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AUTO ITALIA HOLDINGS LIMITED

意達利控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 720)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The Board of AUTO ITALIA HOLDINGS LIMITED (the “Company”) announces that the audited consolidated results of the Company and its subsidiaries (together, the “Group”) for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
Revenue from goods and services	3	221,410	325,333
Rental income		1,976	1,816
Interest income from loan receivables		8,556	10,946
Total revenue		231,942	338,095
Cost of sales and services		(158,031)	(243,857)
Gross profit		73,911	94,238
Other income	5	24,238	30,434
Other expense	6	(5,515)	–
Other gains and losses	7	(1,905)	2,897
Reversal of impairment losses (impairment losses) under expected credit loss (“ECL”) model, net		669	(491)
Selling and distribution costs		(75,449)	(81,859)
Administrative expenses		(49,904)	(55,777)
Finance costs	8	(3,678)	(1,751)
Share of result of an associate		14,087	6,674
Loss before taxation		(23,546)	(5,635)
Taxation	9	(566)	(1,768)
Loss for the year	10	(24,112)	(7,403)
Loss per share	11		
– Basic		(HK0.46 cent)	(HK0.14 cent)
– Diluted		(HK0.46 cent)	(HK0.14 cent)

* For identification purpose only

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

For the year ended 31 December 2019

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year	(24,112)	(7,403)
Other comprehensive income (expense):		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations and the associate	1,932	(5,661)
Reclassification adjustment on exchange difference upon liquidation of a foreign operation	—	(2,061)
	<hr/>	<hr/>
Other comprehensive income (expense) for the year	1,932	(7,722)
	<hr/>	<hr/>
Total comprehensive expense for the year	(22,180)	(15,125)
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
Non-current assets			
Investment properties	12	56,500	59,000
Property, plant and equipment		12,135	20,876
Right-of-use assets		39,309	–
Goodwill		2,480	2,480
Interest in an associate		81,484	65,082
Rental deposits	13	6,208	10,273
		<u>198,116</u>	<u>157,711</u>
Current assets			
Inventories		112,602	184,808
Trade and other receivables	13	28,569	36,675
Loan receivables	14	70,055	89,666
Pledged bank deposits		44,019	44,014
Bank balances and cash		104,014	121,212
		<u>359,259</u>	<u>476,375</u>
Current liabilities			
Trade and other payables	15	31,350	59,672
Contract liabilities		19,496	17,729
Tax payable		2,853	2,901
Bank and other borrowings	16	5,323	72,815
Lease liabilities		23,078	–
		<u>82,100</u>	<u>153,117</u>
Net current assets		<u>277,159</u>	<u>323,258</u>
Total assets less current liabilities		<u>475,275</u>	<u>480,969</u>
Capital and reserves			
Share capital		104,391	104,391
Reserves		352,526	373,603
Total equity		<u>456,917</u>	<u>477,994</u>
Non-current liabilities			
Bank and other borrowings	16	–	1,382
Deferred taxation		1,593	1,593
Lease liabilities		16,765	–
		<u>18,358</u>	<u>2,975</u>
		<u>475,275</u>	<u>480,969</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the registered office and principal place of business of the Company is disclosed in the “Corporate Information” section of the annual report.

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 branded cars in Hong Kong and Macau, as well as provision of financing and property investment.

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 “Leases”, and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information had not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative to impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the Group is 4.25%.

Lease liabilities as at 1 January 2019

	At 1 January 2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	72,850
Lease liabilities discounted at relevant incremental borrowing rates as at 1 January 2019	69,441
Less: Recognition exemption – short-term leases	<u>(1,962)</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	<u>67,479</u>
Analysed as:	
Current	33,522
Non-current	<u>33,957</u>
	<u>67,479</u>

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the followings:

	Right-of-use assets <i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon date of initial application of HKFRS 16	67,479
Adjustments on rental deposits at 1 January 2019 (<i>Note</i>)	<u>710</u>
	<u>68,189</u>
By class:	
Land and buildings	<u>68,189</u>

Note: Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$710,000 was adjusted to refundable rental deposits paid and right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. However, the adjustments to present value is insignificant to be recognised at the date of initial application, 1 January 2019.

Based on the assessment of the directors of the Company, the application of HKFRS 16 as a lessor has no material impact to these consolidated financial statements as at date of initial application, 1 January 2019 and for the year ended 31 December 2019.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK\$'000
Non-current assets			
Rental deposits	10,273	(710)	9,563
Right-of-use assets	<u>–</u>	<u>68,189</u>	<u>68,189</u>
Current liabilities			
Lease liabilities	<u>–</u>	<u>33,522</u>	<u>33,522</u>
Non-current liabilities			
Lease liabilities	<u>–</u>	<u>33,957</u>	<u>33,957</u>

3. REVENUE

Disaggregation of revenue from contracts with customers

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Types of goods and services		
Trading of cars and related accessories	134,352	212,482
Provision of after sales and pre-delivery inspection services	87,058	112,851
Total	<u>221,410</u>	<u>325,333</u>
Geographical markets		
Hong Kong and Macau	195,158	282,804
Mainland China	26,252	42,529
Total	<u>221,410</u>	<u>325,333</u>
Timing of revenue recognition		
A point of time	134,352	212,482
Overtime	87,058	112,851
Total	<u>221,410</u>	<u>325,333</u>

4. SEGMENT INFORMATION

Information reported to the chief operating decision maker (“CODM”), being the executive directors of the Company, for the purposes of resource allocation and assessment of segment performance, focuses on the types of goods or services provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The Group has three operating segments under HKFRS 8 “Operating Segments” which 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 and provision for financing and corporate finance services; and
- (iii) Property investment.

Segment profit/loss represents the profit/loss earned by each segment without allocation of share of result of an associate, interest income from bank deposits/bank balances, certain unallocated corporate expenses and interests on bank and other borrowings. This is the measure reported to CODM 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 and operating segments.

For the year ended 31 December 2019

	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's revenue	<u>221,410</u>	<u>8,556</u>	<u>1,976</u>	<u>231,942</u>
Segment Results				
Segment (loss) profit	<u>(36,378)</u>	<u>5,164</u>	<u>(688)</u>	(31,902)
Share of result of an associate				14,087
Interest income				476
Unallocated corporate expenses				(4,770)
Interests on bank and other borrowings				<u>(1,437)</u>
Loss before taxation				<u>(23,546)</u>

For the year ended 31 December 2018

	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's revenue	<u>325,333</u>	<u>10,946</u>	<u>1,816</u>	<u>338,095</u>
Segment Results				
Segment (loss) profit	<u>(16,115)</u>	<u>6,745</u>	<u>5,370</u>	(4,000)
Share of result of an associate				6,674
Interest income				411
Unallocated corporate expenses				(6,969)
Interests on bank and other borrowings				<u>(1,751)</u>
Loss before taxation				<u>(5,635)</u>

Segment assets and liabilities

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

At 31 December 2019

	Cars	Financial	Property	Consolidated
	HK\$'000	investments	investment	HK\$'000
		and services	HK\$'000	
		HK\$'000		
Assets				
Segment assets	<u>197,876</u>	<u>72,950</u>	<u>56,595</u>	327,421
Bank balances and cash				104,014
Interest in an associate				81,484
Pledged bank deposits				44,019
Unallocated corporate assets				<u>437</u>
Consolidated assets				<u>557,375</u>
Liabilities				
Segment liabilities	<u>86,870</u>	<u>379</u>	<u>692</u>	87,941
Bank and other borrowings				5,323
Deferred taxation				1,593
Tax payable				2,853
Unallocated corporate liabilities				<u>2,748</u>
Consolidated liabilities				<u>100,458</u>

At 31 December 2018

	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>253,368</u>	<u>90,809</u>	<u>59,199</u>	403,376
Bank balances and cash				121,212
Interest in an associate				65,082
Pledged bank deposits				44,014
Unallocated corporate assets				<u>402</u>
Consolidated assets				<u>634,086</u>
Liabilities				
Segment liabilities	<u>73,404</u>	<u>336</u>	<u>626</u>	74,366
Bank and other borrowings				74,197
Deferred taxation				1,593
Tax payable				2,901
Unallocated corporate liabilities				<u>3,035</u>
Consolidated liabilities				<u>156,092</u>

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

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

5. OTHER INCOME

Other income includes:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Commission income	4,735	5,547
Bank interest income	<u>476</u>	<u>411</u>

6. OTHER EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Return of deposits received from a customer	<u>5,515</u>	<u>–</u>

7. OTHER GAINS AND LOSSES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Net foreign exchange gain (loss)	202	(3,192)
Gain on disposal of property, plant and equipment	393	328
Fair value (loss) gain on investment properties	(2,500)	3,700
Gain on liquidation of a subsidiary	<u>–</u>	<u>2,061</u>
	<u>(1,905)</u>	<u>2,897</u>

8. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interests on bank and other borrowings	1,437	1,751
Interests on lease liabilities	<u>2,241</u>	<u>–</u>
	<u>3,678</u>	<u>1,751</u>

9. TAXATION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax		
Hong Kong	842	1,445
Other jurisdictions	–	507
	<u>842</u>	<u>1,952</u>
(Over) underprovision in prior years		
Hong Kong	(276)	(233)
Other jurisdictions	–	49
	<u>(276)</u>	<u>(184)</u>
	<u>566</u>	<u>1,768</u>

10. LOSS FOR THE YEAR

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	1,120	1,200
Depreciation of property, plant and equipment	11,345	11,511
Depreciation of right-of-use assets	34,403	–
Staff costs:		
Directors' emoluments (excluding retirement benefits scheme contributions)	6,971	7,400
Salaries and allowances	31,944	39,948
Share-based payments	891	2,291
Retirement benefits scheme contributions	1,767	2,691
	41,573	52,330
Cost of inventories recognised as expense (including allowance for inventories of nil (2018: HK\$218,000))	152,641	227,733
(Reversal of impairment losses) impairment losses on trade and other receivables and loan receivables, net	(669)	491
Operating lease payments in respect of rented properties	–	39,773
	<u>–</u>	<u>39,773</u>

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following data:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loss for the year for the purpose of basic and diluted loss per share	<u>(24,112)</u>	<u>(7,403)</u>
	2019 Number of shares	2018 Number of shares
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>5,219,541,190</u>	<u>5,219,541,190</u>

For the year ended 31 December 2019 and 2018, the computation of diluted loss per share does not assume the exercise of the Company's share options since the exercise prices of the share options outstanding were higher than average market price of the shares for the year ended 31 December 2019 and 2018.

12. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
At 1 January 2018	55,300
Fair value gain	<u>3,700</u>
At 31 December 2018	59,000
Fair value loss	<u>(2,500)</u>
At 31 December 2019	<u>56,500</u>

13. TRADE AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables from contract with customers	15,225	29,706
Less: Allowance for ECL	<u>(55)</u>	<u>(59)</u>
	<u>15,170</u>	<u>29,647</u>
Utility and rental deposits	10,680	11,494
Prepayments and other receivables	6,132	4,663
Interest receivables	<u>2,795</u>	<u>1,144</u>
	<u>34,777</u>	<u>46,948</u>
Less: Amounts due more than one year shown under non-current assets	<u>(6,208)</u>	<u>(10,273)</u>
Amounts shown under current assets	<u>28,569</u>	<u>36,675</u>

The Group allows its trade customers a credit period from 0 to 90 days. The following is an aged analysis of trade receivables from contract with customers net of allowance for ECL presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 30 days	5,223	17,740
31 to 60 days	1,986	1,558
61 to 90 days	1,527	4,179
91 days to 1 year	3,747	6,123
Over 1 year	<u>2,687</u>	<u>47</u>
	<u>15,170</u>	<u>29,647</u>

14. LOAN RECEIVABLES

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed-rate loans	70,220	90,490
Less: Allowance for ECL	(165)	(824)
	<u>70,055</u>	<u>89,666</u>

15. TRADE AND OTHER PAYABLES

Trade and other payables comprise amounts outstanding for trade purposes and daily operating costs. The average credit period on purchase of goods is 30–90 days. The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period.

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	5,611	24,029
31 to 60 days	376	4,819
61 to 90 days	15	745
91 days to 1 year	101	631
Over 1 year	764	768
	<u>6,867</u>	<u>30,992</u>
Trade payables	6,867	30,992
Advance payments from customers	2,561	3,378
Accrued charges	15,027	19,972
Other payables	6,895	5,330
	<u>31,350</u>	<u>59,672</u>

16. BANK AND OTHER BORROWINGS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Bank borrowings	1,379	3,162
Trust receipt loans	767	44,875
Other borrowings from restricted licensed banks	–	1,087
Other borrowings from a financial institution	3,177	25,073
	<u>5,323</u>	<u>74,197</u>
Secured	<u>5,323</u>	<u>74,197</u>
Carrying amount repayable:		
On demand or within one year	5,323	72,815
More than one year, but not exceeding two years	–	1,382
	<u>5,323</u>	<u>74,197</u>
Less: Amounts due within one year shown under current liabilities	<u>(5,323)</u>	<u>(72,815)</u>
Amounts shown under non-current liabilities	<u>–</u>	<u>1,382</u>

17. DIVIDEND

No dividend was paid or proposed during year ended 31 December 2019 (2018: Nil), nor has any dividend been proposed since the end of the reporting period (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

CAR DIVISION

Revenue

The Car Division's revenue in 2019 decreased by 31.9% to HK\$221.4 million (2018: HK\$325.3 million).

In mainland China, the revenue decreased to HK\$26.3 million (2018: HK\$42.5 million) mainly caused by the decrease of number of Maserati which underwent for Pre-Delivery Inspection ("PDI") service and the completion of the Alfa Romeo PDI service business in second half of 2018.

In Hong Kong, the overall revenue dropped 33.2% to HK\$188.8 million (2018: HK\$282.8 million) primarily due to the decrease of new Maserati car sales. In Macau, the new Maserati Macau Showroom and Service Centre was officially opened in May 2019 and generated revenue of HK\$6.4 million.

Cost of Sales and Gross Profit

Gross profit margin increased 3.6 percentage points to 28.6%. Our gross profit decreased from HK\$81.5 million in 2018 to HK\$63.4 million owing to the decrease in car unit sales of Maserati in Hong Kong operation.

Other Income

For the year ended 31 December 2019, other income amounted to HK\$24.2 million (2018: HK\$30.4 million). The net decrease of HK\$6.2 million was mainly caused by the decrease of marketing supports from the supplier.

Other Gains and Losses and Impairment Losses, Net

Other gains and losses and impairment losses, net, amounted to a net gain of HK\$0.6 million (2018: HK\$0.8 million) which included gain on disposal of property, plant and equipment of HK\$0.4 million and net foreign exchange gain of HK\$0.2 million.

Selling and Distribution Costs and Administrative Expenses

Selling and distribution costs and administrative expenses in 2019 aggregated to HK\$116.3 million (2018: HK\$128.1 million), which accounted for 52.5% (2018: 39.4%) of revenue. The net decrease of HK\$11.8 million was mainly due to a decrease in marketing expenses and staff related cost resulting from our cost optimization and restructuring plan.

Finance Costs

Finance costs in 2019 were increased to HK\$3.6 million (2018: HK\$1.6 million) which included interest on lease liabilities of HK\$2.2 million (2018: Nil).

Financial Investments and Services and Property Investment Divisions

Operating Results

As at 31 December 2019, the loan receivables narrowed to HK\$70.1 million from HK\$89.7 million in 2018. Hence, the revenue of Financial Investments and Services Division for the year ended 31 December 2019 decreased to HK\$8.6 million (2018: HK\$10.9 million), representing a decrease of HK\$2.3 million. Segment profit decreased by HK\$1.5 million to HK\$5.2 million (2018: HK\$6.7 million).

Furthermore, the Property Investment Division recorded a rental income of HK\$2.0 million for leasing the property of the Group to a third party (2018: HK\$1.8 million) and record a fair value loss of HK\$2.5 million on the investment property (2018: gain of HK\$3.7 million). In June 2019, the Group renewed the lease with the tenant and increasing rental income by 15%. For indirect investment in an office building in Glasgow, Scotland, the share of profit from such investment for the year ended 31 December 2019 was HK\$14.1 million (2018: HK\$6.7 million). The increase of HK\$7.4 million was mainly contributed by the share of the fair value gain of the property of HK\$10.2 million (2018: HK\$2.7 million).

Loss Attributable to Shareholders

Loss attributable to shareholders of the Company for the year was HK\$24.1 million (2018: HK\$7.4 million). Such loss is primarily caused by the decrease in new car sales in Hong Kong and decrease in income from the provision of PDI service in Mainland China due to uncertain economic environment and ongoing social unrest.

Liquidity and Financial Resources

Cash and Cash Equivalents

As at 31 December 2019, the Group had cash and cash equivalents (including pledged bank deposits) of HK\$148.0 million as compared with HK\$165.2 million as at 31 December 2018, which were denominated in Hong Kong dollars (as to 81.2%), British Pound (as to 7.8%), Renminbi (as to 6.8%), U.S. dollars (as to 3.8%) and Macau Pataca (as to 0.4%).

Bank and Other Borrowings Loans

As at 31 December 2019, the Group had bank and other borrowings totalling HK\$5.3 million (2018: HK\$74.2 million), all were repayable within one year. Net cash position as at 31 December 2019 was HK\$142.7 million (2018: HK\$91 million). The Group debt to equity ratio for the year ended 31 December 2019 improved to 1.2% from 15.5% for the year ended 31 December 2018 based on the total of current and non-current bank and other borrowings of HK\$5.3 million (2018: HK\$74.2 million) and total equity of HK\$456.9 million (2018: HK\$478.0 million).

Loan Receivables

During the year, the Group had engaged in Financial Investment and Services Business, which included the provision of loan financing. As at 31 December 2019, the Group had outstanding secured loans lent to customers totalling HK\$70.1 million (31 December 2018: HK\$89.7 million), which carry an interest rate range from 7.5% to 30% per annum and were repayable within 12 months.

Pledge of Assets

As at 31 December 2019, certain of the Group's properties, bank deposits, inventories totalling HK\$100.5 million (2018: HK\$104.5 million) were pledged as securities for relevant bank loans and other bank facilities granted.

CAPITAL EXPENDITURES, COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2019, the Group had total capital commitments of HK\$0.67 million (2018: HK\$0.35 million), all capital commitments as at 31 December 2019 and 2018 are authorized but not contracted for. The capital commitment primarily related to addition tools and equipment for Maserati business. These capital commitments are expected to be financed by internal resources of the Group.

As at 31 December 2019, the Group had no material contingent liabilities.

EVENT AFTER THE REPORTING PERIOD

On 29 January 2020, the Group entered into the CBL Subscription Agreement for subscription of 51,847,997 series A preferred shares of CBL at consideration of US\$32 million. The subscription was completed in February 2020 and CBL becomes 11.82% share owned associate company of the Group. CBL is a provider of biologics contract development and manufacturing organisation services to biotech and pharmaceutical companies. CBL owns an advanced laboratory and oversees more than 130 employees with industry-leading expertise. For details, please refer to the announcement dated 29 January 2020.

HUMAN RESOURCES

As at 31 December 2019, the Group employed a total of 111 employees in Hong Kong, Macau and Mainland China. 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.

BUSINESS REVIEW

Maserati

2019 was a challenging year for the luxury automobile market in Hong Kong. As reported by Hong Kong's Census and Statistics Department, total value of motor vehicles and parts retail sales in 2019—estimated at HK\$15.81 billion—decreased by 5.9% from 2018's HK\$16.81 billion, affected by the turbulent political situation and social unrest depressing customers' appetite for spending. Total registration of passenger car also experienced a drop of 11% from 42,287 units in 2018 to 37,500 units in 2019.

Maserati felt the squeeze as well: the year saw close to 200 units sold. Despite the economic uncertainty, Maserati recorded an overall market share of 9%, unchanged since the previous year.

Maintaining Maserati's sales performance in a challenging period was made possible by adopting a flexible and diversified marketing approach, executed through brand-building events and Customer Relationships Management programmes.

Maserati participated in the Longines Masters 2019 in February as the event's official car sponsor. Our front-and-centre exposure in this world-class event helped to build awareness of our brand for discerning high net worth individuals (“HNWs”).

We also held four auto shows in Hong Kong's premium shopping malls in 2019, and offered our fans an opportunity to test-drive both on-road and off-road capability of Levante through our Ultimate Driving event in April.

On top of these high-profile occasions, we had also maintained a monthly schedule of exclusive events designed for client acquisition, including collaboration with select high-end retail brands and premium banking services.

Our solid follow-through on operational guidelines enabled the Group to maintain high levels of customer satisfaction in 2019. Through our focus on four key elements in relation to ownership experience—customer centricity, simplicity, speed and agility—service throughput increased by 4.1% in 2019 as compared to the previous year.

Service penetration increased to 73%, up from 69% in 2018. As a result, customer numbers increased by 4%, and after-sales overall revenue in 2019 increased by 8.8%.

The Group expanded its reach to Hong Kong's sister SAR with a new Macau Maserati showroom and service center, which officially opened in May 2019. Our participation in the Macau Auto Show in June and the China (Macau) International Automobile exposition in October offered Maserati another chance to increase brand and product awareness.

All these events were supported with print and online media advertising, direct mail to high-end homes, as well as promotion on social media, all targeting business & finance, luxury lifestyle HNWs. In Macau, we collaborated with our casino partners to execute our marketing promotions, including car displays and a grand lucky draw.

As the business environment in Hong Kong, Macau and Greater China area grow increasingly unpredictable, the Group counts on its continued investment in systems and human resources and cost-saving measures to maintain its efficiency levels.

Pre-Delivery Inspection

The overall revenue derived from the PDI service in mainland China decreased to HK\$26.3 million (2018: HK\$42.5 million). The apparent drop of 38% in revenue resulted primarily from the decrease of number of Maserati which underwent for PDI service and the completion of the Alfa Romeo PDI service business in second half of 2018. The Group is currently in discussion with Maserati for the new service agreement and exploring a new business model to cope with the new business situation.

Property Investment, Financial Investments and Services

During the year, the Group continued to engage in property investment business, financing business and financing-related consultancy services.

The uncertainties of the Sino-US trade dispute, the ongoing political turbulence in Hong Kong and other economically disruptive events create economic uncertainty and challenges. The Group continue adopt a prudent and cautious approach when conducting our financing business, the 2019 year-end loan portfolio narrowed to HK\$70.1 million from HK\$89.7 million in 2018. Hence, our revenues of HK\$8.6 million in 2019 moved down from 2018's HK\$10.9 million.

For the property investment business, the Group continued to earn a rental income of HK\$2 million (2018: HK\$1.8 million) from leasing the investment property. Despite the uncertain Hong Kong property situation in 2019, we renewed the lease with the tenant in June 2019, increasing rental income by 15%. The Group's indirect investment in an office building in Glasgow, Scotland also allowed us to enjoy a stable income stream from the property's rental revenue. The share of profit from such investment for the year ended 31 December 2019 was HK\$14.1 million (2018: HK\$6.7 million). The increase of HK\$7.4 million was mainly contributed by the share of the fair value gain of the property of HK\$10.2 million (2018: HK\$2.7 million).

OUTLOOK

The outbreak of the novel coronavirus epidemia ("COVID-19") since early 2020 has posed uncertainties on the global economy. The Group will closely monitor the effect that could be caused by COVID-19 on the business operation and financial position of the Group. The Group has taken the opportunity to streamline its business process in order to maintain the leanest cost structure possible, to cope with the upcoming challenges and uncertainties.

With our resurgent presence in Macau, the strong performance of our after-sales service, and the steady growth of our non-automotive Divisions, the Group will continue to chart a steady course as economic headwinds buffet the Greater China area.

In 2020, we confidently expect a positive reaction from the upcoming launches of new Maserati models: the luxury SUV Levante Trofeo & Levante GTS; the special limited-editions; and most anticipated of all, the MMXX project from the brand, pairing Maserati high performance with a brand-new EV powertrain.

The Group will continue to surprise future Maserati customers with a regular series of events, experiences and announcements, driven by innovative marketing campaigns that enhance our brand exposure throughout the region.

2020 will see the Group pursuing an exciting new direction with its investment in an associate company, CBL, a provider of biologics development and manufacturing services to biotech and pharmaceutical companies. CBL owns an advanced laboratory and oversees more than 130 employees with industry-leading expertise, placing the Group in an extraordinary position to take advantage of the field's extraordinary growth potential.

In summary, thanks to our prime position to take advantage of future opportunities in the auto, property and financial investment sectors, the Group will continue to enhance value for our Shareholders, this year and in the long term.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil). No interim dividend was paid during the year ended 31 December 2019 (2018: Nil).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

CORPORATE GOVERNANCE

Maintaining an effective corporate governance framework is one of the priorities of the Company. In the opinion of the Directors, the Company had complied with all the CG Code Provisions throughout the year ended 31 December 2019, except CG Code Provision A.2.1 of the CG Code.

CG 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.

Mr CHONG Tin Lung Benny is the Executive Chairman and the Chief Executive Officer. Mr Chong has extensive experience in corporate management and securities investments and is responsible for the overall corporate strategies, planning and business development of the Group. The Board considers that the vesting of two roles in the same person provides our Group with strong and consistent leadership and facilitates the implementation and execution of our Group's business strategy. The Company shall nevertheless review the structure from time to time in light of the prevailing circumstances.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as standard for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors by the Company, during the year ended 31 December 2019, the Directors confirmed that they have complied with the standards set out in the Model Code.

REVIEW OF ANNUAL RESULTS

The members of the Audit Committee comprise Dr SANTOS Antonio Maria, Mr KONG Kai Chuen Frankie and Mr LEE Ben Tiong Leong, all of whom are INEDs. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2019 including the accounting principles and practices adopted by the Group, and discussed the risk management, internal control and financial reporting matters during the review.

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on Wednesday, 27 May 2020. For further details of the AGM, please refer to the notice of AGM, which will be dispatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

In order to determine the identity of the Shareholders who are entitled to attend and vote at the forthcoming AGM, all transfers accompanied by the relevant Share certificates must be lodged with the Company's Hong Kong branch Share registrar and transfer office, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 20 May 2020. The register of members of the Company will be closed from Thursday, 21 May 2020 to Wednesday, 27 May 2020 (both dates inclusive), during which period no transfer of Shares will be registered.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements

for the year ended 31 December 2019. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company's website (<http://www.autoitalia.com.hk>) respectively. The annual report of the Company for the year ended 31 December 2019 will be dispatched to the Shareholders and published on the aforesaid websites in due course.

GLOSSARY OF TERMS

In this announcement, unless the context otherwise requires, the following expressions have the meanings as mentioned below:

“AGM” or “Annual General Meeting”	the annual general meeting of the Company to be held at United Conference Centre, 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong on Wednesday, 27 May 2020 at 2:00 p.m. or any adjournment thereof;
“Alfa Romeo”	a brand is known for sporty vehicles of an Italian luxury car;
“Audit Committee”	the audit committee of the Company;
“Board”	the board of Directors;
“Car Division”	the business segment of the Group in respect of trading cars and related accessories;
“CBL”	Chime Biologics Limited, a company incorporated in British Virgin Islands with limited liability and which is an associate company of the Company;
“CG Code”	the Corporate Governance Code contained in Appendix 14 of the Listing Rules;

“Chief Executive Officer”	the chief executive officer of the Company;
“CODM”	the chief operating decision maker of the Company;
“Company”	AUTO ITALIA HOLDINGS LIMITED, an exempted company incorporated in Bermuda with limited liability, whose Shares are listed on the main board of the Stock Exchange;
“COVID-19”	the novel coronavirus epidemia;
“Director(s)”	the director(s) of the Company;
“ECL”	the expected credit loss;
“Executive Chairman”	the chairman of the Board;
“Executive Director(s)”	the executive director(s) of the Company;
“Financial Investments and Services Division”	the business segment of the Group in respect of securities investment, financing and corporate finance services;
“Group”	the Company and its subsidiaries;
“HKFRSs”	Hong Kong Financial Reporting Standards;
“HKICPA”	Hong Kong Institute of Certified Public Accountants;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HNWs”	high net worth individuals;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Non-executive Director(s)” or “INED(s)”	the independent non-executive director(s) of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time;

“Macau”	the Macau Special Administrative Region of the PRC;
“Maserati”	an Italian luxury vehicle manufacturer, was initially associated with Ferrari S.p.A., and recently becomes partial of the sporty vehicles group including Alfa Romeo;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules;
“PDI”	pre-delivery inspection;
“PRC” or “Mainland China” or “China”	The People’s Republic of China, which for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan;
“Property Investment Division”	the business segment of the Group in respect of property investment;
“SAR”	Special Administrative Region of the PRC;
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

By Order of the Board
AUTO ITALIA HOLDINGS LIMITED
CHONG Tin Lung Benny
Executive Chairman and Chief Executive Officer

Hong Kong, 25 March 2020

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.