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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 2017

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” or “we”) for the six months ended 30 June 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	3	393,080	404,383
Cost of sales		<u>(278,778)</u>	<u>(309,706)</u>
Gross profit		114,302	94,677
Other income		12,885	11,411
Other gains and losses	4	9,574	(7,777)
Selling and distribution costs		(59,198)	(69,073)
Administrative expenses		(35,011)	(37,736)
Finance costs	5	<u>(1,600)</u>	<u>(1,210)</u>
Profit (loss) before taxation		40,952	(9,708)
Taxation	7	<u>(5,558)</u>	<u>(1,732)</u>
Profit (loss) for the period	6	<u>35,394</u>	<u>(11,440)</u>
Earnings (loss) per share			
– Basic	8	<u>HK0.68 cent</u>	<u>(HK0.22 cent)</u>
– Diluted	8	<u>HK0.68 cent</u>	<u>(HK0.22 cent)</u>

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

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit (loss) for the period	35,394	(11,440)
Other comprehensive (expense) income		
<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	<u>(204)</u>	<u>207</u>
Other comprehensive (expense) income for the period	<u>(204)</u>	<u>3,833</u>
Total comprehensive income (expense) attributable to owners of the Company for the period	<u>35,190</u>	<u>(7,607)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

		At 30 June 2017 <i>HK\$'000</i> (unaudited)	At 31 December 2016 <i>HK\$'000</i> (audited)
Non-current assets			
Investment properties		52,900	47,700
Property, plant and equipment		42,518	53,852
Goodwill		2,480	2,480
Rental deposits		8,691	16,314
Investment in preference shares		37,279	37,279
		<u>143,868</u>	<u>157,625</u>
Current assets			
Inventories		164,269	225,557
Trade and other receivables	10	93,277	93,401
Loan receivables		26,000	57,000
Pledged bank deposits		46,041	46,828
Bank balances and cash		243,435	248,839
		<u>573,022</u>	<u>671,625</u>
Current liabilities			
Trade and other payables	11	236,839	331,264
Tax payable		6,138	7,483
Bank and other borrowings	12	34,020	85,675
		<u>276,997</u>	<u>424,422</u>
Net current assets		<u>296,025</u>	<u>247,203</u>
Total assets less current liabilities		<u>439,893</u>	<u>404,828</u>
Capital and reserves			
Share capital	13	104,391	104,391
Reserves		330,290	294,365
Total equity		<u>434,681</u>	<u>398,756</u>
Non-current liabilities			
Bank and other borrowings	12	4,024	4,905
Deferred taxation		1,188	1,167
		<u>5,212</u>	<u>6,072</u>
		<u>439,893</u>	<u>404,828</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 branded cars (including Italian “Maserati”) in Hong Kong and Macau, the provision of pre-delivery inspection service in Shanghai, the People’s Republic of China (the “PRC”) and Hong Kong 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 “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 (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 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

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 2017.

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 while the application of these amendments will have impact to the disclosures in the consolidated financial statements for the year ending 31 December 2017.

3. SEGMENT INFORMATION

During the six months ended 30 June 2017, 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.

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.

Segment revenue and results

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

Six months ended 30 June 2017 (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>390,733</u>	<u>1,439</u>	<u>908</u>	<u>393,080</u>
SEGMENT RESULTS				
Segment profit	<u>36,435</u>	<u>1,412</u>	<u>6,093</u>	43,940
Interest income				153
Unallocated corporate expenses				(1,541)
Finance costs				<u>(1,600)</u>
Profit before taxation				<u>40,952</u>

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>	(4,463)
Interest income				223
Unallocated corporate expenses				(4,258)
Finance costs				<u>(1,210)</u>
Loss before taxation				<u>(9,708)</u>

Segment assets and liabilities

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

At 30 June 2017 (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>310,027</u>	<u>63,464</u>	<u>53,276</u>	426,767
Bank balances and cash				243,435
Pledged bank deposits				46,041
Unallocated corporate assets				<u>647</u>
Consolidated assets				<u>716,890</u>
Liabilities				
Segment liabilities	<u>232,146</u>	<u>82</u>	<u>616</u>	232,844
Bank and other borrowings				38,044
Deferred taxation				1,188
Tax payable				6,138
Unallocated corporate liabilities				<u>3,995</u>
Consolidated liabilities				<u>282,209</u>

At 31 December 2016 (audited)

	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>390,433</u>	<u>94,575</u>	<u>48,129</u>	533,137
Bank balances and cash				248,839
Pledged bank deposits				46,828
Unallocated corporate assets				<u>446</u>
Consolidated assets				<u>829,250</u>
Liabilities				
Segment liabilities	<u>325,230</u>	<u>82</u>	<u>616</u>	325,928
Bank and other borrowings				90,580
Deferred taxation				1,167
Tax payable				7,483
Unallocated corporate liabilities				<u>5,336</u>
Consolidated liabilities				<u>430,494</u>

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

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

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Impairment loss on trade and other receivables, net	(134)	(1,196)
Gain on disposal of property, plant and equipment	2,392	289
Net foreign exchange gain (loss)	2,116	(1,618)
Loss on fair value change of derivative component of investments in convertible bonds	–	(5,252)
Fair value gain on investment properties	<u>5,200</u>	–
	<u>9,574</u>	<u>(7,777)</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interests on bank and other borrowings	1,600	1,204
Interests on finance leases	—	6
	<u>1,600</u>	<u>1,210</u>

6. PROFIT (LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Depreciation of property, plant and equipment	<u>8,834</u>	<u>11,654</u>

7. TAXATION

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Current tax:		
Hong Kong	2,617	529
Other jurisdictions	<u>2,941</u>	<u>1,203</u>
	<u>5,558</u>	<u>1,732</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 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 30%.

8. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit (loss) for the period for the purpose of calculating basic and diluted earnings (loss) per share	<u>35,394</u>	<u>(11,440)</u>

Number of shares

	Six months ended 30 June	
	2017	2016
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	<u>5,219,541,190</u>	<u>5,212,003,168</u>

The computation of diluted loss per share for the period ended 30 June 2017 and 2016 does not assume the exercise of the Company's share options since the exercise price of the share options outstanding were higher than average market price of the shares for the period ended 30 June 2017 and their exercise would result in a decrease in loss per share for the period ended 30 June 2016.

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 2017 (for the six months ended 30 June 2016: Nil).

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2017 <i>HK\$'000</i> (unaudited)	At 31 December 2016 <i>HK\$'000</i> (audited)
Trade receivables	45,673	35,997
Less: Allowance for doubtful debts	<u>–</u>	<u>–</u>
	45,673	35,997
Purchase deposits	19,248	43,837
Utility and rental deposits	10,082	2,246
Prepayments and other receivables	<u>18,274</u>	<u>11,321</u>
	<u>93,277</u>	<u>93,401</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 2017 <i>HK\$'000</i> (unaudited)	At 31 December 2016 <i>HK\$'000</i> (audited)
0 – 30 days	28,258	18,548
31 – 60 days	14,576	14,452
61 – 90 days	253	1,665
91 days to 1 year	2,500	1,210
Over 1 year	<u>86</u>	<u>122</u>
	<u>45,673</u>	<u>35,997</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 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Trade payables	18,396	48,684
Deposits received from customers	119,518	234,505
Advance payments from customers	15,524	4,215
Deferred service income	47,384	–
Accrued charges	13,477	17,307
Other payables	22,540	26,553
	<u>236,839</u>	<u>331,264</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 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
0 – 30 days	11,658	41,142
31 – 60 days	5,284	1,173
61 – 90 days	257	38
91 days to 1 year	449	5,801
Over 1 year	748	530
	<u>18,396</u>	<u>48,684</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\$159,953,000 (six months ended 30 June 2016: HK\$174,803,000) and repaid approximately HK\$212,489,000 (six months ended 30 June 2016: HK\$210,533,000). The new loans carry interest at variable market rates ranging from 2.02% to 4.33% per annum (six months ended 30 June 2016: 1.86% to 4.75% 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 2016, 30 June 2016, 1 January 2017 and 30 June 2017	<u>17,500,000,000</u>	<u>350,000</u>
Issued and fully paid		
At 1 January 2016	5,203,951,190	104,079
Exercise of share options (<i>Note</i>)	<u>15,590,000</u>	<u>312</u>
At 30 June 2016, 31 December 2016 and 30 June 2017	<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 option holders who exercised their share options.

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

14. SUBSEQUENT EVENT

On 18 August 2017, the Group entered into a shareholders agreement (the “JV Shareholders Agreement”) pursuant to which the Group and five other subscribers have agreed to subscribe for designated number of shares at designated prices in Dakota RE II Limited (the “Targetco”) (the “Subscription”) as specified in the JV Shareholders Agreement. The Group agreed to subscribe for 2,749 shares of Targetco, representing 27.49% of the issued share capital in Targetco following the completion of the Subscription, at an aggregated consideration of British Pound Sterling (“GBP”) 5.43 million (equivalent to approximately HK\$55 million). Targetco is holding shares through its indirectly owned subsidiary in Dakota Capella LLP (“Target LLP”) that has entered into a property agreement with an independent third party pursuant to which Target LLP has agreed to purchase a property (which is an office building located in Glasgow, Scotland) at a total purchase price of GBP43.5 million (equivalent to approximately HK\$439 million). Details of the Subscription are set out in the Company’s announcement dated 18 August 2017. As at the date of approving these condensed consolidated financial statements, the Subscription and the acquisition of the property by Target LLP have been completed. The directors of the Company is in the process of assessing the relevant financial impact.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Car Division

Revenue

For the first half of 2017, the Car Division's revenue decreased by 2.7% to HK\$390.7 million (2016: HK\$401.4 million).

In Mainland China, the revenue generated from our Pre-Delivery Inspection ("PDI") services in Shanghai increased to HK\$39.8 million (2016: HK\$32.1 million) mainly contributed by the increase of number of Maserati cars and the new PDI services for Alfa Romeo that newly commenced in March 2017.

The overall revenue from Hong Kong recorded a drop of 5% to HK\$350.9 million (2016: HK\$369.3 million) as the Ferrari business stays inactive due to the announcement of termination of the import and distribution rights of Ferrari cars in Hong Kong and Macau with effect from 27 May 2017. Nevertheless, the revenue from Maserati business recorded an increase of 76% to HK\$160.7 million (2016: HK\$91.5 million) contributed by the increase of both new car unit sales and after-sales services revenue.

Cost of Sales and Gross Profit

Gross profit margin increased by 5.9 percentage points to 28.7%. Our gross profit increased from HK\$91.7 million to HK\$112 million owing to the increase in car unit sales of Maserati in Hong Kong operation.

Other Income

For the six months ended 30 June 2017, other income amounted to HK\$12.9 million (2016: HK\$7.9 million). The net increase of HK\$5 million was mainly contributed by the sale support from the supplier.

Other Gains and Losses

Other gains and losses amounted to a net gain of HK\$4.4 million (2016: loss of HK\$2.5 million) which included gain on disposal of property, plant and equipment of HK\$2.4 million and net foreign exchange gain of HK\$2.1 million.

Selling and Distribution Costs and Administrative Expenses

Selling and distribution costs and administrative expenses during the period aggregated to HK\$92 million (2016: HK\$104.2 million), which accounted for 23.5% (2016: 25.9%) of revenue. The net decrease of HK\$12.2 million was mainly due to a decrease in staff related cost resulting from our cost optimisation, restructuring plan and termination with Ferrari.

Finance Costs

Finance costs during the period were increased to HK\$1.5 million (2016: HK\$1.2 million).

Financial Investments and Services and Property Investment Divisions

Operating Results

During the period, the revenue of Financial Investments and Services Division dropped to HK\$1.4 million (2016: HK\$2.8 million) as more stringent measures on granting financing services were adopted due to the uncertain economic environment. Segment profit after tax increased to HK\$1.2 million (2016: HK\$0.3 million) as the HK\$5.3 million fair value loss of the derivative component of investments in convertible bonds was recorded in the first half result of 2016. Furthermore, we recorded a rental income of HK\$0.9 million for leasing the property of the Group to a third party (2016: HK\$0.2 million) and recorded a fair value gain of HK\$5.2 million on the investment properties.

Profit Attributable to Shareholders

Profit attributable to shareholders of the Company for the six months ended 30 June 2017 was HK\$35.4 million (2016: loss of HK\$11.4 million). It was primarily attributable to an increase in unit sales of Maserati cars, an increase in income from the provision of PDI services in Mainland China and fair value gain on investment properties as well as gain on disposal of property, plant and equipment.

Liquidity and Financial Resources

Cash Flow

During the period, the Group financed its operations primarily through cash generated from the Group's operations. We have made a net repayment of bank borrowings of HK\$52.5 million.

Cash and Cash Equivalents

As at 30 June 2017, the Group had cash and cash equivalents (including pledged bank deposits) of HK\$289.4 million as compared with HK\$295.7 million as at 31 December 2016, which were mainly denominated in Hong Kong dollars (as to 84%), Renminbi (as to 10%), U.S. dollars (as to 4%) and Euro (as to 2%).

Bank and Other Borrowings

As at 30 June 2017, the Group had bank loans totalling HK\$38 million (31 December 2016: HK\$90.6 million), of which HK\$4 million was repayable more than one year. Net cash position as at 30 June 2017 was HK\$251.4 million (31 December 2016: HK\$205 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 2017, the Group had outstanding loan lent to customer totalling HK\$26 million (31 December 2016: HK\$57 million), which carry on interest rates of 8% per annum and will be repayable within six months.

Subsequent to the end of the period, the Group has lent a loan in the principal amount of HK\$20 million on 7 July 2017, which carries interest at the rate of 8% per annum and such loan will be repayable within one year.

Pledge of Assets

As at 30 June 2017, certain of the Group's properties, bank deposits, inventories totalling HK\$104.8 million (31 December 2016: HK\$136.3 million) were pledged as securities for relevant bank loans and other bank facilities granted.

CAPITAL EXPENDITURES, COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2017, the Group had total capital commitments (authorised but not contracted for) of HK\$0.2 million (31 December 2016: HK\$11.4 million), primarily related to the purchase of machinery for after-sales operation. These capital commitments are expected to be financed by internal resources of the Group.

As at 30 June 2017, the Group had no material contingent liabilities.

EVENT AFTER THE REPORTING PERIOD

On 18 August 2017, the Group entered into the JV Shareholders Agreement to subscribe for 27.49% of the issued share capital in Targetco at a total subscription price of about GBP5.43 million (equivalent to about HK\$55 million). Targetco is a recently incorporated holding company of the Target Group (collectively, Targetco, Dakota Capella LLP and two other direct wholly-owned subsidiaries of Targetco), a member of which is the principal investment company that has agreed to purchase Capella, which is an office building located in Glasgow, Scotland (the “Relevant Property”) at a total purchase price of GBP43.5 million. The Relevant Property has a total lettable area of about 115,300 square feet, of which about 93% have been leased to various tenants. Based on the existing leases (the unit rental of which ranges from about GBP25 to GBP27 per square foot per annum), the total annual rental income attributable to the Relevant Property amounted to about GBP3 million. For details of the Subscription, please refer to the Company’s announcement dated 18 August 2017 and note 14 to the condensed consolidated financial statements.

HUMAN RESOURCES AND CHARITY

As at 30 June 2017, the Group employed a total of 207 employees in Hong Kong and Mainland China. The Group believes that employees are all pivotal to our development and representing the most valuable asset for supporting our sustainable business growth.

During the period, we not only provided competitive remuneration packages and benefits programs to our employees, but also provided reasonable and safe working environment, as well as supporting employees’ continued education to uncover their hidden potential. The Group also continued its contribution to local communities through active participation in charitable events such as donations and charity walk.

BUSINESS REVIEW

Maserati

In the first half of 2017, though the economy is mildly recovering, the value of retail sales still dropped by 0.6% year-on-year while the luxury car market is still soft. During the period, Maserati strived to achieve an increase in sales to close to 200 units with aided from the launch of the new SUV Levante. The new model launched successfully aroused market awareness and received good responses. Supported by the first lot of delivery, more SUV Levante delivered to the customer and caught more attentions on the brand and other model ranges, resulting in driving our overall sales momentum.

With both new and pre-owned under one roof at the Kowloon Bay Flagship Showroom, it created synergistic effects for our visitors and lead to a progressive trend for the pre-owned business.

For after-sales services, we continued to provide best-in-class after-sales services to the customers to show our commitment to our business. Therefore, the owners can benefit from a team of fully qualified factory trained professionals, to maintain every vehicle the highest level in terms of safety and performance. We have achieved the best overall manufacturer business key performance indicators in Asia Pacific region, with increase in overall after-sales services revenue and gross profit during the first half of 2017, as compared with the same period of 2016.

For marketing, Maserati continued to reinforce brand presence and product promotion by digital marketing in cost effective approach. The team managed to create more interactive communication with our target audience by instant follow-up actions and captured extensive database for different sales campaigns. Various digital channels also enabled us to reach out and collect broader spectrum of prospects in more dynamic approaches. Client acquisition is a key to our business and the team will continue to collaborate with luxury brands and arrange test drive activities and car shows at high-end areas to attract potential customers from luxury segment. Sales team maintained good service quality in terms of sales facilities and sales process which received good result from customer satisfaction survey with average score 98.8.

Pre-Delivery Inspection

Our PDI operation in both Hong Kong and China performed well and achieved satisfactory progress in the first half of 2017.

In Shanghai, our PDI centre was further expanded and renovated with a total of 13,000 square meter. We not only inspected the new cars from Ferrari and Maserati when they firstly arrived into China, but also ensured all imperfections on the cars are fixed and systems updated to the latest specifications before delivery. In March 2017, we also entered into a new contract with Alfa Romeo and are responsible for their PDI in China.

In Hong Kong, our PDI operation for Audi and Maserati remains steady. We are devoted to explore every opportunity in PDI business with other brands and seek further expansion amid the robust backdrop of luxury auto business.

Property Investment, Financial Investments and Services

During the period, the Group continued to engage in property investment business, financing business and financing-related consultancy services. The Group mainly provides short to medium-term financing, normally not exceeding 12 months, to our clients.

Ferrari

The Ferrari business stays inactive due to the announcement of termination of the Group's import and distribution rights of Ferrari cars in Hong Kong and Macau with effect from 27 May 2017. In March 2017, the Group and Ferrari entered into a term sheet concerning the transitional arrangements of Ferrari vehicle orders and after-sales services for the period from 27 May 2017 until 30 September 2017.

During the period, under the restrictions on new car sales and order, the Group focused on the new car delivery, including the 488 Coupe/Spider, California T HS and F-12 TDF and La Ferrari Aperta.

To ensure a smooth transitional progress of Ferrari vehicle orders and after-sales services, before 30 September 2017, the Group will continue to provide certain services, including new vehicle delivery and after-sales maintenance services for our customers to show our business commitment.

OUTLOOK

With Maserati's new model variants launching by the end of 2017, we will be sustainably strengthening our competitiveness and increase sales performance.

After relocation of Body & Paint and PDI centre in Hong Kong, streamline operation with consolidated location will further improve profitability on our after-sales business. Strong sales delivery momentum on Maserati will bring more opportunities for additional income source.

With the imminent conclusion of the Ferrari franchise, the Group is actively evaluating automotive market opportunities in both Mainland China and Hong Kong. We are confident that with Maserati serving as the bedrock franchise, decision will be made in merits and not in haste.

Following the Subscription, the annual rental income attributable to the Relevant Property will allow the Group to enjoy a stable income stream. The Subscription will also enable the Group to capture upside of the recovering property market in Scotland.

On the other hand, the Group will continue to explore different business opportunities for financing business with the aim of bringing long-term enhancement of value to our shareholders.

INTERIM DIVIDEND

The board of Directors (the "Board") resolved not to declare payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

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

During the six months ended 30 June 2017, the Company and its subsidiaries had not purchased, sold or redeemed any of the Company's listed 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 Listing Rules during the six months ended 30 June 2017, 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 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 Chief Executive Officer of the Company. He 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 the Model Code set out in Appendix 10 to the Listing Rules as standard for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors by the Company, the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2017.

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 principal responsibilities of the Audit Committee are to review and supervise the financial reporting process and the risk management and internal control systems of the Group.

The interim results of the Group for the six months ended 30 June 2017 have not been audited but have been reviewed by Deloitte Touche Tohmatsu, the Company's auditor. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on the websites of Hong Kong Exchanges and Clearing Limited ("HKEx") (www.hkexnews.hk) and the Company (www.autoitalia.com.hk) respectively. The interim report of the Company for the six months ended 30 June 2017 will be dispatched to shareholders of the Company and published on the websites of HKEx and the Company respectively 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 2017

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.

* *For identification purposes only*