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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 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Auto Italia Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue from goods and services		2,425	11,731
Rental income		13,243	14,006
		<hr/>	<hr/>
Total revenue		15,668	25,737
Cost of sales and services		(4,922)	(13,213)
		<hr/>	<hr/>
Gross profit		10,746	12,524
Other income	4	115	282
Other gains and losses	5	(62,438)	(117,482)
Selling and distribution costs		(972)	(2,148)
Administrative expenses		(10,709)	(13,510)
Finance costs	6	(16,494)	(7,691)
		<hr/>	<hr/>
Loss before taxation		(79,752)	(128,025)
Taxation	7	139	321
		<hr/>	<hr/>
Loss for the period	8	(79,613)	(127,704)
		<hr/> <hr/>	<hr/> <hr/>

* *For identification purpose only*

		Six months ended 30 June	
		2024	2023
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Loss for the period attributable to:			
	– owners of the Company	(76,931)	(117,400)
	– non-controlling interests	(2,682)	(10,304)
		<u>(79,613)</u>	<u>(127,704)</u>
Loss per share			
	– Basic	9 (HK\$1.45 cents)	(HK2.22 cents)
	– Diluted	9 (HK\$1.45 cents)	(HK2.22 cents)
		<u>(HK\$1.45 cents)</u>	<u>(HK2.22 cents)</u>

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

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period	<u>(79,613)</u>	<u>(127,704)</u>
Other comprehensive (expense) income		
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>(1,312)</u>	<u>6,166</u>
Other comprehensive (expense) income for the period	<u>(1,312)</u>	<u>6,166</u>
Total comprehensive expense for the period	<u><u>(80,925)</u></u>	<u><u>(121,538)</u></u>
Total comprehensive expense for the period attributable to:		
– owners of the Company	<u>(77,690)</u>	<u>(113,974)</u>
– non-controlling interests	<u>(3,235)</u>	<u>(7,564)</u>
	<u><u>(80,925)</u></u>	<u><u>(121,538)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		At 30 June 2024 <i>HK\$'000</i> (unaudited)	At 31 December 2023 <i>HK\$'000</i> (audited)
Non-current assets			
		433,167	438,791
		4,731	6,588
		1,509	2,202
		56,996	117,122
	11	5,959	7,589
		502,362	572,292
Current assets			
		1,193	1,530
	11	8,079	12,404
		15,573	15,308
		57	87
		5,336	5,545
		20,869	21,373
		51,107	56,247
Current liabilities			
	12	17,109	18,325
	13	349,622	286,554
		11,029	10,577
	14	10,740	–
		2,237	2,252
		390,737	317,708
		(339,630)	(261,461)
		162,732	310,831

		At 30 June 2024 <i>HK\$'000</i> (unaudited)	At 31 December 2023 <i>HK\$'000</i> (audited)
Capital and reserves			
Share capital		105,850	105,850
Reserves		<u>(18,915)</u>	<u>58,775</u>
Equity attributable to owners of the Company		86,935	164,625
Non-controlling interests		<u>43,423</u>	<u>46,658</u>
Total equity		<u>130,358</u>	<u>211,283</u>
Non-current liabilities			
Bank and other borrowings	13	–	57,079
Loan from a related party	14	–	11,013
Promissory note	15	30,797	29,700
Deferred taxation		<u>1,577</u>	<u>1,756</u>
		<u>32,374</u>	<u>99,548</u>
		<u>162,732</u>	<u>310,831</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**the Listing Rules**”).

As at 30 June 2024, the Group had net current liabilities of HK\$339,630,000 (31 December 2023: HK\$261,461,000). In preparing the condensed consolidated financial statements, the directors of the Company (the “**Directors**”) have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and actions have been taken by the Directors to mitigate the liquidity position of the Group and to improve the financial position of the Group, and the plans and actions are as follows.

The Group will be able to renew the other borrowing of HK\$255,558,000 for a period of one year after its maturity on 18 October 2024 given that the Group has a one-year extension option, subject to the fulfillment of certain conditions (mainly financial ratios) by the Group, with the satisfaction of the existing lender. In view of sufficient headroom of pledged investment property located in Scotland with fair value of HK\$379,537,000 over the borrowing amount, the Directors are of the opinion that the Group will be able to fulfill those conditions and will do partial repayment of the borrowing where necessary, with the satisfaction of the existing lender, and the Directors are confident that the extension of the borrowing will be successful.

The Group has available undrawn committed borrowing facilities amounting to HK\$34,000,000 as at 30 June 2024, in August 2024, the Group and counterparty agreed that the committed borrowing facilities further increased by HK\$30,000,000 to HK\$64,000,000 and the maturity date of other borrowing amounting to HK\$66,000,000 as at 30 June 2024 has been extended to 16 April 2026.

The Group may look for better financing options for the Group or seek opportunity to dispose of the Group’s assets, if necessary, in order to strengthen the Group’s future liquidity and financial position.

The Directors are of the opinion that, taking into account the above-mentioned plans and actions, the Group will have sufficient working capital to meet its financial obligations as they fall due within twelve months from the date of approval of the condensed consolidated financial statements. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

1A. SIGNIFICANT EVENT IN THE CURRENT INTERIM PERIOD

During the current interim period, there was a fair value loss on investment of an associate measured at FVTPL of HK\$60,212,000.

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.

Other than additional accounting policy resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRS**”) and application of certain accounting policies which became relevant to the Group in the current interim period, the accounting policies applied and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2023.

2.1 Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Lease back
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

During the six months ended 30 June 2024, the Group has three operating segments under HKFRS 8 “Operating Segments” from continuing operations as follows:

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

Segment profit/loss represents the profit/loss earned by each segment without allocation of fair value loss on investment of an associate measured at FVTPL, fair value gain on other financial assets at FVTPL, share-based payments, certain unallocated corporate expenses and finance costs. This is the measure reported to chief operating decision maker, being the executive directors of the Company, 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 2024 (unaudited)

	Cars <i>HK\$’000</i>	Property investment <i>HK\$’000</i>	Financial investments and services <i>HK\$’000</i>	Consolidated <i>HK\$’000</i>
SEGMENT REVENUE				
Group revenue	<u>2,425</u>	<u>13,243</u>	<u>–</u>	<u>15,668</u>
SEGMENT RESULTS				
Segment (loss) profit	<u>(2,818)</u>	<u>4,499</u>	<u>(177)</u>	<u>1,504</u>
Fair value loss on investment of an associate measured at FVTPL				(60,212)
Fair value gain on other financial asset at FVTPL				653
Unallocated corporate expenses				(5,203)
Finance costs				<u>(16,494)</u>
Loss before taxation				<u><u>(79,752)</u></u>

Note: As at 30 June 2024, the management continues to operate the financial investments and services and will continue to explore business opportunity in this segment.

3. SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2023 (unaudited)

	Cars <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Financial investments and services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
SEGMENT REVENUE				
Group revenue	<u>11,731</u>	<u>14,006</u>	<u>–</u>	<u>25,737</u>
SEGMENT RESULTS				
Segment loss	<u>(3,640)</u>	<u>(14,448)</u>	<u>(167)</u>	(18,255)
Fair value loss on investment of an associate measured at FVTPL				(96,400)
Fair value gain on other financial asset at FVTPL				680
Share-based payments				(1,319)
Unallocated corporate expenses				(5,040)
Finance costs				<u>(7,691)</u>
Loss before taxation				<u><u>(128,025)</u></u>

3. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

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

At 30 June 2024 (unaudited)

	Cars	Property	Financial	Consolidated
	HK\$'000	investment	investments	HK\$'000
		HK\$'000	and services	
			HK\$'000	
Assets				
Segment assets	<u>8,751</u>	<u>444,166</u>	<u>–</u>	452,917
Bank balances and cash				20,869
Pledged bank deposits				5,336
Tax recoverable				57
Investment of an associate measured at FVTPL				56,996
Other financial asset at FVTPL				15,573
Unallocated corporate assets				<u>1,721</u>
Consolidated assets				<u><u>553,469</u></u>
Liabilities				
Segment liabilities	<u>3,378</u>	<u>274,931</u>	<u>–</u>	278,309
Promissory note				30,797
Deferred taxation				1,577
Unallocated corporate liabilities				<u>112,428</u>
Consolidated liabilities				<u><u>423,111</u></u>

3. SEGMENT INFORMATION (CONTINUED)

At 31 December 2023 (audited)

	Cars <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Financial investments and services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets				
Segment assets	10,865	456,264	–	467,129
Bank balances and cash				21,373
Pledged bank deposits				5,545
Tax recoverable				87
Investment of an associate measured at FVTPL				117,122
Other financial asset at FVTPL				15,308
Unallocated corporate assets				<u>1,975</u>
Consolidated assets				<u><u>628,539</u></u>
Liabilities				
Segment liabilities	14,652	276,754	–	291,406
Promissory note				29,700
Deferred taxation				1,756
Unallocated corporate liabilities				<u>94,394</u>
Consolidated liabilities				<u><u>417,256</u></u>

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

- all assets are allocated to operating segments other than unallocated corporate assets, bank balances and cash, pledged bank deposits, tax recoverable, investment of an associate measured at FVTPL and other financial asset at FVTPL;
- all liabilities are allocated to operating segments other than unallocated corporate liabilities, promissory note and deferred taxation.

4. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Commission income	113	275
Bank interest income	2	7
	<u>115</u>	<u>282</u>

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net foreign exchange gain	102	873
Fair value loss on investment of an associate measured at FVTPL	(60,212)	(96,400)
Fair value loss on investment properties	(2,963)	(22,635)
Fair value gain on other financial asset at FVTPL	653	680
Loss on disposal of property, plant and equipment	(18)	–
	<u>(62,438)</u>	<u>(117,482)</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interests on bank and other borrowings	14,459	5,589
Interest on loan from a non-controlling member of a subsidiary	525	462
Interest on promissory note	1,097	1,091
Loan arrangement fee	372	480
Interest on lease liabilities	41	69
	<u>16,494</u>	<u>7,691</u>

7. TAXATION

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax charge:		
Hong Kong	35	15
Deferred taxation	<u>(174)</u>	<u>(336)</u>
	<u>(139)</u>	<u>(321)</u>

8. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	1,184	1,267
Depreciation of right-of-use assets	656	900
Amortisation of intangible assets	<u>–</u>	<u>374</u>

9. LOSS PER SHARE

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

Loss figures are calculated as follows:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company	<u>(76,931)</u>	<u>(117,400)</u>
Loss for the period for the purpose of calculating basic and diluted loss per share	<u>(76,931)</u>	<u>(117,400)</u>

9. LOSS PER SHARE (CONTINUED)

Number of shares

	Six months ended 30 June	
	2024	2023
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	<u>5,292,515,390</u>	<u>5,292,515,390</u>

For the six months ended 30 June 2024 and 30 June 2023, the computation of diluted loss per share did not assume the exercise of the Company's share options because the assumed exercise of share options would result in decrease in loss per share.

10. DIVIDEND

No dividend was paid or declared during the six months ended 30 June 2024 and 2023 nor has any dividend been proposed since the end of the reporting period.

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2024 HK\$'000 (unaudited)	At 31 December 2023 HK\$'000 (audited)
Rent receivables	<u>8,449</u>	<u>10,096</u>
	8,449	10,096
Utility and rental deposits	752	804
Value-added tax receivables	1,140	1,173
Prepayment	2,055	3,896
Other receivables	<u>1,642</u>	<u>4,024</u>
	14,038	19,993
Less: Amount due more than one year shown under non-current assets	<u>(5,959)</u>	<u>(7,589)</u>
Amount shown under current assets	<u>8,079</u>	<u>12,404</u>

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

Rent receivables

The Group's rental income are based on effective accrued rentals after taking into account of rent free period which are recognised under straight line method and recorded as rent receivables. Rental income is received from tenants in Scotland and in Hong Kong on a quarterly basis and monthly basis, respectively. Included in the Group's rent receivables as at 30 June 2024 are (i) accrued rent receivables of HK\$6,790,000 over the rent free periods (At 31 December 2023: HK\$7,660,000); (ii) lease incentives paid of HK\$1,659,000 (At 31 December 2023: HK\$2,436,000) represent amount of rent incentives granted to tenants, which are to be recovered through future rental income. The amounts that are expected to be realised after twelve months after the reporting period are presented as non-current assets.

No credit period is granted to tenants of rental of premises. There is no past due rent receivables as at 30 June 2024 and 31 December 2023.

12. TRADE AND OTHER PAYABLES

	At 30 June 2024 HK\$'000 (unaudited)	At 31 December 2023 HK\$'000 (audited)
Trade payables	686	943
Accrued charges	2,172	2,583
Receipt in advance for rental income	7,337	7,411
Other payables	6,914	7,388
	17,109	18,325

The following is an aged analysis of trade payables, presented based on invoice date, at the end of the reporting period:

	At 30 June 2024 HK\$'000 (unaudited)	At 31 December 2023 HK\$'000 (audited)
31 days to 60 days	118	279
61 days to 90 days	247	335
91 days to 1 year	272	280
Over 1 year	49	49
	686	943

13. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained an other borrowing amounting to HK\$11,000,000 (for the six months ended 30 June 2023: other borrowing of HK\$12,000,000). The new other borrowing carries interest at 9% per annum with maturity date of 17 April 2025. During the six months ended 30 June 2024, the Group repaid bank and other borrowing of HK\$5,775,000 (for the six months ended 30 June 2023: repaid of HK\$29,701,000).

14. LOAN FROM A RELATED PARTY

The loan is unsecured and interest-free with maturity date on 12 February 2025.

15. PROMISSORY NOTE

On 25 March 2021, the Group issued unsecured promissory note amounting to HK\$53,500,000 in Hong Kong to acquire additional equity interest of 27.49% in Dakota RE II Limited. The unsecured promissory note has initial maturity of three years and further extended two years until March 2026 and carries interest at 8% per annum. During the six months ended 30 June 2024 and 30 June 2023, the Group has not repaid any principal.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Property Investment Division

During the period ended 30 June 2024, the Property Investment Division recorded a rental income of HK\$13.2 million for leasing the properties of the Group to third parties in Hong Kong and Scotland (2023: HK\$14.0 million). The decrease in rental income of HK\$0.8 million was mainly due to a temporary adjustment in leasing revenue in Scotland resulting from the early termination of a lease by one tenant in 2024.

Car Division

During the first half of 2024, the macroeconomic landscape has proven to be challenging, characterised by a slow recovery, negative consumer sentiment, and weakened purchasing power. These factors have presented significant obstacles to the sales performance of luxury cars in the PRC. Given the prevailing economic difficulties, automotive dealers in the PRC have continued to implement widespread discounts and promotional offers in a bid to stimulate sales and address their financial constraints. Consequently, market competition has remained intense throughout the first half of 2024. As a result of these circumstances, the Car Division reported a revenue of HK\$2.4 million (compared to HK\$11.7 million in 2023).

Financial Investments and Services Division

Amid the prevailing market turbulence, the Group has adopted a cautious approach in its lending business to mitigate the risk of loan defaults and non-performing debts. As at 30 June 2024 and 2023, the Group did not have any outstanding loan lent to customers. Hence, no revenue was recorded.

Cost of Sales and Gross Profit

Gross profit decreased by HK\$1.8 million to HK\$10.7 million (2023: HK\$12.5 million). The decrease was affected by the performance of the Car Division and the Property Investment Division.

As a result of the shift in revenue distribution between the Car Division and the Property Investment Division, our consolidated gross margin increased by 19.9 percentage points, reaching 68.6% for the current reporting period (2023: 48.7%).

Other Income

For the six months ended 30 June 2024, other income amounted to HK\$0.12 million (2023: HK\$0.28 million). The decrease of HK\$0.16 million was mainly caused by reduction of commission income in the Car Division.

Other Gains and Losses

Other gains and losses amounted to a net loss of HK\$62.4 million (2023: net loss of HK\$117.5 million) which mainly represented unrealized fair value loss of investment of an associate of HK\$60.2 million (2023: HK\$96.4 million) measured at fair value through profit or loss and fair value loss of investment properties of HK\$3.0 million (2023: fair value loss of HK\$22.6 million).

Selling and Distribution Costs and Administrative Expenses

Selling and distribution costs and administrative expenses during the period aggregated to HK\$11.7 million (2023: HK\$15.7 million), which accounted for 74.6% (2023: 61.0%) of revenue. The net decrease of HK\$4.0 million was mainly attributed to decrease in staff cost, marketing expense and legal and professional fee.

Finance Costs

Finance costs during the period were increased to HK\$16.5 million (2023: HK\$7.7 million) which was mainly caused by increase in interest on bank and other borrowings by HK\$8.9 million to HK\$14.5 million (2023: HK\$5.6 million).

Life Science Investment

As at 30 June 2024, the Group held 51,847,997 Series A Preferred Shares of Chime Biologics Limited (“CBL”). The principal activity of CBL is provision of biologics contract development and manufacturing services. The Group’s investment cost in CBL was US\$32 million.

For the six months ended 30 June 2024, CBL generated unaudited consolidated revenue of US\$12.0 million (compared to US\$13.1 million in the first half of 2023) and recorded an unaudited consolidated operating loss of US\$4.1 million (compared to a loss of US\$5.2 million in the first half of 2023).

As at 30 June 2024, the fair value of the Group’s investment in CBL was HK\$57.0 million, which represented approximately 10.3% of the Group’s total assets. For the six months ended 30 June 2024, the Group’s investment in CBL recorded an unrealized fair value loss of HK\$60.2 million (2023: HK\$96.4 million) through profit or loss.

The Group intended to hold this investments for long term purpose aiming to generating future gain.

Loss Attributable to Owners of the Company

Loss attributable to owners of the Company for the six months ended 30 June 2024 was HK\$76.9 million (2023: HK\$117.4 million). It was primarily caused by an unrealized fair value loss of investment of an associate of HK\$60.2 million (2023: HK\$96.4 million) measured at fair value through profit or loss and fair value loss of investment properties of HK\$3.0 million (2023: fair value loss of HK\$22.6 million).

Liquidity and Financial Resources

Cash Flow

During the period, the Group financed its operations and investments principally through reserves as well as bank and other borrowings. The Group successfully secured other borrowing of HK\$11 million. Additionally, the Group repaid bank borrowing of HK\$5.8 million.

Bank Balances and Cash

As at 30 June 2024, the Group had bank balances and cash of HK\$20.9 million as compared with HK\$21.4 million as at 31 December 2023, which were mainly denominated in Pound Sterling (as to 94%), Hong Kong dollars (as to 4.7%) and Renminbi (as to 1.4%).

Bank and Other Borrowings, Loan from a non-controlling member of a subsidiary, Loan from a related party and Promissory Note

As at 30 June 2024, the Group had bank and other borrowings, loan from a non-controlling member of a subsidiary of the Company (which holds 7.25% of the issued share capital of the subsidiary as at the date of this announcement), loan from a related party and promissory note totaling HK\$402.2 million (31 December 2023: HK\$394.9 million), of which HK\$30.8 million was repayable more than one year. The Group's debt to equity ratio for the six months ended 30 June 2024 increased to 308.4% from 186.9% for the year ended 31 December 2023 based on the total of bank and other borrowings, loan from a non-controlling member of a subsidiary, loan from a related party and promissory note of HK\$402.2 million (31 December 2023: HK\$394.9 million) and total equity of HK\$130.4 million (31 December 2023: HK\$211.3 million).

The increase in debt to equity ratio was mainly due to decrease in total equity caused by an unrealized fair value loss of investment of an associate of HK\$60.2 million measured at fair value through profit or loss and the fair value loss of investment properties of HK\$3.0 million during the period.

The bank borrowing represents a bank loan which was secured by an investment property in Hong Kong and pledged bank deposit which is repayable in instalments over a period of 3 years, with a repayment on demand clause and carry interest at variable market rates of Hong Kong Interbank Offered Rate plus 2% per annum. The bank borrowing balance with accrued interest as at 30 June 2024 are HK\$23.2 million (31 December 2023: HK\$29.7 million).

The loan from a related party is unsecured, interest-free and has maturity in February 2025.

The other borrowing, secured by an investment property in Scotland, and loan from a non-controlling member of a subsidiary have maturity in October 2024 and carry interest at 8.5% and 10% per annum respectively. During the reporting period, the Group incurred interest expense of HK\$10.8 million and HK\$0.5 million and repaid interest of HK\$11.0 million and nil, respectively. The loan balance of the other borrowing and loan from a non-controlling member of a subsidiary as at 30 June 2024 are HK\$255.6 million and HK\$11.0 million, respectively. The remaining balance of the other borrowings, totaling HK\$70.9 million is unsecured, carrying interest at 9% per annum and scheduled to mature in April 2025.

The promissory note has initial maturity of three years and further extended two years until March 2026 and carries interest at 8% per annum. During the reporting period, the Group incurred interest expense of HK\$1.1 million, the remaining promissory note balance as at 30 June 2024 is HK\$30.8 million (31 December 2023: HK\$29.7 million).

Loan Receivables

During the current period of market distress, the Group has continued to adopt a prudent and cautious approach to balance the return and risk of the financing activities. As at 30 June 2024 and 31 December 2023, the Group did not have any outstanding secured loan lent to customers.

Foreign Exchange Exposure

The Group currently does not have a foreign currency hedging policy. The Group manages its foreign exchange exposure by monitoring the matching of the currency of its debt with (i) the collateral assets; and (ii) the debt servicing income derived from its business activities. During the period ended 30 June 2024, loan secured by property in Scotland was denominated in the Pound Sterling and serviced by income from Scotland denominated in the Pound Sterling.

Due to the weakness of the Pound Sterling over the period, a negative exchange difference arising on translation of foreign operations attributable to owners of the Company of approximately HK\$0.8 million was recorded during the period (2023: positive exchange difference of approximately HK\$4 million).

Pledge of Assets

As at 30 June 2024, certain of the Group's bank deposits and properties totaling HK\$438.5 million (31 December 2023: bank deposits and properties totaling HK\$444.3 million) were pledged as security for relevant borrowings.

CAPITAL EXPENDITURES AND COMMITMENTS

As at 30 June 2024 and 31 December 2023, the Group had no capital commitments, all are authorized and contracted for.

CONTINGENT LIABILITIES

As at 30 June 2024 and 31 December 2023, the Group had no significant contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the reporting period, there was no material acquisition or disposal of subsidiaries, associates or joint ventures undertaken by the Group.

EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events after the end of the six months ended 30 June 2024.

HUMAN RESOURCES AND CHARITY

As at 30 June 2024, the Group employed a total of 18 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.

As always, we provided not only competitive remuneration packages and benefits programs to our employees, but also provided reasonable and safe working environment, as well as supporting employee's continued education to uncover their hidden potential. The Group also continued its contribution to local communities through participation in charitable events such as donations.

BUSINESS REVIEW

Property Investment

The property investment business has formed part of the Group's reportable segments since 2014. The property investment division of the Group oversees and reviews its property portfolio from time to time to enhance returns and holds investment properties to earn rentals or for capital appreciation purposes. The Company funds the operations of the property investment division with its internal resources and banking facility. Our property investments consist principally of a portfolio of an office building in Scotland, an industrial building and a car park in Hong Kong.

For our investment properties in Hong Kong and Scotland, the Group continued to earn a rental income of HK\$1.1 million and HK\$12.1 million respectively (2023: HK\$1.1 million and HK\$12.9 million respectively) from leasing the investment properties. During the period, the Group recorded an unrealized loss on fair value change of investment properties of HK\$3.0 million (2023: fair value loss of HK\$22.6 million).

As at 30 June 2024, approximately 80% of the total net internal area of the office building in Scotland is subject to various tenancy agreements at a total rental of approximately GBP2.7 million per annum with the expiry date in February 2030 at the latest and a weighted average unexpired lease term to expiry of 4.31 years.

Cars

In the first half of 2024, we curated a series of cross-marketing events such as jewelry appreciation, music concerts, and club gatherings. These events were designed not only to facilitate Maserati owners in networking with elites across various industries and enhance brand loyalty but also to identify collaborative sales opportunities with other sectors. Moreover, we actively engaged in Maserati car shows showcasing the latest electric vehicle models. These initiatives successfully captured the interest of numerous potential customers, particularly those residing at a distance from our current showroom locations.

Financial Investments and Services

The Group holds a valid money lender license and successfully renew the license in January 2024. The Group also has adequate infrastructure to support the financial services division such as subscribing to the World-Check database system operated by Reuters to conduct comprehensive background checks of the borrowers and security providers.

To cope with the recent susceptible market sentiments and market volatility, the Group has continued to adopt a prudent and cautious approach to balance the return and risk of the financing activities. As at 30 June 2024 and 31 December 2023, the Group did not have any outstanding secured loan lent to customers.

Life Sciences Investment

In the first half of 2024, CBL continued to make significant business development progress in both the Chinese and overseas markets, despite geopolitical tensions between the U.S. and China. As of June 30, 2024, CBL had a US\$69.5 million current backlog, representing a more than 30% growth from the contract level in first half of 2023. Furthermore, CBL is in late-stage discussions regarding potential contracts with an estimated value of over US\$60 million, including several large contracts from overseas clients.

In the first half of 2024, CBL successfully completed three batches of 2000L scale qualification runs for a major client, paving the way for large commercial orders from the same client in the future. In marketing, CBL actively participated in major trade fairs, such as BIO-Europe Spring, which increased CBL's brand awareness in the European and Asia Pacific regions. Also, during this period, CBL passed multiple audits from overseas clients with high scores, demonstrating CBL's capability to serve the high-margin overseas contract development and manufacturing organisation market segment.

OUTLOOK

Taking into consideration the economic uncertainties owing to the elevated interest rates and geopolitical tensions, the macro environment looks set to remain challenging for the Group. The Group will continue to identify potential business opportunities include but not limited to car related business with the aim of bringing long-term enhancement of value to our shareholders.

INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the six months ended 30 June 2024 (2023: 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 (including treasury shares (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")), if any) during the six months ended 30 June 2024.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 code provisions of the Corporate Governance Code (the "**CG Code**") and Corporate Governance Report as set out in Appendix C1 of the Listing Rules on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the six months ended 30 June 2024, except Code Provision C.2.1 of the CG Code.

CG Code Provision C.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 Tin Lung Benny 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 Board believes that a balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high caliber individuals including three Executive Directors (including Mr. CHONG Tin Lung Benny) up to the date of this announcement and three Independent Non-executive Directors who offer advices and views from different perspectives. Moreover, the audit committee of the Company (the "**Audit Committee**") has been provided with sufficient resources to perform its duties, including obtaining outside legal or other independent professional advice when it considers necessary. 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 for Securities Transactions by Directors of the Listed Issuers set out in Appendix C3 of the Listing Rules (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, the Directors confirmed in writing that they have complied with the standards set out in the Model Code throughout the six months ended 30 June 2024.

AUDIT COMMITTEE

The members of the Audit Committee comprise Mr. KONG Kai Chuen Frankie, Mr. TO Chun Wai and Dr. SHAM Chung Ping Alain, all of whom are independent non-executive Directors. Mr. KONG Kai Chuen Frankie is the chairman of the Audit Committee.

The principal duties of the Audit Committee should be to make recommendations to the Board on the appointment, re-appointment and removal of the external auditors and their remuneration for audit and non-audit services; to review the effectiveness of the audit process in accordance with applicable standards; to review changes in accounting policies and practices; to review the fairness and reasonableness of any connected transaction; to review the cash flow position of the Group; and to review the dividend policy, internal control and risk management systems of the Group and to provide advices and comments to the Board.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2024 have not been audited but have been reviewed by Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants, 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 2024.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim 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 interim report of the Company for the six months ended 30 June 2024 will be published on the websites of the Stock Exchange and the Company, respectively, in due course, and will be dispatched to the shareholders of the Company by the means of receipt of communications they selected.

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

Hong Kong, 29 August 2024

As at the date of this announcement, the Board comprises Mr. CHONG Tin Lung Benny (Executive Chairman and Chief Executive Officer), Mr. LI Shaofeng and Mr. LIN Chun Ho Simon, all of whom are executive Directors; and Mr. KONG Kai Chuen Frankie, Mr. TO Chun Wai and Dr. SHAM Chung Ping Alain, all of whom are independent non-executive Directors.