



**AUTO ITALIA HOLDINGS LIMITED**  
**意 達 利 控 股 有 限 公 司**

(Incorporated in Bermuda with limited liability)  
Stock Code : 720

**BEYOND TO THE NEW ERA**

**2019 INTERIM REPORT**

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

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

### Independent Non-executive Directors

Dr. SANTOS Antonio Maria  
Mr. KONG Kai Chuen Frankie  
Mr. LEE Ben Tiong Leong

## BOARD COMMITTEES

### Audit Committee

Mr. KONG Kai Chuen 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 Kai Chuen Frankie  
Mr. LEE Ben Tiong Leong

### Nomination Committee

Mr. CHONG Tin Lung Benny (*Chairman*)  
Dr. SANTOS Antonio Maria  
Mr. KONG Kai Chuen Frankie  
Mr. LEE Ben Tiong Leong

### Executive Directors' Committee

Mr. CHONG Tin Lung Benny (*Chairman*)  
Mr. LAM Chi Yan

## COMPANY SECRETARY

Ms. KWONG Yin Ping Yvonne

## AUTHORISED REPRESENTATIVES

Mr. CHONG Tin Lung Benny  
Ms. KWONG Yin Ping Yvonne

## REGISTERED OFFICE

Victoria Place, 5th Floor  
31 Victoria Street  
Hamilton HM 10  
Bermuda

## **PRINCIPAL OFFICE IN HONG KONG**

Unit C, Ground Floor  
2 Yuen Shun Circuit  
Siu Lek Yuen  
Shatin, Hong Kong  
Tel: (852) 2365 0269 or (852) 2627 8931  
Fax: (852) 2363 1437 or (852) 2469 9927  
E-mail: [info@autoitalia.com.hk](mailto:info@autoitalia.com.hk)

## **PRINCIPAL BANKERS**

China CITIC Bank International Limited  
Dah Sing Bank, Limited  
ORIX Asia Limited

## **LEGAL ADVISORS**

**As to Hong Kong Law**  
Howse Williams Bowers

**As to Bermuda Law**  
Appleby

## **AUDITOR**

Deloitte Touche Tohmatsu  
*Certified Public Accountants*

## **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA**

Estera Management (Bermuda) Limited  
Victoria Place, 5th Floor  
31 Victoria Street  
Hamilton HM 10  
Bermuda

## **BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG**

Tricor Standard Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## **STOCK CODE**

The Stock Exchange of Hong Kong Limited: 720

## **WEBSITE ADDRESS**

[www.autoitalia.com.hk](http://www.autoitalia.com.hk)

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Car Division

#### **Revenue**

For the first half of 2019, the Car Division's revenue decreased by 29% to HK\$133.5 million (2018: HK\$187.5 million).

In Mainland China, the revenue decreased to HK\$16.2 million (2018: HK\$24 million) mainly caused by the decrease of number of Maserati car for Pre-Delivery Inspection ("PDI") services and the completion of the Alfa Romeo PDI services business in second half of 2018.

The overall revenue from Hong Kong recorded a drop of 29.1% to HK\$115.9 million (2018: HK\$163.5 million) primarily due to the decrease of new Maserati car sales. In Macau, the new Maserati Macau Showroom & Service Centre was officially opened in May 2019 and generated revenue of HK\$1.4 million.

#### **Cost of Sales and Gross Profit**

Gross profit margin decreased by 1.5 percentage points to 26.3%. Our gross profit decreased from HK\$52.1 million to HK\$35.1 million owing to the decrease in car unit sales of Maserati in Hong Kong operation as well as the decrease of number of Maserati and Alfa Romeo cars for PDI service in Mainland China.

#### **Other Income**

For the six months ended 30 June 2019, other income amounted to HK\$20.4 million (2018: HK\$10.8 million). The increase of HK\$9.6 million was mainly contributed by the sale and marketing support from the supplier.

#### **Other Gains and Losses**

Other gains and losses amounted to a net gain of HK\$0.2 million (2018: gain of HK\$2.1 million) which mainly represented net foreign exchange gain of HK\$0.2 million.

#### **Selling and Distribution Costs and Administrative Expenses**

Selling and distribution costs and administrative expenses during the period aggregated to HK\$55.1 million (2018: HK\$58.2 million), which accounted for 41.3% (2018: 31%) of revenue. The net decrease of HK\$3.1 million was mainly due to a decrease in staff related cost resulting from our cost optimisation and restructuring plan.

### **Finance Costs**

Finance costs during the period were increased to HK\$2.4 million (2018: HK\$1 million) which included interest on lease liabilities of HK\$1.3 million (2018: Nil).

### **Financial Investments and Services and Property Investment Divisions**

#### **Operating Results**

During the period, the revenue of Financial Investments and Services Division increased to HK\$5.3 million (2018: HK\$4.6 million), representing an increase of HK\$0.7 million. The loan receivable balance decreased from HK\$89.7 million as at 31 December 2018 to HK\$71.1 million as at 30 June 2019. Segment profit increased to HK\$3.7 million (2018: HK\$3.3 million).

Furthermore, the Property Investment division recorded a rental income of HK\$0.9 million for leasing the property of the Group to a third party (2018: HK\$0.9 million) and recorded a fair value gain of HK\$1.4 million on the investment properties (2018: HK\$2.5 million). For the indirect investment in an office building in Glasgow, Scotland, the share of profit from such investment included the share of the fair value gain of the property was HK\$9.9 million (2018: HK\$4.9 million).

#### **Profit Attributable to Shareholders**

Profit attributable to shareholders of the Company for the six months ended 30 June 2019 was HK\$11.2 million (2018: HK\$11.7 million). It was primarily caused by the decrease in new car sales in Hong Kong and decrease in income from the provision of PDI services in Mainland China.

#### **Liquidity and Financial Resources**

##### **Cash Flows**

During the period, the Group financed its operations primarily through cash generated from the Group's operations. We have made a net repayment of bank borrowings of HK\$58.5 million.

##### **Cash and Cash Equivalents**

As at 30 June 2019, the Group had cash and cash equivalents (including pledged bank deposits) of HK\$148 million as compared with HK\$165.2 million as at 31 December 2018, which were mainly denominated in Hong Kong dollars (as to 83%), British Pound (as to 8%), Renminbi (as to 5%) and U.S. dollars (as to 4%).



## Management Discussion and Analysis

### **Bank and Other Borrowings**

As at 30 June 2019, the Group had bank loans totalling HK\$15.7 million (31 December 2018: HK\$74.2 million), of which HK\$0.5 million was repayable more than one year. Net cash position as at 30 June 2019 was HK\$132.3 million (31 December 2018: HK\$91 million). The Group debt to equity ratio for the six months ended 30 June 2019 improved to 3.2% 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\$15.7 million (31 December 2018: HK\$74.2 million) and total equity of HK\$489.3 million (31 December 2018: HK\$478.0 million).

### **Loan Receivables**

During the period, the Group had engaged in Financial Investments and Services business, which included the provision of loan financing. As at 30 June 2019, the Group had outstanding loan lent to customers totalling HK\$71.1 million (31 December 2018: HK\$89.7 million), which carry on interest rate range from 7.5% to 30% per annum and were repayable within twelve months.

### **Pledge of Assets**

As at 30 June 2019, certain of the Group's properties, bank deposits, inventories totalling HK\$111.3 million (31 December 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 30 June 2019, the Group had HK\$0.34 million capital commitment (31 December 2018: HK\$0.35 million) of which HK\$0.1 million is authorized but not contracted for (31 December 2018: HK\$0.35 million) and HK\$0.24 million is contracted but not provided for.

As at 30 June 2019, the Group had no material contingent liabilities.

## **EVENT AFTER THE REPORTING PERIOD**

There are no subsequent events after the end of reporting period.

### HUMAN RESOURCES AND CHARITY

As at 30 June 2019, the Group employed a total of 116 employees in Hong Kong, Macau and Mainland China. The Group believes that employees are all pivotal to our development and representing the most valuable asset for supporting our sustainable business growth.

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

### BUSINESS REVIEW

#### Maserati

The weaker performance of the local economy, having become evident in the latter part of 2018, continued in the first half of 2019. For the first six months of 2019, it was provisionally estimated that the value of total retail sales in Hong Kong decreased by 2.6% compared with the same period in 2018.

Experiencing a decline in the passenger car market, overall luxury sports car segment also slumped and the number of car registration of Maserati decreased by 14% in the first half of 2019 over a year earlier. Ghibli, Levante, and GranCabrio whereas strived to capture more than 10% market share in its relative segment.

Under the soft market situation, the Group adopted dynamic and diversified marketing approaches. In Hong Kong, Maserati participated in the Longines Masters of Hong Kong 2019 for the second consecutive year to achieve a global brand presence in world-class luxury event. The Group continued to organize different test drive events and car shows in high-end shopping malls focusing on client acquisition.



## Management Discussion and Analysis

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Officially opened in May 2019, the new Maserati Macau Showroom & Service Centre now provides comprehensive brand experience for Macau customers and marked the milestone in the network expansion. The new facility not only offers new showroom experience but also provides one-stop solution on aftersales service to current customers. Maserati also participated in the Macau Motor Trader Association Car Show in June 2019 to arouse the brand and product awareness in the region. Various means on marketing activities were implemented, such as direct mailer to luxury properties, print and online media exposure on grand opening and social media promotion which all targeted to raise the brand awareness to the target audience.

The Group further enhanced the Maserati aftersales service level by increasing manpower which results in increasing customer throughput by 9%. With several promotion campaigns, parts turnover shown remarkable improvement. All of the above further support us to improve the overall service penetration.

### **Pre-Delivery Inspection**

The overall revenue derived from the PDI service in Mainland China registered an expected correction. The apparent drop of 33% in revenue resulted primarily from the completion of the Alfa Romeo PDI service business in second half of 2018 and the decrease of number of Maserati car for PDI service.

### **Property Investment, Financial Investments and Services**

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

The Group mainly provides short to medium-term financing, normally not exceeding 12 months, to our clients. The loan receivable balance decreased from HK\$89.7 million as at 31 December 2018 to HK\$71.1 million as at 30 June 2019 and the revenue from financial investments and services business increased to HK\$5.3 million (2018: HK\$4.6 million). Despite the increase of the segment revenue, the Group continue adopt a prudent and cautious approach when conducting our financing business.

For the property investment business, the Group continued to earn a rental income of HK\$0.9 million (2018: HK\$0.9 million) from leasing the investment property. For the indirect investment in an office building in Glasgow, Scotland, the share of profit from such investment included the share of the fair value gain of the property was HK\$9.9 million (2018: HK\$4.9 million).

### OUTLOOK

Taking into consideration the current situation of Hong Kong, 2019 will be a challenging year for the economy and affects the retail sector across all automotive brands. The Group expects a slow recovery but with new model and special edition Maserati to be launched, we are optimistic for gaining the momentum and get back on the right track.

The Group will continue to explore different business opportunities with the aim of bringing long-term enhancement of value to our shareholders.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

The board (the “**Board**”) of directors (the “**Directors**”) of Auto Italia Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2019.

### INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

### DISCLOSURE OF INTERESTS

#### Directors’ interests and chief executive’s interests and short positions in Shares, underlying Shares and debentures

As at 30 June 2019, the interests and short positions of each Director and chief executive of the Company (the “**Chief Executives**”) in any Shares (defined as below), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (“**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 are as follows:

- (a)(i) none of the Directors held any beneficial interests and long positions in the ordinary shares of the Company (the “**Shares**”); and
- (a)(ii) none of the Directors held any short positions in the Shares; and
- (b) beneficial interests and short positions in underlying Shares of equity derivatives of the Company as at 30 June 2019 are disclosed in the section headed “Share Option Scheme” of this Report.

Save as disclosed in the section headed “Share Option Scheme” of this Report, as at 30 June 2019, none of the Directors or the Chief Executives or their respective associates had or was deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company and any of 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.

### Arrangement for Directors to acquire Shares or debentures

Save as disclosed in the section headed “Share Option Scheme” of this Report, at no time during the six months ended 30 June 2019 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and the Chief Executives (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

### Substantial shareholders’ interests and short positions in the Shares, underlying Shares and debentures

As at 30 June 2019, so far as is known to the Directors, the persons or corporations (other than the Directors or the Chief Executives) who had interests 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 Divisions 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:

#### Long positions in the Shares and underlying Shares

Name of shareholder(s)	Number of Shares	Approximate % of the total number of issued Shares <sup>#</sup>
Gustavo International Limited	304,725,000 <sup>(Note)</sup>	5.84%
Maini Investments Limited	304,725,000 <sup>(Note)</sup>	5.84%
VMS Investment Group Limited (“VMSIG”)	1,498,016,472 <sup>(Note)</sup>	28.70%
Ms. MAK Siu Hang Viola	1,498,016,472 <sup>(Note)</sup>	28.70%

<sup>#</sup> Based on the total number of issued Shares of 5,219,541,190 as at 30 June 2019.

Note: 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 which is wholly-owned by Maini Investments Limited, which in turn is wholly-owned by VMSIG). VMSIG is wholly-owned by Ms. MAK Siu Hang Viola.

## Corporate Governance and Other Information

Save as disclosed above, as at 30 June 2019, the Company had not been notified by any persons or corporations (other than the Directors or the Chief Executives) who had interests or short positions in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 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.

### SHARE OPTION SCHEME

Under the Share option scheme adopted by the Company on 28 May 2012 (the “**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.

Details of the movements in outstanding Share options, which have been granted under the Option Scheme, during the six months ended 30 June 2019 were as below:

Name or category of participants	Date of grant	Exercise price (HK\$)	Exercisable period	As at 1 January 2019	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	As at 30 June 2019
<b>(a) Directors</b>								
Mr. CHONG Tin Lung Benny	16/10/2014	0.1840	16/10/2015 to 15/10/2020 <sup>(Note 2)</sup>	51,891,000	-	-	-	51,891,000
Mr. LAM Chi Yan	16/10/2014	0.1840	16/10/2015 to 15/10/2020 <sup>(Note 2)</sup>	18,700,000	-	-	-	18,700,000
	15/06/2017	0.0932	15/06/2018 to 14/06/2023 <sup>(Note 2)</sup>	18,700,000	-	-	-	18,700,000
Dr. SANTOS Antonio Maria	16/10/2014	0.1840	16/04/2015 to 15/04/2020 <sup>(Note 3)</sup>	1,500,000	-	-	-	1,500,000
Mr. KONG Kai Chuen Frankie	16/10/2014	0.1840	16/04/2015 to 15/04/2020 <sup>(Note 3)</sup>	1,500,000	-	-	-	1,500,000

## Corporate Governance and Other Information

Name or category of participants	Date of grant	Exercise price (HK\$)	Exercisable period	As at 1 January 2019	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	As at 30 June 2019
(b) Employees in aggregate	16/10/2014	0.1840	16/10/2015 to 15/10/2020 <sup>(Note 2)</sup>	5,513,000	-	-	(841,800)	4,671,200
	20/04/2015	0.3510	20/04/2016 to 19/04/2021 <sup>(Note 2)</sup>	260,000	-	-	-	260,000
	15/06/2017	0.0932	15/06/2018 to 14/06/2023 <sup>(Note 2)</sup>	18,700,000	-	-	-	18,700,000
(c) Other eligible participants	16/10/2014	0.1840	16/10/2015 to 15/10/2020 <sup>(Note 2)</sup>	40,000,000	-	-	-	40,000,000
	15/06/2017	0.0932	15/06/2018 to 14/06/2023 <sup>(Note 2)</sup>	60,000,000	-	-	-	60,000,000
<b>Total</b>				<b>216,764,000</b>	<b>-</b>	<b>-</b>	<b>(841,800)</b>	<b>215,922,200</b>

### Notes:

- (1) The closing prices per Share immediately before 16 October 2014, 20 April 2015 and 15 June 2017 (the dates on which the Share options were granted) were HK\$0.187, HK\$0.335 and HK\$0.093 respectively.
- (2) Share options granted under the Option Scheme on 16 October 2014, 20 April 2015 and 15 June 2017 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	Percentage of Share options to vest
First anniversary of the Date of Grant	40% of the total number of options granted
Second anniversary of the Date of Grant	30% of the total number of options granted
Third anniversary of the Date of Grant	30% of the total number of options granted

- (3) Share options granted under the 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.



### **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 six months ended 30 June 2019.

### **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 14 of the Listing Rules on the Stock Exchange throughout the six months ended 30 June 2019, except Code Provisions A.2.1 of the 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 of the Company. Mr. Chong has extensive experience in corporate management and securities investments and is responsible for the overall corporate strategies, planning and business development of the Group. The Board considers that 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**

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules on the Stock Exchange 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 2019.

## CHANGES IN INFORMATION OF DIRECTORS

The changes in information of the Company, as notified to the Company, subsequent to the date of the 2018 Annual Report are set out below:

Mr. CHONG Tin Lung Benny, an executive Director, entered into an old service agreement with the Company for two years commencing from 13 June 2017 to 12 June 2019 (both dates inclusive). On 13 June 2019, the Company entered into a new service agreement with Mr. Chong for a term of two years commencing from 13 June 2019 to 12 June 2021 (both dates inclusive), and he is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws of the Company.

Mr. LAM Chi Yan, an executive Director, entered into an old service agreement with the Company for two years commencing from 13 June 2017 to 12 June 2019 (both dates inclusive). On 13 June 2019, the Company entered into a new service agreement with Mr. Lam for a term of two years commencing from 13 June 2019 to 12 June 2021 (both dates inclusive), and he is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws of the Company.

Mr. KONG Kai Chuen Frankie, an independent non-executive Director of the Company (the "INED"), entered into an old letter of appointment with the Company for two years commencing from 21 June 2017 to 20 June 2019 (both dates inclusive). On 13 June 2019, the Company entered into a new letter of appointment with Mr. Kong for a term of two years commencing from 21 June 2019 to 20 June 2021 (both dates inclusive), and he is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws of the Company.

There is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules on the Stock Exchange.

## THE BOARD

The Directors who held office during the six months ended 30 June 2019 and up to the date of this Report are:

### Executive Directors

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

### INEDs

Dr. SANTOS Antonio Maria  
Mr. KONG Kai Chuen Frankie  
Mr. LEE Ben Tiong Leong

### BOARD COMMITTEES

#### Audit Committee

The members of the audit committee of the Company (the “**Audit Committee**”) comprise Dr. SANTOS Antonio Maria, Mr. KONG Kai Chuen Frankie and Mr. LEE Ben Tiong Leong, all of whom are INEDs. Mr. KONG Kai Chuen Frankie is the chairman of the Audit Committee.

The principal duties of the Audit Committee include to review the financial reporting process, internal control and risk management systems of the Group and to provide advices and comments to the Board.

#### Remuneration Committee

The members of the remuneration committee of the Company (the “**Remuneration Committee**”) comprise Dr. SANTOS Antonio Maria, Mr. KONG Kai Chuen Frankie and Mr. LEE Ben Tiong Leong, all of whom are INEDs, and Mr. CHONG Tin Lung Benny, an executive Director. Dr. SANTOS Antonio Maria is the chairman of the Remuneration Committee.

The Remuneration Committee has the delegated responsibility to determine the remuneration packages of individual executive Directors and senior management and adopted a set of policy and guidelines to govern its administration in reviewing, considering and fixing the remuneration packages and benefits of Directors and senior management of the Group.

#### Nomination Committee

The members of the nomination committee of the Company (the “**Nomination Committee**”) comprise Dr. SANTOS Antonio Maria, Mr. KONG Kai Chuen Frankie and Mr. LEE Ben Tiong Leong, all of whom are INEDs and Mr. CHONG Tin Lung Benny, an executive Director. Mr. CHONG Tin Lung Benny is the chairman of the Nomination Committee.

The Nomination Committee is primarily responsible for making recommendations to the Board on appointment of directors regarding the qualifications and competency of the candidates.

### Executive Directors' Committee

The members of the executive Directors' committee of the Company (the "**Executive Directors' Committee**") comprise Mr. CHONG Tin Lung Benny and Mr. LAM Chi Yan, all of whom are executive Directors. Mr. CHONG Tin Lung Benny is the chairman of the Executive Directors' Committee.

The Executive Directors' Committee is formed for the management of the Company's business. The Board delegated its power to the Executive Directors' Committee to carry on the business of the Company; to negotiate, enter into and sign on behalf of all contracts, tenders, agreements and distributorship; to negotiate with bankers for obtaining banking facilities, to enter into any guarantee, contract of indemnity; and to manage the Company's business activities and investments.

### REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2019 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 2019.

By order of the Board

#### **CHONG Tin Lung Benny**

*Executive Chairman and Chief Executive Officer*

Hong Kong, 28 August 2019

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# 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 20 to 52, which comprises the condensed consolidated statement of financial position as of 30 June 2019 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 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.

## Report on Review of Condensed Consolidated Financial Statements

### 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 2019



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue from goods and services	3	<b>133,518</b>	187,514
Rental income		<b>931</b>	908
Interest income		<b>5,261</b>	4,558
Total revenue		<b>139,710</b>	192,980
Cost of sales and services		<b>(98,381)</b>	(135,376)
Gross profit		<b>41,329</b>	57,604
Other income		<b>20,367</b>	10,808
Other gains and losses	5	<b>1,494</b>	4,457
Reversal of (allowance for) impairment losses, net		<b>666</b>	(22)
Selling and distribution costs		<b>(37,841)</b>	(37,959)
Administrative expenses		<b>(21,703)</b>	(25,417)
Finance costs	6	<b>(2,414)</b>	(1,043)
Share of result of an associate		<b>9,928</b>	4,930
Profit before taxation		<b>11,826</b>	13,358
Taxation	8	<b>(588)</b>	(1,676)
Profit for the period	7	<b>11,238</b>	11,682
Earnings per share			
– Basic	9	<b>HK0.22 cents</b>	HK0.22 cents
– Diluted	9	<b>HK0.22 cents</b>	HK0.22 cents

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

For the six months ended 30 June 2019

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Profit for the period	<b>11,238</b>	11,682
<b>Other comprehensive expense</b>		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(752)	(1,909)
Reclassification adjustment on exchange difference upon liquidation of a foreign operation	–	(2,061)
<b>Other comprehensive expense for the period</b>	<b>(752)</b>	(3,970)
<b>Total comprehensive income for the period</b>	<b>10,486</b>	7,712

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
<b>Non-current assets</b>			
Investment properties	11	60,400	59,000
Property, plant and equipment	12	18,631	20,876
Right-of-use assets		50,842	–
Goodwill		2,480	2,480
Interest in an associate		74,378	65,082
Rental deposits		9,747	10,273
		<b>216,478</b>	157,711
<b>Current assets</b>			
Inventories		144,112	184,808
Trade and other receivables	13	35,893	36,675
Loan receivables	14	71,055	89,666
Pledged bank deposits		44,014	44,014
Bank balances and cash		103,970	121,212
		<b>399,044</b>	476,375
<b>Current liabilities</b>			
Trade and other payables	15	37,121	59,672
Contract liabilities		17,763	17,729
Tax payable		3,202	2,901
Bank and other borrowings	16	15,196	72,815
Lease liabilities		28,318	–
		<b>101,600</b>	153,117
<b>Net current assets</b>		<b>297,444</b>	323,258
<b>Total assets less current liabilities</b>		<b>513,922</b>	480,969

Condensed Consolidated Statement  
of Financial Position

At 30 June 2019

	Notes	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
<b>Capital and reserves</b>			
Share capital	17	104,391	104,391
Reserves		384,876	373,603
<b>Total equity</b>		<b>489,267</b>	477,994
<b>Non-current liabilities</b>			
Bank and other borrowings	16	465	1,382
Deferred taxation		1,593	1,593
Lease liabilities		22,597	–
		<b>24,655</b>	2,975
		<b>513,922</b>	480,969

Approved by the Board of Directors on 28 August 2019 and are signed on its behalf by:

**CHONG Tin Lung Benny**  
DIRECTOR

**LAM Chi Yan**  
DIRECTOR

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	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
At 1 January 2019 (audited)	104,391	249,345	2,151	16,173	19,246	(3,588)	166,431	(76,155)	477,994
Profit for the period	-	-	-	-	-	-	-	11,238	11,238
Other comprehensive expense for the period	-	-	-	-	-	(752)	-	-	(752)
Total comprehensive (expense) income for the period	-	-	-	-	-	(752)	-	11,238	10,486
Recognition of equity settled share-based payments	-	-	-	787	-	-	-	-	787
Transfer upon lapse of share option	-	-	-	(155)	-	-	-	155	-
At 30 June 2019 (unaudited)	104,391	249,345	2,151	16,805	19,246	(4,340)	166,431	(64,762)	489,267
At 1 January 2018 (audited)	104,391	249,345	2,151	13,491	19,246	4,134	166,431	(68,906)	490,283
Profit for the period	-	-	-	-	-	-	-	11,682	11,682
Other comprehensive expense for the period	-	-	-	-	-	(3,970)	-	-	(3,970)
Total comprehensive (expense) income for the period	-	-	-	-	-	(3,970)	-	11,682	7,712
Recognition of equity settled share-based payments	-	-	-	2,048	-	-	-	-	2,048
At 30 June 2018 (unaudited)	104,391	249,345	2,151	15,539	19,246	164	166,431	(57,224)	500,043

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	<b>Six months ended 30 June</b>	
	<b>2019</b> <b>HK\$'000</b> <b>(unaudited)</b>	<b>2018</b> <b>HK\$'000</b> <b>(unaudited)</b>
<b>OPERATING ACTIVITIES</b>		
Operating cash flows before movement in working capital	<b>25,735</b>	12,469
Decrease in inventories	<b>40,696</b>	67,671
Decrease (increase) in loan receivables	<b>19,270</b>	(56,575)
Decrease in trade and other receivables	<b>789</b>	18,346
Decrease in trade and other payables	<b>(22,552)</b>	(36,529)
Increase (decrease) in contract liabilities	<b>34</b>	(24,597)
Other movements in operating activities	<b>(287)</b>	(2,731)
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>63,685</b>	(21,946)
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<b>(3,365)</b>	(11,762)
Proceeds from disposal of property, plant and equipment	<b>–</b>	2,550
Interest received	<b>140</b>	200
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(3,225)</b>	(9,012)
<b>FINANCING ACTIVITIES</b>		
Bank and other borrowings raised	<b>42,671</b>	11,145
Repayment of bank and other borrowings	<b>(101,207)</b>	(100,340)
Payments for lease liabilities	<b>(16,613)</b>	–
Other financing cash flows	<b>(2,414)</b>	(1,043)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(77,563)</b>	(90,238)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(17,103)</b>	(121,196)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>121,212</b>	266,181
Effect of exchange rate changes	<b>(139)</b>	(543)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD,</b> represented by bank balances and cash	<b>103,970</b>	144,442



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
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
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Application of new and amendments to HKFRSs (Continued)

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

#### 2.1 *Impacts and changes in accounting policies of application on HKFRS 16 "Leases"*

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" ("**HKAS 17**"), and the related interpretations.

##### 2.1.1 *Key changes in accounting policies resulting from application of HKFRS 16*

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

#### **Definition of a lease**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### **As a lessee**

##### Short-term leases

The Group applies the short-term lease recognition exemption to leases of that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### Application of new and amendments to HKFRSs *(Continued)*

#### 2.1 **Impacts and changes in accounting policies of application on HKFRS 16 "Leases"** *(Continued)*

##### 2.1.1 *Key changes in accounting policies resulting from application of HKFRS 16 (Continued)*

###### **As a lessee** *(Continued)*

###### Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability; and
- any initial direct costs incurred by the Group.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Application of new and amendments to HKFRSs (Continued)

#### 2.1 **Impacts and changes in accounting policies of application on HKFRS 16 "Leases"** (Continued)

##### 2.1.1 *Key changes in accounting policies resulting from application of HKFRS 16* (Continued)

###### **As a lessee** (Continued)

###### Right-of-use assets (Continued)

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

###### Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("**HKFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

###### Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Application of new and amendments to HKFRSs (Continued)

##### 2.1 **Impacts and changes in accounting policies of application on HKFRS 16 "Leases"** (Continued)

###### 2.1.1 *Key changes in accounting policies resulting from application of HKFRS 16* (Continued)

###### **As a lessee** (Continued)

###### Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

###### **As a lessor**

###### Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### Application of new and amendments to HKFRSs *(Continued)*

#### 2.1 **Impacts and changes in accounting policies of application on HKFRS 16 "Leases"** *(Continued)*

##### 2.1.2 *Transition and summary of effects arising from initial application of HKFRS 16*

###### **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. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### Application of new and amendments to HKFRSs *(Continued)*

#### 2.1 **Impacts and changes in accounting policies of application on HKFRS 16 "Leases"** *(Continued)*

##### 2.1.2 *Transition and summary of effects arising from initial application of HKFRS 16 (Continued)*

###### **As a lessee** *(Continued)*

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 of 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.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Application of new and amendments to HKFRSs (Continued)

#### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (Continued)

##### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

##### As a lessee (Continued)

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities, adjusted by additional lease payments, by applying HKFRS 16 (8(b)(ii)) transition.

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%.

	At 1 January 2019 HK\$'000
Operating lease commitments disclosed as at 31 December 2018	72,850
Lease liabilities discounted at relevant incremental borrowing rates	69,441
Less: Recognition exemption – short-term leases with lease term ends within 12 months of the date of initial application	(1,962)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	67,479
Analysed as	
Current	33,522
Non-current	33,957
	67,479

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Application of new and amendments to HKFRSs (Continued)

##### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (Continued)

##### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

##### As a lessee (Continued)

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

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

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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Application of new and amendments to HKFRSs (Continued)

#### 2.1 **Impacts and changes in accounting policies of application on HKFRS 16 "Leases"** (Continued)

##### 2.1.2 *Transition and summary of effects arising from initial application of HKFRS 16 (Continued)*

###### **As a lessor**

Before application of HKFRS 16, refundable rental deposits received were considered 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-of-use assets and should be adjusted to reflect the discounting effect at transition.

Based on the assessment of the directors of the Company, the application of HKFRS 16 as a lessor has no material impact to these condensed consolidated financial statements as at date of initial application, 1 January 2019 and for the period ended 30 June 2019.

The following adjustments were made to the amounts recognised in the condensed 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
<b>Non-current assets</b>			
Rental deposits	10,273	(710)	<b>9,563</b>
Right-of-use assets	–	68,189	<b>68,189</b>
<b>Current liabilities</b>			
Lease liabilities	–	33,522	<b>33,522</b>
<b>Non-current liabilities</b>			
Lease liabilities	–	33,957	<b>33,957</b>

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

### 3. REVENUE FROM GOODS AND SERVICES

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
<b>Disaggregation of revenue</b>		
Trading of cars and related accessories	88,928	126,069
Provision of after sales and pre-delivery inspection services	44,590	61,445
<b>Total revenue from contracts with customers/segment revenue – cars</b>	<b>133,518</b>	<b>187,514</b>
<b>Geographical markets</b>		
Hong Kong	115,906	163,467
Macau	1,409	–
The People's Republic of China (excluding Hong Kong and Macau)	16,203	24,047
<b>Total revenue from contracts with customers/segment revenue – cars</b>	<b>133,518</b>	<b>187,514</b>
<b>Timing of revenue recognition</b>		
A point of time	88,928	126,069
Over time	44,590	61,445
<b>Total revenue from contracts with customers/segment revenue – cars</b>	<b>133,518</b>	<b>187,514</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 4. SEGMENT INFORMATION

During the six months ended 30 June 2019, the Group has three operating segments under HKFRS 8 are as follows:

- (i) Cars – Trading of cars and related accessories and provision of after sales and pre-delivery inspection services;
- (ii) Financial investments and services – Provision for financing and corporate finance services; and
- (iii) Property investment.

Segment profit represents the profit 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 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 4. SEGMENT INFORMATION *(Continued)*

### Segment revenue and results

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

#### *Six months ended 30 June 2019 (unaudited)*

	Cars HK\$'000	Financial investments and services HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
SEGMENT REVENUE				
Group revenue	133,518	5,261	931	139,710
SEGMENT RESULTS				
Segment (loss) profit	(888)	3,706	2,276	5,094
Share of result of an associate				9,928
Interest income				140
Unallocated corporate expenses				(2,188)
Finance costs				(1,148)
Profit before taxation				11,826

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

### 4. SEGMENT INFORMATION *(Continued)*

#### Segment revenue and results *(Continued)*

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

Six months ended 30 June 2018 (unaudited)

	Cars HK\$'000	Financial investments and services HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
<b>SEGMENT REVENUE</b>				
Group revenue	187,514	4,558	908	192,980
<b>SEGMENT RESULTS</b>				
Segment profit	6,606	3,291	3,326	13,223
Share of result of an associate				4,930
Interest income				200
Unallocated corporate expenses				(3,952)
Finance costs				(1,043)
Profit before taxation				13,358



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

### 4. 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 2019 (unaudited)**

	Cars HK\$'000	Financial investments and services HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
<b>Assets</b>				
Segment assets	258,784	73,152	60,555	392,491
Bank balances and cash				103,970
Interest in an associate				74,378
Pledged bank deposits				44,014
Unallocated corporate assets				669
Consolidated assets				615,522
<b>Liabilities</b>				
Segment liabilities	103,432	179	678	104,289
Bank and other borrowings				15,661
Deferred taxation				1,593
Tax payable				3,202
Unallocated corporate liabilities				1,510
Consolidated liabilities				126,255

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 4. SEGMENT INFORMATION (Continued)

### Segment assets and liabilities (Continued)

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

At 31 December 2018 (audited)

	Cars HK\$'000	Financial investments and services HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
<b>Assets</b>				
Segment assets	253,368	90,809	59,199	403,376
Bank balances and cash				121,212
Interest in an associate				65,082
Pledged bank deposits				44,014
Unallocated corporate assets				402
Consolidated assets				634,086
<b>Liabilities</b>				
Segment liabilities	73,404	336	626	74,366
Bank and other borrowings				74,197
Deferred taxation				1,593
Tax payable				2,901
Unallocated corporate liabilities				3,035
Consolidated liabilities				156,092

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

### 4. SEGMENT INFORMATION *(Continued)*

#### Segment assets and liabilities *(Continued)*

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 GAINS AND LOSSES

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Gain on disposal of property, plant and equipment	–	155
Net foreign exchange gain (loss)	94	(259)
Fair value gain on investment properties	1,400	2,500
Reclassification adjustment on exchange difference upon liquidation of a foreign operation	–	2,061
	<b>1,494</b>	<b>4,457</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interests on bank and other borrowings	1,148	1,043
Interest on lease liabilities	1,266	–
	2,414	1,043

## 7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	5,635	5,843
Depreciation of right-of-use assets	17,399	–

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

### 8. TAXATION

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Current tax:		
Hong Kong	325	1,615
Other jurisdictions	263	61
	588	1,676

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Hong Kong profits tax is calculated at 16.5% and taken into consideration the two-tiered profits tax rates regime for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the both periods and the service income for the non-PRC subsidiary with permanent establishment in the PRC is subject to deemed profit tax rate of 30%.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

### 9. 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	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period for the purpose of calculating basic and diluted earnings per share	11,238	11,682

#### Number of shares

	Six months ended 30 June	
	2019	2018
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	5,219,541,190	5,219,541,190
Effect of dilutive potential ordinary shares: Share options	–	731,535
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	5,219,541,190	5,220,272,725

The computation of diluted earnings per share for the six months ended 30 June 2019 does not assume the exercise of the Company's share options since the exercise prices of share options outstanding were higher than average market price of the shares for the six months ended 30 June 2019.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

### 10. DIVIDEND

No dividend was paid or declared during the six months ended 30 June 2019 and 2018 nor has any dividend been proposed since the end of the reporting period.

### 11. INVESTMENT PROPERTIES

	HK\$'000
<b>Fair value</b>	
At 1 January 2018	55,300
Fair value gain on investment properties	3,700
At 31 December 2018	59,000
Fair value gain on investment properties	1,400
At 30 June 2019	60,400

The investment properties comprised industrial buildings and car parks located in Hong Kong.

### 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group spent HK\$3,365,000 (2018: HK\$11,762,000) on the acquisition of property, plant and equipment. The Group does not dispose any of property, plant and equipment (2018: disposed of HK\$2,395,000 resulting in a gain of HK\$155,000).

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

### 13. TRADE AND OTHER RECEIVABLES

	<b>At 30 June 2019 HK\$'000 (unaudited)</b>	At 31 December 2018 HK\$'000 (audited)
Trade receivables	<b>26,710</b>	30,860
Less: Allowance for expected credit losses	<b>(59)</b>	(69)
	<b>26,651</b>	30,791
Utility and rental deposits	<b>1,308</b>	1,221
Prepayments and other receivables	<b>7,934</b>	4,663
	<b>35,893</b>	36,675

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 expected credit losses presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	<b>At 30 June 2019 HK\$'000 (unaudited)</b>	At 31 December 2018 HK\$'000 (audited)
Within 30 days	<b>12,078</b>	18,364
31 – 60 days	<b>2,111</b>	1,789
61 – 90 days	<b>3,249</b>	4,385
91 days to 1 year	<b>7,082</b>	6,206
Over 1 year	<b>2,131</b>	47
	<b>26,651</b>	30,791

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



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

### 14. LOAN RECEIVABLES

	<b>At 30 June 2019 HK\$'000 (unaudited)</b>	At 31 December 2018 HK\$'000 (audited)
Fixed-rate loans	<b>71,220</b>	90,490
Less: Allowance for expected credit losses	<b>(165)</b>	(824)
	<b>71,055</b>	89,666

As at 30 June 2019, loan receivables amounted to HK\$36,000,000 (31 December 2018: HK\$36,000,000) with original maturity in December 2018 and July 2019, further extended to December 2019 and July 2020, carrying interest rate of 8% per annum were secured by listed securities in Hong Kong with fair values of HK\$81,124,000 (31 December 2018: HK\$98,384,000). Loan receivable amounted to HK\$15,220,000 (31 December 2018: HK\$15,220,000) with original maturity in August 2018, further extended to August 2019, carrying interest rate of 10% per annum was secured by second legal charge of residential properties located in Hong Kong with fair values of HK\$36,929,000 (31 December 2018: HK\$31,898,000). Loan receivable amounted to HK\$10,000,000 (31 December 2018: HK\$10,000,000) with original maturity in December 2018, further extended to March 2019 and becoming no fixed repayment term afterwards, carrying interest rate of 30% per annum was secured by yacht with fair value of HK\$34,000,000 (31 December 2018: HK\$34,000,000).

Furthermore, loan receivable amounted to HK\$10,000,000 with interest rate of 7.5% per annum and maturity date in June 2020 was lent out to an independent third party during the six months ended 30 June 2019, which was secured by listed securities in Hong Kong with fair values of HK\$16,406,000 at 30 June 2019.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

### 15. TRADE AND OTHER PAYABLES

	<b>At 30 June 2019 HK\$'000 (unaudited)</b>	At 31 December 2018 HK\$'000 (audited)
Trade payables	<b>15,343</b>	30,992
Accrued charges	<b>12,272</b>	19,972
Other payables	<b>9,506</b>	8,708
	<b>37,121</b>	59,672

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

	<b>At 30 June 2019 HK\$'000 (unaudited)</b>	At 31 December 2018 HK\$'000 (audited)
Within 30 days	<b>12,235</b>	24,029
31 – 60 days	<b>766</b>	4,819
61 – 90 days	<b>631</b>	745
91 days to 1 year	<b>940</b>	631
Over 1 year	<b>771</b>	768
	<b>15,343</b>	30,992

### 16. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained several new bank loans from various banks and a financial institution amounting to HK\$42,671,000 (for the six months ended 30 June 2018: HK\$11,145,000) and repaid HK\$101,207,000 (for the six months ended 30 June 2018: HK\$100,340,000). The loans carry interest at variable market rates ranging from 4.22% to 5.88% per annum (31 December 2018: 3.72% to 5.87% per annum).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 17. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.02 each:		
Authorised		
At 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	17,500,000,000	350,000
Issued and fully paid		
At 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	5,219,541,190	104,391

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

## 18. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Key management personnel compensation (Note)	4,096	4,150

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 2019

### 19. CAPITAL COMMITMENTS

	<b>As at 30 June 2019 HK\$'000 (unaudited)</b>	As at 31 December 2018 HK\$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of purchase of property, plant and equipment	<b>236</b>	–
Capital expenditure authorised for but not contracted and provided in the condensed consolidated financial statements in respect of purchase of property, plant and equipment	<b>102</b>	–

### 20. SHARE-BASED PAYMENTS

A share option scheme (the "**Option Scheme**") was adopted pursuant to a resolution passed by the shareholders of the Company on 28 May 2012. The purpose of the Option Scheme is to provide incentives or rewards to the participants for their contribution to the Group and enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any companies in which the Group holds any equity interest. The Option Scheme will expire on the 10th anniversary of the date of adoption.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

### 20. SHARE-BASED PAYMENTS *(Continued)*

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 2018 and 30 June 2018	<b>218,467,200</b>
Outstanding as at 1 January 2019	<b>216,764,000</b>
Lapsed during the period	<b>(841,800)</b>
Outstanding as at 30 June 2019	<b>215,922,200</b>

During the six months ended 30 June 2019, the Group recognised the total expense of HK\$787,000 (six months ended 30 June 2018: HK\$2,048,000) in administrative expenses in relation to share options granted by the Company.

### 21. FINANCIAL INSTRUMENTS

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values. The Group currently does not have a foreign currency hedging policy. However, the management of the Company monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.