenue and gross profit margin during the 2016 interim period, as compared with that of the six months ended 30 June 2015. We have been able to mitigate against this negative market trend with unit deliveries made in 2015.

With the launch of several After-sales loyalty programme in the second quarter cater to specific owner segments, the positive response from consumers has helped us to further increase our car parc penetration and profit margin.

In addition to the positive financial results, our Customer Satisfaction Index (CSI) turned in the best performance to date at 92.3% for the first half year with a sampling rate of over 90%.

Financial Investments and Services

During the period, the Group continued to engage in financing business and financing-related consultancy services. The Group mainly provides short to medium-term financing, normally not exceeding 12 months, to our clients. Following the subscription of convertible bonds with a coupon rate of 5% per annum and in an aggregate principal amount of HK\$25 million in the second half of 2015, the Group continued to explore new investment opportunities, including equity investment with the aim of bringing long term enhancement of value to our shareholders.

HUMAN RESOURCES

The Group employed a total of 215 employees as at 30 June 2016. 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 works for the elderly and the disadvantaged.

OUTLOOK

In the next few months, a number of product introductions are planned to further stimulate sales.

The arrival of the California T H&S will be supported by media activities as well as test drive programs aimed at previous owners. Initial comments from both media and owners were positive and we anticipate with fresh stock arrival, this model will contribute to our year end results. As to 488 GTB models, with sold stock arrivals, the key tasks will be delivery to the long awaited owners. The 488 Spider launch is also scheduled although we have taken orders, the physical showing of this model will boost our order intakes. The GTC4 Lusso is scheduled for a local reveal in the third quarter. A number of orders has already been placed and the showing of this unit, for a very limited time only, will hopefully attract more interest.

2016 year will be challenging as the business conditions for the first half has been fluid. This affects the retail sector across all automotive brands. We expect recovery will be slow but with new products from Ferrari, orders taking for future deliveries are seeing a slow rebound but the waiting time is still quite long. Meanwhile, the pre-owned business will gain the momentum in order to attain our internal objectives.

Adding up the SUV Levante, new variants of Quattroporte and new features on existing model in third and fourth quarter, the product range of Maserati will be more diversified and will create opportunities to expand the customer profile to other segments. It is believed that by conquering new segments of the market, we will progressively catch up the business and improve the profitability.

We look forward to the second half of the year that with a new model introduction, it will rejuvenate customer excitement and increase additional after-sales opportunities of the Group.

EVENTS AFTER THE REPORTING PERIOD

On 1 August 2016, the Group entered into an agreement with an independent third party (the “Third Party”) to acquire the Third Party’s 15% beneficial interests in its investment in preference shares of a private company (the “Investee”) at a price of US\$4,800,000 (equivalent to approximately HK\$37,241,000). The Investee is engaged in automobile finance business. The management of the Company is in the process of assessing the financial impact of the investment to the Group.

INTERIM DIVIDEND

The board of the Directors (the “Board”) resolved not to declare payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2016, the Company and its subsidiaries have not purchased, 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 2016, 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 2016.

REVIEW OF INTERIM RESULTS

The Company’s audit committee (the “Audit Committee”) comprises Mr. KONG Kai Chuen Frankie, the Chairman of the Audit Committee, Dr. SANTOS Antonio Maria and Mr. LEE Ben Tiong Leong, all of whom are independent non-executive Directors.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2016 and was content that the accounting policies of the Group were in accordance with the current best practice in Hong Kong.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on the websites of the Hong Kong Exchanges and Clearing Limited (“HKEx”) (www.hkexnews.hk) and the Company (www.autoitalia.com.hk) respectively. The interim report of the Company for the six months ended 30 June 2016 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, 30 August 2016

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