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## AUTO ITALIA HOLDINGS LIMITED

意達利控股有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 720)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Auto Italia Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 together with the comparative figures as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Continuing operations		Discontinued operation		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020	2021	2020
Notes	HK\$'000 (unaudited)	HK\$'000 (unaudited) (restated)	HK\$'000 (unaudited)	HK\$'000 (unaudited) (restated) (note 8)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue from goods and services	-	-	51,426	55,773	51,426	55,773
Rental income	8,050	1,016	-	-	8,050	1,016
Interest income from loan receivables	1,118	2,005	-	-	1,118	2,005
<b>Total revenue</b>	<b>9,168</b>	<b>3,021</b>	<b>51,426</b>	<b>55,773</b>	<b>60,594</b>	<b>58,794</b>
Cost of sales and services	(1,449)	-	(43,459)	(31,197)	(44,908)	(31,197)
<b>Gross profit</b>	<b>7,719</b>	<b>3,021</b>	<b>7,967</b>	<b>24,576</b>	<b>15,686</b>	<b>27,597</b>
Other income	4	54	2,033	7,217	2,033	7,271
Other gains and losses	5	(884)	2,368	115	14,915	(769)
Reversal of impairment losses (impairment losses) under expected credit loss (“ECL”) model, net		5	6	(26)	11	132
Selling and distribution costs	-	-	(7,881)	(21,577)	(7,881)	(21,577)
Administrative expenses	(6,841)	(4,413)	(8,411)	(11,424)	(15,252)	(15,837)
Finance costs	6	(6,976)	(299)	(842)	(5,315)	(7,818)
Share of result of an associate accounted for using equity method		768	-	-	768	1,338
<b>Profit (loss) before taxation</b>	<b>9,182</b>	<b>(7,702)</b>	<b>(4,217)</b>	<b>(1,961)</b>	<b>4,965</b>	<b>(9,663)</b>
Taxation	7	(132)	-	1,628	(132)	1,611
<b>Profit (loss) for the period</b>	<b>9</b>	<b>9,050</b>	<b>(4,217)</b>	<b>(333)</b>	<b>4,833</b>	<b>(8,052)</b>

\* For identification purpose only

		<b>Total</b>	
		<b>Six months ended 30 June</b>	
		<b>2021</b>	2020
		<b>HK\$'000</b>	HK\$'000
	<i>Note</i>	<b>(unaudited)</b>	(unaudited)
Profit (loss) for the period attributable to owners of the Company			
– from continuing operations		<b>3,120</b>	(7,719)
– from discontinued operation		<b>(4,217)</b>	(333)
		<b>(1,097)</b>	(8,052)
Profit for the period attributable to non-controlling interests			
– from continuing operations		<b>5,930</b>	–
Profit (loss) for the period		<b>4,833</b>	(8,052)
Loss per share (from continuing and discontinued operations)			
– Basic	<i>10</i>	<b>(HK0.02 cents)</b>	(HK0.15 cents)
– Diluted	<i>10</i>	<b>(HK0.02 cents)</b>	(HK0.15 cents)
Earning (loss) per share (from continuing operations)			
– Basic	<i>10</i>	<b>HK0.06 cents</b>	(HK0.15 cents)
– Diluted	<i>10</i>	<b>HK0.06 cents</b>	(HK0.15 cents)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
<b>Non-current assets</b>			
Investment properties		600,506	55,200
Property, plant and equipment		2,842	1,903
Interest in an associate accounted for using equity method		–	56,285
Investment of an associate measured at fair value through profit or loss (“FVTPL”)		248,480	248,080
Other financial asset at FVTPL		13,606	–
Other receivables	12	12,796	791
		<u>878,230</u>	<u>362,259</u>
<b>Current assets</b>			
Inventories		3,755	61,220
Trade and other receivables	12	4,697	16,502
Loan receivables		13,994	21,599
Tax recoverable		495	636
Pledged bank deposits		–	20,000
Bank balances and cash		59,224	52,512
		<u>82,165</u>	<u>172,469</u>
<b>Current liabilities</b>			
Trade and other payables	13	22,190	22,807
Contract liabilities		200	18,750
Bank and other borrowings	14	–	10,329
Corporate bonds	15	24,973	62,482
Lease liabilities		2,140	16,274
		<u>49,503</u>	<u>130,642</u>
<b>Net current assets</b>		<u>32,662</u>	<u>41,827</u>
<b>Total assets less current liabilities</b>		<u>910,892</u>	<u>404,086</u>

		At 30 June 2021 <i>HK\$'000</i> (unaudited)	At 31 December 2020 <i>HK\$'000</i> (audited)
<b>Capital and reserves</b>			
Share capital		105,850	105,476
Reserves		<u>300,924</u>	<u>297,558</u>
<b>Equity attributable to owners of the Company</b>		<b>406,774</b>	403,034
Non-controlling interests		<u>108,526</u>	<u>–</u>
<b>Total equity</b>		<u><b>515,300</b></u>	<u>403,034</u>
<b>Non-current liabilities</b>			
Other borrowings	<i>14</i>	340,694	–
Loan from a non-controlling member of a subsidiary	<i>16</i>	8,932	–
Promissory note	<i>17</i>	45,456	–
Deferred taxation		510	510
Lease liabilities		<u>–</u>	<u>542</u>
		<u><b>395,592</b></u>	<u>1,052</u>
		<u><b>910,892</b></u>	<u>404,086</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 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**”).

### 1A. Significant events in the current interim period

During the six months ended 30 June 2021, the Group acquired additional 27.49% equity interest in Dakota RE II Limited (“**Dakota RE II**”) at a consideration of HK\$53,500,000 by issue of promissory note. Together with the 27.49% equity interest originally held by the Group which was accounted for as interest in an associate using equity accounting, Dakota RE II became a subsidiary of the Group upon completion of the acquisition.

In addition, Auto Italia (Hong Kong) Limited, a wholly-owned subsidiary of the Company, entered into a transition services and settlement agreement with Maserati S.p.A. (“**Maserati**”) in relation to the termination of dealership. The termination was effective on 26 April 2021 and the Group’s cars business has discontinued. Details are set out in note 8.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, Interest Rate Benchmark Reform – Phase 2  
HKFRS 4 and HKFRS 16

In addition, the Group has early applied the Amendment to HKFRS 16 “COVID-19-Related Rent Concessions beyond 30 June 2021”.

Except as described below, the application of the amendments to HKFRSs in the current interim 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.

The Group has early applied the amendment in the current interim period. The application of this amendment has had no material impact on the Group’s financial positions and performance for the current and prior periods.

### **Accounting policies newly applied by the Group**

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

#### *Basis of consolidation*

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

#### *Optional concentration test*

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

#### *Asset acquisitions*

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

#### *Refund liabilities*

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

### **3. SEGMENT INFORMATION**

During the six months ended 30 June 2021, the Group has two operating segments under HKFRS 8 “Operating Segments” from continuing operations as follows:

- (i) Financial investments and services – Investments in securities and provision for financing and corporate finance services; and
- (ii) Property investment.

Segment profit represents the profit earned by each segment without allocation of share of result of an associate accounted for using equity method, share-based payments, certain unallocated corporate expenses and certain 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.

An operating segment regarding the cars business was discontinued in the current period. The segment revenue and results reported on the next pages does not include any amounts for this discontinued operation, which is described in more details in note 8. The comparative figures in this note have been restated to conform with the current period's presentation.

### Segment revenue and results

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

#### *Six months ended 30 June 2021 (unaudited)*

Continuing operations

	<b>Financial investments and services HK\$'000</b>	<b>Property investment HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>SEGMENT REVENUE</b>			
Group revenue	<u>1,118</u>	<u>8,050</u>	<u>9,168</u>
<b>SEGMENT RESULTS</b>			
Segment profit	<u>458</u>	<u>15,365</u>	<u>15,823</u>
Share of result of an associate accounted for using equity method			768
Share-based payments			(1,449)
Unallocated corporate expenses			(3,141)
Finance costs			<u>(2,819)</u>
Profit before taxation			<u><b>9,182</b></u>

#### *Six months ended 30 June 2020 (unaudited and restated)*

Continuing operations

	<b>Financial investments and services HK\$'000</b>	<b>Property investment HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>SEGMENT REVENUE</b>			
Group revenue	<u>2,005</u>	<u>1,016</u>	<u>3,021</u>
<b>SEGMENT RESULTS</b>			
Segment (loss) profit	<u>(92)</u>	<u>457</u>	365
Share of result of an associate accounted for using equity method			1,338
Share-based payments			(315)
Unallocated corporate expenses			(2,114)
Finance costs			<u>(6,976)</u>
Loss before taxation			<u><b>(7,702)</b></u>

## Segment assets and liabilities

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

*At 30 June 2021 (unaudited)*

	<b>Financial investments and services <i>HK\$'000</i></b>	<b>Property investment <i>HK\$'000</i></b>	<b>Consolidated <i>HK\$'000</i></b>
<b>Assets</b>			
Segment assets	<u>14,321</u>	<u>618,354</u>	632,675
Bank balances and cash			59,224
Investment of an associate measured at FVTPL			248,480
Other financial asset at FVTPL			13,606
Tax recoverable			495
Unallocated corporate assets			454
Assets relating to discontinued operation			<u>5,461</u>
Consolidated assets			<u>960,395</u>
<b>Liabilities</b>			
Segment liabilities	<u>30</u>	<u>355,916</u>	355,946
Corporate bonds			24,973
Promissory note			45,456
Deferred taxation			510
Unallocated corporate liabilities			1,434
Liabilities relating to discontinued operation			<u>16,776</u>
Consolidated liabilities			<u>445,095</u>

At 31 December 2020 (audited and restated)

	Financial investments and services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Assets</b>			
Segment assets	<u>22,008</u>	<u>55,303</u>	77,311
Bank balances and cash			52,512
Interest in an associate accounted for using equity method			56,285
Investment of an associate measured at FVTPL			248,080
Pledged bank deposits			20,000
Tax recoverable			636
Unallocated corporate assets			723
Assets relating to discontinued operation			<u>79,181</u>
Consolidated assets			<u>534,728</u>
<b>Liabilities</b>			
Segment liabilities	<u>136</u>	<u>727</u>	863
Bank and other borrowings			10,329
Corporate bonds			62,482
Deferred taxation			510
Unallocated corporate liabilities			1,589
Liabilities relating to discontinued operation			<u>55,921</u>
Consolidated liabilities			<u>131,694</u>

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

- all assets are allocated to operating segments other than unallocated corporate assets, assets relating to discontinued operation, interest in an associate accounted for using equity method, investment of an associate measured at FVTPL, other financial asset at FVTPL, tax recoverable, bank balances and cash and pledged bank deposits;
- all liabilities are allocated to operating segments other than unallocated corporate liabilities, liabilities relating to discontinued operation, corporate bonds, promissory note, deferred taxation and certain bank and other borrowings.

#### 4. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
Continuing operations		
Government grants	–	54
	<u>–</u>	<u>54</u>

During the prior interim period, the Group recognised government grants of HK\$54,000 in respect of COVID-19-related subsidies, which related to Employment Support Scheme.

#### 5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
Continuing operations		
Net foreign exchange gain (loss)	418	(384)
Fair value gain (loss) on investment properties	12,129	(500)
	<u>12,547</u>	<u>(884)</u>

#### 6. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
Continuing operations		
Interests on bank and other borrowings	1,978	17
Interest on loan from a non-controlling member of a subsidiary	219	–
Interest on promissory note	1,090	–
Interest on corporate bonds	1,729	6,959
	<u>5,016</u>	<u>6,976</u>

## 7. TAXATION

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
		(restated)
Continuing operations		
Current tax charge:		
Hong Kong	<u>132</u>	<u>17</u>

## 8. DISCONTINUED OPERATION

On 10 June 2021, the Group entered into a transitional services and settlement agreement with Maserati in relation to the termination of dealership. The termination was effective on 26 April 2021. The Group's cars business is treated as discontinued operation.

The results for the current period from the discontinued cars business is set out in condensed consolidated statement of profit or loss on page 1. The comparative figures in the condensed consolidated statement of profit or loss have been restated to re-present the cars business as a discontinued operation.

## 9. PROFIT (LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
		(restated)
Continuing operations		
Depreciation of property, plant and equipment	<u>161</u>	<u>–</u>

## 10. EARNING (LOSS) PER SHARE

### From continuing operations

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company (from continuing and discontinued operations)	(1,097)	(8,052)
Less: Loss for the period from discontinued operation	<u>4,217</u>	<u>333</u>
Profit (loss) for the period for the purpose of calculating basic and diluted earning (loss) per share from continuing operations	<u>3,120</u>	<u>(7,719)</u>

### Number of shares

	Six months ended 30 June	
	2021	2020
Weighted average number of ordinary shares for the purpose of calculating basic earning (loss) per share	5,291,172,296	5,219,541,190
Effect of dilutive potential ordinary shares: Share options issued by the Company	<u>39,221,523</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earning (loss) per share	<u>5,330,393,819</u>	<u>5,219,541,190</u>

For the six months ended 30 June 2020, the computation of diluted loss per share did not assume the exercise of the Company's share options because the assumed exercise of share options would result in decrease in loss per share.

### From discontinued operation

For the six months ended 30 June 2021, basic loss per share for the discontinued operation is HK0.08 cents per share (for the six months ended 30 June 2020: HK0.006 cent) and diluted loss per share for the discontinued operation is HK0.08 cents per share (for the six months ended 30 June 2020: HK0.006 cent), based on the loss for the period from the discontinued operation of approximately HK\$4,217,000 (for the six months ended 30 June 2020: HK\$333,000) and the denominators detailed above for both basic and diluted earning (loss) per share.

## 11. DIVIDEND

No dividend was paid or declared during the six months ended 30 June 2021 and 2020 nor has any dividend been proposed since the end of the reporting period.

## 12. TRADE AND OTHER RECEIVABLES

	<b>At 30 June 2021 HK\$'000 (unaudited)</b>	At 31 December 2020 HK\$'000 (audited)
Trade receivables	168	4,423
Less: Allowance for ECL	<u>(16)</u>	<u>(22)</u>
	<b>152</b>	4,401
Utility and rental deposits	1,141	6,975
Interest receivables	327	409
Prepayments and other receivables	1,161	5,508
Lease incentives	<u>14,712</u>	<u>–</u>
	<b>17,493</b>	17,293
Less: Amount due more than one year shown under non-current assets	<u>(12,796)</u>	<u>(791)</u>
Amount shown under current assets	<u><b>4,697</b></u>	<u>16,502</u>

The lease incentives represent incentives granted to tenants of rental of premises.

The Group allows its trade customers an average credit period of 90 days. No credit period is granted to tenants of rental of premises. The following is an aged analysis of trade receivables net of allowance for ECL presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	<b>At 30 June 2021 HK\$'000 (unaudited)</b>	At 31 December 2020 HK\$'000 (audited)
Within 30 days	13	3,311
31 – 60 days	–	546
61 – 90 days	–	42
91 days to 1 year	<u>139</u>	<u>502</u>
	<u><b>152</b></u>	<u>4,401</u>

### 13. TRADE AND OTHER PAYABLES

	<b>At 30 June 2021 HK\$'000 (unaudited)</b>	At 31 December 2020 HK\$'000 (audited)
Trade payables	35	15,560
Advance payments from customers	236	388
Accrued charges	3,718	4,366
Other payables	1,688	2,493
Lease payments received in advance	5,271	–
Refund liabilities	11,242	–
	<u>22,190</u>	<u>22,807</u>

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

	<b>At 30 June 2021 HK\$'000 (unaudited)</b>	At 31 December 2020 HK\$'000 (audited)
Within 30 days	–	15,286
31 – 60 days	26	265
61 – 90 days	–	1
91 days to 1 year	9	8
	<u>35</u>	<u>15,560</u>

#### **14. BANK AND OTHER BORROWINGS**

During the current interim period, the Group did not obtain any new loans from banks and financial institutions (for the six months ended 30 June 2020: HK\$8,982,000) and fully repaid the balance of HK\$10,316,000 (for the six months ended 30 June 2020: HK\$12,529,000).

Through the acquisition of Dakota RE II, other borrowing increased by HK\$339,203,000 (for the six months ended 30 June 2020: nil), which was secured by an investment property in Scotland. The secured borrowing has maturity of three years until May 2023 and carries interest at 2.3% per annum.

#### **15. CORPORATE BONDS**

On 2 February 2020, the Group issued unsecured corporate bonds amounting to HK\$171,600,000 in Hong Kong for the investment in an associate. The unsecured corporate bonds have maturity of one and half years until August 2021 and carry interest at 10% per annum. During the six months ended 30 June 2021, the Group early repaid principal of HK\$36,000,000 (for the six months ended 30 June 2020: HK\$41,600,000).

#### **16. LOAN FROM A NON-CONTROLLING MEMBER OF A SUBSIDIARY**

Through the acquisition of Dakota RE II, a loan from a non-controlling member of a subsidiary increased by HK\$8,681,000. The unsecured loan will be matured in May 2023 or after full repayment of the other borrowing, whichever earlier, and carries interest at 10% per annum.

#### **17. PROMISSORY NOTE**

On 25 March 2021, the Group issued unsecured promissory note amounting to HK\$53,500,000 in Hong Kong to acquire additional equity interest of 27.49% in Dakota RE II. The unsecured promissory note has maturity of three years until March 2024 and carries interest at 8% per annum. During the six months ended 30 June 2021, the Group early repaid principal of HK\$9,000,000.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Revenue

##### *Property Investment Division*

For the investment in Capella Building (“**Capella**”), an office building in Glasgow, Scotland, the Group increased the equity interest in Dakota RE II Limited (“**Dakota**”) which indirectly holds 92.75% interest in the registered owner of Capella to 54.98% (2020: 27.49%) on 25 March 2021, by further investment of HK\$53.5 million through issuance of promissory note. After such acquisition, Dakota became a subsidiary of the Group.

During the period ended 30 June 2021, the Property Investment Division recorded a rental income of HK\$8.1 million for leasing the properties of the Group to third parties in Hong Kong and Scotland (2020: HK\$1.0 million). The increase of HK\$7.1 million rental income was mainly contributed by recognition of income derived from Capella after Dakota became a subsidiary of the Group during period ended 30 June 2021.

##### *Financial Investments and Services Division*

As at 30 June 2021, the loan receivables narrowed to HK\$14.0 million from HK\$26.6 million as at 30 June 2020. Hence, the revenue of Financial Investments and Services Division’s for the period ended 30 June 2021 decreased to HK\$1.1 million (2020: HK\$2.0 million), representing a decrease of HK\$0.9 million.

##### *Car Division*

For the first half of 2021, the Car Division’s revenue decreased by 7.8% to HK\$51.4 million (2020: HK\$55.8 million). The business is treated as discontinued operation during the period ended 30 June 2021.

#### Cost of Sales and Gross Profit

Gross profit and gross profit margin decreased by HK\$11.9 million to HK\$15.7 million (2020: HK\$27.6 million) and 21.0 percentage points to 25.9% (2020: 46.9%) respectively. The decrease is mainly due to drop in new car sales margin and owing to the adverse impact caused by the COVID-19 pandemic and close down of Maserati Dealership Business in April 2021.

## **Other Income**

For the six months ended 30 June 2021, other income amounted to HK\$2.1 million (2020: HK\$7.3 million). The decrease of HK\$5.2 million was mainly caused by decrease in commission income by HK\$0.7 million to HK\$1.6 million (2020: HK\$2.3 million) and also year 2020 recorded handling fee of HK\$1.2 million (2020: Nil), forfeit deposit income of HK\$1.1 million (2020: Nil) and government subsidy of HK\$0.8 million (2020: Nil).

## **Other Gains and Losses**

Other gains and losses amounted to a net gain of HK\$14.9 million (2020: net loss of HK\$0.8 million) which mainly represented fair value gain of investment properties in Hong Kong and Scotland of HK\$12.1 million (2020: loss of HK\$0.5 million), gain on lease modification of HK\$2.2 million (2020: Nil), gain on disposal of property, plant and equipment of HK\$0.4 million (2020: HK\$0.2 million), net foreign exchange gain of HK\$0.4 million (2020: loss of HK\$0.4 million).

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

Selling and distribution costs and administrative expenses during the period aggregated to HK\$23.1 million (2020: HK\$37.4 million), which accounted for 38.2% (2020: 63.6%) of revenue. The net decrease of HK\$14.3 million was mainly due to decrease in depreciation of right-of-use assets, depreciation of property, plant and equipment, and staff related cost resulting from fully written off of right-of-use assets in 2020, as well as our cost optimization and restructuring plan, upon acceptance of termination notice of the Maserati dealership during the period ended 30 June 2021.

## **Finance Costs**

Finance costs during the period were decreased to HK\$5.3 million (2020: HK\$7.8 million) which was mainly contributed by reduced bond interest expense by HK\$5.3 million to HK\$1.7 million (2020: HK\$7.0 million) since the bond principal decreased from HK\$130 million as at June 2020 to HK\$24 million as at June 2021, partially offset by increase in interest expense of HK\$2.2 million (2020: Nil) incurred by the registered owner of Capella which has become a subsidiary of the Group during period ended 30 June 2021 and interest of promissory note of HK\$1.1 million (2020: Nil).

## **Life Science Investment**

For the period ended 30 June 2021, CBL generated unaudited consolidated revenue of US\$6.7 million (2020: US\$3.3 million) and recorded unaudited consolidated operating losses of US\$4.7 million (2020: US\$4.8 million). At 30 June 2021, the fair value of this investment is HK\$248 million and represents around 25.9% of the total assets of the Group. The Group presently intends to hold such investment as long-term investment.

## **Loss Attributable to Shareholders**

Loss attributable to shareholders of the Company for the six months ended 30 June 2021 was HK\$1.1 million (2020: HK\$8.1 million). It was primarily contributed by increase in fair value gain of investment properties in Hong Kong and Scotland of HK\$12.1 million (2020: loss of HK\$0.5 million), of which HK\$7.5 million attributable to shareholders while HK\$4.6 million attributable to non-controlling interests.

## **Liquidity and Financial Resources**

### *Cash Flow*

During the period, the Group financed its operations and investments through cash generated from the Group's operations, as well as issuance of promissory note. We have made a net repayment (principal and interests) of bank borrowings of HK\$10.4 million, corporate bonds of HK\$39.2 million, promissory notes of HK\$9.1 million and other borrowings of HK\$2.0 million.

### *Bank Balances and Cash*

As at 30 June 2021, the Group had bank balances and cash of HK\$59.2 million as compared with HK\$72.5 million as at 31 December 2020, which were mainly denominated in Hong Kong dollars (as to 61%), Pound Sterling (as to 37%) and Renminbi (as to 2%).

### *Bank and Other Borrowings, Loan from a non-controlling member of a subsidiary, Corporate Bonds and Promissory Notes*

As at 30 June 2021, the Group had bank and other borrowings, loan from a non-controlling member of a subsidiary, corporate bonds and promissory note totaling HK\$420.1 million (31 December 2020: HK\$72.8 million), of which HK\$395.1 million was repayable more than one year. The Group's debt to equity ratio for the six months ended 30 June 2021 increased to 81.5% from 18.1% for the year ended 31 December 2020 based on the total of current and non-current bank and other borrowings, loan from a non-controlling member of a subsidiary, corporate bonds and promissory note of HK\$420.1 million (31 December 2020: HK\$72.8 million) and total equity of HK\$515.3 million (31 December 2020: HK\$403.0 million).

The increase is mainly caused by other borrowings under the registered owner of Capella which has become a subsidiary of the Group during period ended 30 June 2021.

The promissory note have maturity of 3 years and carry interest at 8% per annum. During the reporting period, the Group incurred interest expense of HK\$1.1 million and repaid principal and interest of HK\$9.1 million, the remaining promissory note balance as at 30 June 2021 is HK\$45.5 million.

The other borrowings and loan from a non-controlling member of a subsidiary have maturity at May 2023 and carry interest at 2.3% and 10% per annum respectively. During the reporting period, the Group incurred interest expense of HK\$2.0 million and HK\$0.2 million and repaid interest of HK\$2.0 million and nil, respectively. The remaining loan balance as at 30 June 2021 are HK\$340.7 million and HK\$8.9 million respectively.

#### *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 2021, the Group had outstanding loan lent to customers totaling HK\$14.0 million (31 December 2020: HK\$21.6 million), which carry on interest rate at 10% per annum and were repayable within twelve months.

#### **Foreign Exchange Exposure**

The Group currently does not have a foreign currency hedging policy. The Group manages its foreign exchange exposure by monitoring the matching of the currency of its debt with (i) the collateral assets; and (ii) the debt servicing income derived from its business activities. In FY2021, loan secured by property in Scotland was denominated in Pound Sterling and serviced by income from Scotland denominated in Pound Sterling.

Due to the strength of the Pound Sterling over the period, a positive exchange difference arising on translation of foreign operations of approximately HK\$1.4 million was recorded during the period (2020: negative exchange difference of approximately HK\$5.4 million).

#### **Pledge of Assets**

As at 30 June 2021, certain of the Group's property totaling HK\$542.5 million (31 December 2020: bank deposits and inventories totaling HK\$40.4 million) were pledged as security for relevant borrowing.

## **CAPITAL EXPENDITURES AND COMMITMENTS**

As at 30 June 2021 and 31 December 2020, the Group had no capital commitment.

## **CONTINGENT LIABILITIES**

As at 30 June 2021 and 31 December 2020, the Group had no significant 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 2021, the Group employed a total of 11 employees in Hong Kong. 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, COVID-19 pandemic became apparent since January 2020 and subsequently further developed to a worldwide pandemic. We implemented a variety of pandemic control measures to ensure our employees and customers can stay safe, such as regularly sanitizing touchpoints at offices and common areas, mandatory wearing masks and maintaining social distancing, and allowing work from homes and stagger lunch hours, etc..

As always, we provided not only competitive remuneration packages and benefits programs to our employees, but also provided reasonable and safe working environment, as well as supporting employee's continued education to uncover their hidden potential.

In this unprecedented challenge caused by the COVID-19 pandemic, the Group continues to make contributions to local communities through participating in charitable activities.

## **BUSINESS REVIEW**

### **Property Investment**

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

For our investment property in Hong Kong, the Group managed to extend the lease for an additional 2 years with the tenant commencing on 1 June 2021 and expiring on 31 May 2023 with an 8% increase in rent despite the challenging economic environment.

Subsequent to our further investment of approximately HK\$53.5 million in March 2021, the Group currently holds 54.98% equity interest in Dakota Capella LLP, which in turn holds 92.75% interest in Capella, an office building located at 60 York Street, Glasgow, G2 8JX, United Kingdom. As the Group is now a controlling shareholder of the investment property, the financial results will be consolidated into the financial results of the Group. As at 30 June 2021, approximately 93% of the total net internal area of Capella is subject to various tenancy agreements at a total rental of approximately GBP2.9 million per annum with the latest expiry date in February 2030 and a weighted average unexpired lease term to expiry of 6.78 years.

### **Financial Investments and Services**

As a result of the COVID-19 pandemic outbreak which has impacted the global economic outlook, the US Federal Reserve cut the federal funds rate to near 0%. Market interest rates were falling with lower return on interest-bearing assets. The financial market became more volatile amidst the pandemic situation and elevated Sino-US political and trade disputes.

Faced with the aforementioned challenging operating environment, the Group has continue to adopt a prudent and cautious approach to balance the return and risk of the financing activities. As at 30 June 2021, the Group had a total amount of HK\$14 million outstanding secured loan lent to customer.

## Life Sciences Investment

In February 2021, CBL, an associate company of the Group, entered into a convertible bond purchase agreement with VMS Group and Fidelity International (collectively, the “**CB Investors**”) in relation to the proposed issuance of certain convertible bonds by CBL to the CB Investors. To the best of the knowledge of the Directors, the ultimate beneficial owner of VMS Group is Ms Mak Siu Hang Viola, who is a substantial shareholder of the Company. On 19 March 2021, CBL issued the first tranche of convertible bonds due 2024 to the CB Investors in the aggregate principal amount of US\$105 million. The proceeds of the convertible bonds will be mainly used for the expansion of Good Manufacturing Practices (“**GMP**”) manufacturing capacity from 9,000 litres to over 24,000 litres at the operating site of the CBL in Wuhan’s BioLake Biotech Industry Development Zone. The new facility will include expanded drug substance capacity with 8 x 2000 litres GMP mammalian cell culture production lines. In addition, lyophilization and prefilled syringes (“**PFS**”) fill & finish drug product lines will add to CBL’s integrated manufacturing capability. The expanded capacity and capability will increase flexibility to scale between early-stage and late-stage production.

In May 2021, CBL announced that they have been selected by Humanigen, Inc. (Nasdaq: HGEN), a clinical-stage biopharmaceutical company in the United States, as a manufacturing partner for ex-US supply of lenzilumab. Currently, lenzilumab is being evaluated by US Food and Drug Administration and United Kingdom’s Medicines and Healthcare Products Regulatory Agency for the treatment of patients hospitalized with COVID-19.

For the six month ended 30 June 2021, CBL generated unaudited consolidated revenue of US\$6.7 million (2020: US\$3.3 million) and recorded unaudited consolidated operating losses of US\$ 4.7 million (2020: US\$4.8 million).

## Maserati

As announced on 16 April 2021, the board of directors of the Company (the “**Board**”) have considered (i) the substantial time and costs to be involved in pursuing the legal proceedings against Maserati for wrongful purported termination of dealership agreement in reliance on a purported “Importership and Distributorship Agreement” allegedly signed on 1 October 2018 and the associated litigation risk; (ii) the increasingly challenging business environment which has been adversely affecting the Maserati car dealership business (the “**Dealership Business**”); and (iii) the unsatisfactory performance of the Dealership Business in recent years, the Board has make a decision that the Group has no option but to accept the termination notice of the Maserati dealership notified by Maserati on 28 October 2020 (the “**Acceptance of Termination**”), with a view to re-allocating and focusing its resources to develop the Group’s other principal businesses, namely financial investments and services, life sciences investment and property investment. The Dealership Business was terminated on 26 April 2021.

During the period, the Maserati business delivered 70 new vehicles to customers (2020: 41) included Levante GranSport, Levante Trofeo, Ghibli and Quattroporte. The Group also provided certain aftersales service for our customers until 26 April 2021 to show our business commitment.

## **OUTLOOK**

Taking into consideration the economic uncertainties owing to the COVID-19 pandemic, the macro environment looks set to remain challenging for the Group. The Group will keep monitoring the effect that could be caused by the COVID-19 on the business operations and financial position of the Group. The Group will continue to identify potential business opportunities with the aim of bringing long-term enhancement of value to our shareholders.

## **INTERIM DIVIDEND**

The Board did not declare the payment of an interim dividend for the six months ended 30 June 2021 (2020: Nil).

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

## **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 2021, except Code Provisions A.2.1 of the CG Code.

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

Mr CHONG Tin Lung Benny is the Executive Chairman and the Chief Executive Officer. Mr CHONG Tin Lung Benny has extensive experience in corporate management and securities investments and is responsible for the overall corporate strategies, planning and business development of the Group. The Board considers that the vesting of two roles in the same person provides our Group with strong and consistent leadership and facilitates the implementation and execution of our Group's business strategy. The Board believes that a balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high caliber individuals including four Executive Directors (including Mr CHONG Tin Lung Benny) and three Independent Non-executive Directors who offer advices and views from different perspectives. Moreover, the Audit Committee has been provided with sufficient resources to perform its duties, including obtaining outside legal or other independent professional advice when it considers necessary. The Company shall nevertheless review the structure from time to time in light of the prevailing circumstances.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as standard for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors by the Company, the Directors confirmed in writing that they have complied with the standards set out in the Model Code throughout the six months ended 30 June 2021.

## **AUDIT COMMITTEE**

The members of the audit committee of the Company (the “**Audit Committee**”) comprise Mr. KONG Kai Chuen Frankie, Mr. LEE Ben Tiong Leong and Mr. TO Chun Wai all of whom are independent non-executive Directors. Mr. KONG Kai Chuen Frankie is the chairman of the Audit Committee.

The principal duties of the Audit Committee 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.

## **REVIEW OF INTERIM RESULTS**

The interim results of the Group for the six months ended 30 June 2021 have not been audited but have been reviewed by Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants (“**Deloitte**”), 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 2021, which has also been reviewed by Deloitte, 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 Accountant.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company’s website (<http://www.autoitalia.com.hk>) respectively. The interim report of the Company for the six months ended 30 June 2021 will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board  
**AUTO ITALIA HOLDINGS LIMITED**  
**CHONG Tin Lung Benny**

*Executive Chairman and Chief Executive Officer*

Hong Kong, 26 August 2021

*As at the date of this announcement, the Board comprises Mr. CHONG Tin Lung Benny (Executive Chairman and Chief Executive Officer), Mr. HUANG Zuie-Chin, Mr. NG Siu Wai and Mr. LIN Chun Ho Simon, all of whom are executive Directors; and Mr. KONG Kai Chuen Frankie, Mr. LEE Ben Tiong Leong and Mr. TO Chun Wai, all of whom are independent non-executive Directors.*