



AUTO ITALIA HOLDINGS LIMITED
意達利控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 720



INTERIM REPORT

2015

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Corporate Information

DIRECTORS

Executive Directors

Mr. CHONG Tin Lung Benny (*Executive Chairman and Chief Executive Officer*)

Mr. JACOBSEN William Keith

Mr. LAM Chi Yan

Independent Non-executive Directors

Dr. SANTOS Antonio Maria

Mr. KONG To Yeung Frankie

Mr. LEE Ben Tiong Leong (*appointed with effect from 27 February 2015*)

BOARD COMMITTEES

Audit Committee

Mr. KONG To Yeung Frankie (*Chairman*)

Dr. SANTOS Antonio Maria

Mr. LEE Ben Tiong Leong

Remuneration Committee

Dr. SANTOS Antonio Maria (*Chairman*)

Mr. CHONG Tin Lung Benny

Mr. KONG To Yeung Frankie

Mr. LEE Ben Tiong Leong

Nomination Committee

Mr. CHONG Tin Lung Benny (*Chairman*)

Dr. SANTOS Antonio Maria

Mr. KONG To Yeung Frankie

Mr. LEE Ben Tiong Leong

COMPANY SECRETARY

Mr. HON Ping Cho Terence

AUTHORISED REPRESENTATIVES

Mr. CHONG Tin Lung Benny

Mr. HON Ping Cho Terence

REGISTERED OFFICE

Canon's Court

22 Victoria Street Hamilton

HM12 Bermuda

Corporate Information

PRINCIPAL OFFICE IN HONG KONG

28/F., King Palace Plaza
52A Sha Tsui Road
Tsuen Wan
Hong Kong

PRINCIPAL BANKERS

China CITIC Bank International Limited
DBS Bank (Hong Kong) Limited
Dah Sing Bank, Limited
The Bank of East Asia, Limited

LEGAL ADVISORS

Hong Kong

Troutman Sanders

Bermuda

Appleby

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Appleby Management (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 720
American Depositary Receipt: AIHLY

WEBSITE ADDRESS

www.autoitalia.com.hk

Management Discussion and Analysis

BUSINESS REVIEW

Ferrari

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

Maserati

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

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

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

After-sales Service

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

BUSINESS REVIEW *(Continued)*

Financial Services

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

Human Resources

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

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

OUTLOOK

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

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

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

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

Management Discussion and Analysis

FINANCIAL REVIEW

Car Division

Revenue

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

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

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

Cost of Sales and Gross Profit

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

Selling and Distribution Costs and Administrative Expenses

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

Finance Costs

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

Financial Services Division

Operating Results

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

Profit Attributable to Shareholders

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

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Liquidity and Financial Resources

Cash Flow

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

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

Bank Loans

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

Loan Receivables

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

Pledge of Assets

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

Capital Expenditures, Commitments and Contingent Liabilities

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

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

Corporate Governance and Other Information

INTERIM DIVIDEND

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

DISCLOSURE OF INTERESTS

Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2015, the interests and short positions of each director (“Director(s)”) and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (the “Shares”) (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO; or are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), to be notified to the Company and the Stock Exchange were as follows:

Long position in the Company

Director	Nature of interest	Number of Shares	Approximate percentage of shareholding [#]
Mr. LEE Ben Tiong Leong	Beneficial Interest	1,000,000	0.02%

[#] Based on the total issued Shares of 5,189,178,380 as at 30 June 2015.

Save as disclosed above, as at 30 June 2015, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had otherwise been notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the period was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

Corporate Governance and Other Information

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

So far as is known to any Director or chief executive of the Company, as at 30 June 2015, the persons or corporations (other than the Directors or chief executive of the Company) who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholders	Number of Shares	Approximate percentage of shareholding[#]
Gustavo International Limited	304,725,000 ⁽¹⁾⁽²⁾	5.87%
Maini Investments Limited	304,725,000 ⁽¹⁾⁽²⁾	5.87%
VMS Investment Group Limited ("VMSIG")	1,498,016,472 ⁽¹⁾⁽²⁾	28.87%
VMS Holdings Limited ("VMSH")	1,498,016,472 ⁽¹⁾⁽²⁾	28.87%
Ms. MAK Siu Hang Viola	1,498,016,472 ⁽¹⁾⁽²⁾	28.87%

[#] Based on the total issued Shares of 5,189,178,390 as at 30 June 2015.

Note:

(1) *VMSIG and parties acting in concert with it are interested in an aggregate of 1,498,016,472 Shares, of which 1,193,291,472 Shares are held by VMSIG and 304,725,000 Shares are held by Gustavo International Limited (a company owned as to approximately 80% by Maini Investments Limited, a wholly owned subsidiary of VMSIG which is in turn wholly-owned by VMSH.). VMSH is wholly-owned by Ms. MAK Siu Hang Viola.*

(2) *All interests in the Shares of the Company are held in long positions.*

Corporate Governance and Other Information

SHARE OPTION SCHEMES

Under the share option scheme adopted by the Company on 30 May 2002 (the “2002 Option Scheme”), options were granted to certain Directors, employees and other eligible participants of the Company entitling them to subscribe for shares of HK\$0.02 each in the capital of the Company. The 2002 Option Scheme was expired and terminated on 28 May 2012. There was no outstanding share option under the 2002 Option Scheme since 25 September 2013. Therefore, there was no movement of share option under the 2002 Option Scheme during the year ended 31 December 2014 and during the period ended 30 June 2015, respectively.

A new share option scheme was adopted by the Company on 28 May 2012 (the “2012 Option Scheme”). Details of movements of the options under the 2012 Option Scheme during the year ended 31 December 2014 and during the period ended 30 June 2015 are set out below:

During the year ended 31 December 2014

Name or category of participants	Date of grant	Exercise price (HK\$)	Exercisable Period	As at 1 January 2014	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	As at 31 December 2014
Directors								
Mr. CHONG Tin Lung Benny	16/10/2014	0.184	16/10/2015 to 15/10/2020 ⁽³⁾	-	51,891,000	-	-	51,891,000
Mr. JACOBSEN William Keith	16/10/2014	0.184	16/10/2015 to 15/10/2020 ⁽³⁾	-	18,700,000	-	-	18,700,000
Mr. LAM Chi Yan	16/10/2014	0.184	16/10/2015 to 15/10/2020 ⁽³⁾	-	18,700,000	-	-	18,700,000
Dr. SANTOS Antonio Maria	16/10/2014	0.184	16/04/2015 to 15/04/2020 ⁽³⁾	-	1,500,000	-	-	1,500,000
Mr. KONG To Yeung Frankie	16/10/2014	0.184	16/04/2015 to 15/04/2020 ⁽³⁾	-	1,500,000	-	-	1,500,000
Employees in aggregate	16/10/2014	0.184	16/10/2015 to 15/10/2020 ⁽³⁾	-	70,104,000	-	(1,321,000)	68,783,000
Other eligible participants	16/10/2014	0.184	16/10/2015 to 15/10/2020 ⁽³⁾	-	40,000,000	-	-	40,000,000
Total				-	202,395,000	-	(1,321,000)	201,074,000

Corporate Governance and Other Information

SHARE OPTION SCHEMES (Continued)

During the period ended 30 June 2015

Name or category of participants	Date of grant	Exercise price (HK\$)	Exercisable Period	As at 1 January 2015	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	As at 30 June 2015
Directors								
Mr. CHONG Tin Lung Benny	16/10/2014	0.184	16/10/2015 to 15/10/2020 ⁽²⁾	51,891,000	-	-	-	51,891,000
Mr. JACOBSEN William Keith	16/10/2014	0.184	16/10/2015 to 15/10/2020 ⁽²⁾	18,700,000	-	-	-	18,700,000
Mr. LAM Chi Yan	16/10/2014	0.184	16/10/2015 to 15/10/2020 ⁽²⁾	18,700,000	-	-	-	18,700,000
Dr. SANTOS António Maria	16/10/2014	0.184	16/04/2015 to 15/04/2020 ⁽³⁾	1,500,000	-	-	-	1,500,000
Mr. KONG To Yeung Frankie	16/10/2014	0.184	16/04/2015 to 15/04/2020 ⁽³⁾	1,500,000	-	-	-	1,500,000
Employees in aggregate	16/10/2014	0.184	16/10/2015 to 15/10/2020 ⁽²⁾	68,783,000	-	-	(577,000)	68,206,000
	20/04/2015	0.351	20/04/2016 to 19/04/2021 ⁽²⁾	-	22,617,000	-	-	22,617,000
Other eligible participants	16/10/2014	0.184	16/10/2015 to 15/10/2020 ⁽²⁾	40,000,000	-	-	-	40,000,000
Total				201,074,000	22,617,000	-	(577,000)	223,114,000

Notes:

- (1) The closing prices per Share immediately before 16 October 2014 and 20 April 2015 (the dates on which the share options were granted) were HK\$0.187 and HK\$0.335 respectively.
- (2) Share options granted under the 2012 Option Scheme on 16 October 2014 and 20 April 2015 shall vest in the grantees in accordance with the timetable below (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date

First anniversary of the Date of Grant
 Second anniversary of the Date of Grant
 Third anniversary of the Date of Grant

Percentage of Share Options to vest

40% of the total number of options granted
 30% of the total number of options granted
 30% of the total number of options granted

- (3) Share options granted under the 2012 Option Scheme on 16 October 2014 shall vest in the grantees in accordance with the date falling on the end of the sixth month from the date of grant.
- (4) The total number of Shares available for issue under the 2012 Option Scheme was 243,993,855 Shares which represented 4.70% of the issued Share capital of the Company as at the date of annual report 2014.

Corporate Governance and Other Information

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

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

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2015, except Code Provision A.2.1 of the CG Code.

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. CHONG Tin Lung Benny is the Executive Chairman and the 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 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.

MODEL CODE

The Company has adopted a code of conduct for transactions in the Company's securities by the Directors that complies with the Model Code. Following specific enquiries by the Company, all Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2015.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the Company's 2014 annual report are set out below:

The appointment of Mr. CHONG Tin Lung Benny as an Executive Director was renewed for a further term of 2 years commencing from 13 June 2015 to 12 June 2017 (both days inclusive).

The appointment of Mr. LAM Chi Yan as an Executive Director was renewed for a further term of 2 years commencing from 13 June 2015 to 12 June 2017 (both days inclusive).

Corporate Governance and Other Information

CHANGES IN INFORMATION OF DIRECTORS *(Continued)*

The appointment of Mr. KONG To Yeung as an independent non-executive Director was renewed for a further term of 2 years commencing from 21 June 2015 to 20 June 2017 (both days inclusive). On the other hand, Mr. Kong was appointed as an independent non-executive director of Ka Shui International Holdings Limited, a company listed on the main board of the Stock Exchange (Stock code: 822) on 11 May 2015.

Dr. SANTOS Antonio Maria, an independent non-executive Director, ceased as an executive director and the acting chairman of China Solar Energy Holdings Limited (Stock code: 155) with effect from 15 May 2015.

Directors who held office during the six months ended 30 June 2015 and up to the date of this interim report were:

Executive Directors

Mr. CHONG Tin Lung Benny *(Executive Chairman and Chief Executive Officer)*
Mr. JACOBSEN William Keith
Mr. LAM Chi Yan

Independent Non-executive Directors

Dr. SANTOS Antonio Maria
Mr. KONG To Yeung Frankie
Mr. LEE Ben Tiong Leong *(appointed with effect from 27 February 2015)*

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the “Audit Committee”) comprises three independent non-executive Directors. The principal responsibilities of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. The interim results of the Group for the six months ended 30 June 2015 have not been audited but they have been reviewed by, Deloitte Touche Tohmatsu, the auditor of the Company, and the Audit Committee.

By order of the Board

CHONG Tin Lung Benny
Executive Chairman and Chief Executive Officer

Hong Kong, 28 August 2015

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF AUTO ITALIA HOLDINGS LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Auto Italia Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 15 to 34, which comprises the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 August 2015

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2015

	NOTES	Six months ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	3	468,252	582,273
Cost of sales		(354,303)	(452,088)
Gross profit		113,949	130,185
Other income		8,529	9,005
Other gains and losses	4	(1,616)	(1,316)
Selling and distribution cost		(67,867)	(73,753)
Administrative expenses		(42,742)	(52,631)
Finance costs	5	(1,353)	(3,376)
Profit before taxation		8,900	8,114
Taxation	7	(2,401)	(1,942)
Profit for the period	6	6,499	6,172
Profit for the period attributable to:			
Owners of the Company		6,499	1,844
Non-controlling interests		–	4,328
		6,499	6,172
Earnings per share attributable to the owners of the Company			
– Basic	8	HK0.13 cent	HK0.06 cent
– Diluted	8	HK0.12 cent	N/A

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

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

Condensed Consolidated Statement of Financial Position

At 30 June 2015

	NOTES	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	109,429	97,803
Goodwill		2,480	2,480
Rental deposits		10,582	10,997
		122,491	111,280
Current assets			
Inventories		192,205	138,570
Tax recoverable		1,630	1,072
Trade and other receivables	11	81,258	104,978
Loan receivables	12	68,000	79,270
Pledged bank deposits		59,396	58,896
Bank balances and cash		257,558	269,915
		660,047	652,701
Current liabilities			
Trade and other payables	13	316,830	308,497
Tax payable		5,715	3,581
Bank and other borrowings	14	80,573	84,288
Obligations under finance leases		149	149
		403,267	396,515
Net current assets		256,780	256,186
Total assets less current liabilities		379,271	367,466

Condensed Consolidated Statement of Financial Position

At 30 June 2015

	NOTES	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
Capital and reserves			
Share capital	15	103,784	103,784
Reserves		268,029	255,312
Equity attributable to owners of the Company		371,813	359,096
Total equity		371,813	359,096
Non-current liabilities			
Bank and other borrowings	14	7,458	8,296
Obligations under finance leases		-	74
		7,458	8,370
		379,271	367,466

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Revaluation reserve HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2015 (audited)	103,784	241,623	2,151	2,519	15,620	72	166,431	(173,104)	359,096	-	359,096
Profit for the period	-	-	-	-	-	-	-	6,499	6,499	-	6,499
Other comprehensive expense for the period	-	-	-	-	-	(207)	-	-	(207)	-	(207)
Total comprehensive (expense) income for the period	-	-	-	-	-	(207)	-	6,499	6,292	-	6,292
Recognition of equity settled share-based payment	-	-	-	6,425	-	-	-	-	6,425	-	6,425
At 30 June 2015 (unaudited)	103,784	241,623	2,151	8,944	15,620	(135)	166,431	(166,605)	371,813	-	371,813
At 1 January 2014 (audited)	59,189	115,678	2,151	-	15,620	(126)	157,034	(200,680)	148,866	8,718	157,584
Profit for the period	-	-	-	-	-	-	-	1,844	1,844	4,328	6,172
Other comprehensive income for the period	-	-	-	-	-	298	-	-	298	97	395
Total comprehensive income for the period	-	-	-	-	-	298	-	1,844	2,142	4,425	6,567
Issue of new shares	10,000	52,500	-	-	-	-	-	-	62,500	-	62,500
Transaction costs attributable to issue of new shares	-	(1,623)	-	-	-	-	-	-	(1,623)	-	(1,623)
At 30 June 2014 (unaudited)	69,189	166,555	2,151	-	15,620	172	157,034	(198,836)	211,885	13,143	225,028

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES	11,491	13,639
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(20,528)	(10,694)
Proceeds from disposal of property, plant and equipment	3,025	10,570
Placement of pledged bank deposits	(5,930)	(10,821)
Withdrawal of pledged bank deposits	5,430	20,920
Other investing cash flows	350	515
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(17,653)	10,490
FINANCING ACTIVITIES		
Bank and other borrowings raised	297,478	276,842
Repayment of bank and other borrowings	(302,031)	(361,371)
Repayment to a related company	-	(26,000)
Proceeds on issue of new shares	-	62,500
Transaction costs attributable to issue of new shares	-	(1,623)
Other financing cash flows	(1,427)	(3,450)
NET CASH USED IN FINANCING ACTIVITIES	(5,980)	(53,102)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,142)	(28,973)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	269,915	269,387
Effect of exchange rate changes	(215)	(166)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	257,558	240,248

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

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 Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

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

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

3. SEGMENT INFORMATION (Continued)

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

Six months ended 30 June 2015 (unaudited)

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

Six months ended 30 June 2014 (unaudited)

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

3. SEGMENT INFORMATION (Continued)

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

Segment assets and liabilities

At 30 June 2015 (unaudited)

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

3. SEGMENT INFORMATION (Continued)**Segment assets and liabilities** (Continued)

At 31 December 2014 (audited)

	Cars HK\$'000	Financial services HK\$'000	Others HK\$'000	Consolidated HK\$'000
Assets				
Segment assets	300,703	86,870	–	387,573
Bank balances and cash				269,915
Pledged bank deposits				58,896
Tax recoverable				1,072
Unallocated corporate assets				46,525
Consolidated assets				763,981
Liabilities				
Segment liabilities	304,086	–	–	304,086
Bank and other borrowings				92,584
Tax payable				3,581
Unallocated corporate liabilities				4,634
Consolidated liabilities				404,885

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

4. OTHER GAINS AND LOSSES

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

5. FINANCE COSTS

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

6. PROFIT FOR THE PERIOD

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

7. TAXATION

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

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

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the both years and the service income for the non-PRC subsidiary with permanent establishment in the PRC is subject to deemed profit tax rate of 20%.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period attributable to owners of the Company and profit for the purpose of calculating basic and diluted earnings per share	6,499	1,844

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

8. EARNINGS PER SHARE (Continued)

Number of shares

	Six months ended 30 June	
	2015	2014
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	5,189,178,390	3,243,982,647
Effect of dilutive potential ordinary shares:		
Share options	63,296,304	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,252,474,694	3,243,982,647

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

9. DIVIDEND

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

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group spent HK\$20,528,000 (for the six months ended 30 June 2014: HK\$10,694,000) on the acquisition of property, plant and equipment. The Group also disposed of property, plant and equipment with a carrying amount of HK\$3,104,000 (for the six months ended 30 June 2014: HK\$11,974,000) resulting in a loss of HK\$79,000 (for the six months ended 30 June 2014: loss of HK\$1,404,000).

11. TRADE AND OTHER RECEIVABLES

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

The Group allows its trade customers an average credit period of 90 days. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

12. LOAN RECEIVABLES

	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
Fixed-rate loans	68,000	79,270

As at 30 June 2015, the outstanding loan receivables are due from third parties. The loans amounts of HK\$38,000,000 and HK\$30,000,000 will be repaid in September 2015 and January 2016 respectively which carry on interest rate of 20% per annum and 15% per annum respectively. The loan amount of HK\$38,000,000 is secured by listed securities in Hong Kong with fair values of HK\$375,606,000 at 30 June 2015.

During the six months ended 30 June 2015, those loan receivables outstanding at 31 December 2014 have been repaid.

13. TRADE AND OTHER PAYABLES

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

13. TRADE AND OTHER PAYABLES (Continued)

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

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

14. BANK AND OTHER BORROWINGS

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

15. SHARE CAPITAL

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

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

On 10 September 2014, the Company completed an open offer to the existing shareholders of 1,729,726,130 shares at a subscription price of HK\$0.065 per new share on the basis of one new share for every two existing shares.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

16. OPERATING LEASE COMMITMENTS

The Group as lessees

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
Within one year	46,862	45,652
In the second to fifth year inclusive	64,436	67,496
	111,298	113,148

Leases for rented premises are negotiated for terms of 2 to 10 years with fixed rental.

17. RELATED PARTY TRANSACTIONS

The Group had entered the following significant transactions with its related companies:

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Key management personnel compensation (Note)	8,319	7,521

Note: The remuneration of key management personnel during the period were determined by the directors having regard to the performance of individuals and market trends.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

18. FAIR VALUE MEASUREMENT ON FINANCIAL INSTRUMENTS

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values.

19. CAPITAL COMMITMENTS

As at 30 June 2015 and 31 December 2014, the Group has no capital commitments in respect of the acquisition of property, plant and equipment contracted but not provided for.

As at 30 June 2015, the Group has capital commitments of HK\$10,865,000 (31 December 2014: HK\$31,907,000) in respect of the acquisition of property, plant and equipment authorised but not contracted for.

20. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 28 May 2012 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 10th anniversary of the date of adoption.

The table below discloses movement of the Company's share options held by the Group's employees:

	Number of share options
Outstanding as at 1 January 2015	201,074,000
Granted during the period	22,617,000
Lapsed during the period	(577,000)
Outstanding as at 30 June 2015	223,114,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

20. SHARE-BASED PAYMENTS (Continued)

The closing price of the Company's shares immediately before 20 April 2015, the date of grant, was HK\$0.335 per share.

In the current interim period, share options were granted on 20 April 2015. The fair values of the options determined at the dates of grant using the Black-Scholes option pricing model was HK\$3,529,000.

The following assumptions were used to calculate the fair values of share options:

20 April 2015

Grant date share price	HK\$0.345
Exercise price	HK\$0.351
Contractual life	6.00 years
Expected option period	5.00 years
Expected volatility	52.66%
Dividend yield	0%
Risk-free interest rate	0.94%

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

At the end of each interim period, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share option reserve.