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AUTO ITALIA HOLDINGS LIMITED

意達利控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 720)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The Board of AUTO ITALIA HOLDINGS LIMITED (the “**Company**”) announces that the audited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	NOTES	Continuing operations		Discontinued operation		Total	
		2023	2022	2023	2022	2023	2022
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from goods and services	3	15,839	–	–	1,342	15,839	1,342
Rental income	3	31,665	28,137	–	–	31,665	28,137
Total revenue		47,504	28,137	–	1,342	47,504	29,479
Cost of sales and services		(18,469)	(5,286)	–	(1,492)	(18,469)	(6,778)
Gross profit (loss)		29,035	22,851	–	(150)	29,035	22,701
Other income		452	176	–	382	452	558
Other gains and losses	5	(174,885)	(66,678)	–	–	(174,885)	(66,678)
Selling and distribution costs		(4,132)	–	–	(184)	(4,132)	(184)
Administrative expenses		(33,701)	(20,942)	–	(467)	(33,701)	(21,409)
Other expenses		–	(8,826)	–	–	–	(8,826)
Finance costs	6	(23,567)	(12,296)	–	–	(23,567)	(12,296)
Loss before taxation		(206,798)	(85,715)	–	(419)	(206,798)	(86,134)
Taxation	7	901	814	–	(270)	901	544
Loss for the year	8	(205,897)	(84,901)	–	(689)	(205,897)	(85,590)

* For identification purpose only

		Total	
	<i>NOTE</i>	2023	2022
		HK\$'000	<i>HK\$'000</i>
Loss for the year attributable to owners of the Company			
– from continuing operations		(179,285)	(62,716)
– from discontinued operation		–	(689)
		<u>(179,285)</u>	<u>(63,405)</u>
Loss for the year attributable to non-controlling interests			
– from continuing operations		<u>(26,612)</u>	<u>(22,185)</u>
Loss for the year		<u>(205,897)</u>	<u>(85,590)</u>
Loss per share (from continuing and discontinued operations)			
– Basic	9	<u>(HK3.39 cent)</u>	(HK1.20 cent)
– Diluted	9	<u>(HK3.39 cent)</u>	<u>(HK1.20 cent)</u>
Loss per share (from continuing operations)			
– Basic	9	<u>(HK3.39 cent)</u>	(HK1.19 cent)
– Diluted	9	<u>(HK3.39 cent)</u>	<u>(HK1.19 cent)</u>

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

For the year ended 31 December 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year	<u>(205,897)</u>	<u>(85,590)</u>
Other comprehensive income (expense) <i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>13,999</u>	<u>(23,248)</u>
Other comprehensive income (expense) for the year	<u>13,999</u>	<u>(23,248)</u>
Total comprehensive expense for the year	<u><u>(191,898)</u></u>	<u><u>(108,838)</u></u>
Total comprehensive expense for the year attributable to:		
Owners of the Company	(172,853)	(74,309)
Non-controlling interests	<u>(19,045)</u>	<u>(34,529)</u>
	<u><u>(191,898)</u></u>	<u><u>(108,838)</u></u>
Total comprehensive expense for the year attributable to owners of the Company:		
– from continuing operations	(172,853)	(73,620)
– from discontinued operation	<u>–</u>	<u>(689)</u>
	<u><u>(172,853)</u></u>	<u><u>(74,309)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Investment properties	10	438,791	470,211
Property, plant and equipment		6,588	1,896
Right-of-use assets		2,202	–
Intangible assets		–	–
Investment of an associate measured at fair value through profit or loss (“FVTPL”)		117,122	237,357
Trade and other receivables	11	7,589	9,558
		<u>572,292</u>	<u>719,022</u>
Current assets			
Inventories		1,530	–
Trade and other receivables	11	12,404	4,315
Other financial asset at FVTPL		15,308	14,486
Tax recoverable		87	143
Pledged bank deposits		5,545	1,498
Bank balances and cash		21,373	42,798
		<u>56,247</u>	<u>63,240</u>
Current liabilities			
Trade and other payables	12	18,325	17,143
Bank and other borrowings	13	286,554	331,094
Loan from a non-controlling member of a subsidiary	14	10,577	9,105
Lease liabilities		2,252	–
		<u>317,708</u>	<u>357,342</u>
Net current liabilities		<u>(261,461)</u>	<u>(294,102)</u>
Total assets less current liabilities		<u><u>310,831</u></u>	<u><u>424,920</u></u>

		2023	2022
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital and reserves			
Share capital		105,850	105,850
Reserves		58,775	216,215
		<hr/>	<hr/>
Equity attributable to owners of the Company		164,625	322,065
Non-controlling interests		46,658	68,861
		<hr/>	<hr/>
Total equity		211,283	390,926
		<hr/>	<hr/>
Non-current liabilities			
Bank and other borrowings	<i>13</i>	57,079	5,049
Loan from a related party	<i>15</i>	11,013	–
Promissory note	<i>16</i>	29,700	27,500
Deferred taxation		1,756	1,445
		<hr/>	<hr/>
		99,548	33,994
		<hr/>	<hr/>
		310,831	424,920
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the trading of cars and related accessories and provision of after sales services in People’s Republic of China (“**PRC**”), property investment and provision of financing.

As at 31 December 2023, the Group had net current liabilities of HK\$261,461,000 and net operating cash outflow of HK\$4,418,000. In preparing the consolidated financial statements, the directors of the Company (the “**Directors**”) have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and considerations have been taken by the Directors to mitigate the liquidity position of the Group and to improve the financial position of the Group, and the plans and considerations are as follows.

The Group will be able to renew the other borrowing of HK\$257,487,000 for a period of one year after its maturity on 18 October 2024 given that the Group has a one-year extension option, subject to the fulfillment of certain conditions (mainly financial ratios) by the Group, with the satisfaction of the existing lender. In view of sufficient headroom of pledged investment property located in Scotland with fair value of HK\$381,541,000 over the borrowing amount, the Directors are of the opinion that the Group will be able to fulfill those conditions, with the satisfaction of the existing lender, and the Directors are confident that the extension of the borrowing will be successful.

The Group has a bank term loan of HK\$28,675,000, which contains a repayment on demand clause and pledged by investment properties located in Hong Kong with fair value of HK\$57,250,000 in aggregate as at 31 December 2023. According to the renewed banking facility arranged with the bank during the year and based on the continuous communications between the Group and the bank, if the Group is able to repay HK\$6,937,500 with the period from 1 January 2024 to 31 March 2025, based on the current available financial information of the Group, the bank has no intention to request immediate repayment of the remaining loan balance (which are due after 12 months from the date of approval of the consolidated financial statements).

The Group has available undrawn committed borrowing facilities amounting to HK\$45,000,000 as at 31 December 2023.

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

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

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

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

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

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies.

3. REVENUE

Reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information

	Continuing operations		Discontinued operation		Total	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Trading of cars and related accessories	12,536	–	–	1,342	12,536	1,342
Provision of after sales services	3,303	–	–	–	3,303	–
Revenue from contract with customers	15,839	–	–	1,342	15,839	1,342
Rental income	31,665	28,137	–	–	31,665	28,137
Total revenue	47,504	28,137	–	1,342	47,504	29,479

4. SEGMENT INFORMATION

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

An operating segment regarding the cars business in Hong Kong was discontinued in 2021. The segment revenue and results reported on the next pages does not include any amounts for this discontinued operation.

As at 31 December 2023, the Group has three operating segments for continuing operations under HKFRS 8 “Operating Segments” which are as follows:

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

Segment loss represents the profit/loss earned by each segment without fair value gain (loss) on investment of an associate measured at FVTPL, fair value gain on other financial asset measured at FVTPL, share-based payments, certain unallocated corporate expenses and finance costs. This is the measure reported to CODM for the purpose of resource allocation and assessment of segment performance.

Segment revenue and results

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

For the year ended 31 December 2023

Continuing operations

	Cars HK\$'000	Property investment HK\$'000	Financial investments and services HK\$'000	Consolidated HK\$'000
SEGMENT REVENUE				
Group's revenue	<u>15,839</u>	<u>31,665</u>	<u>–</u>	<u>47,504</u>
SEGMENT RESULTS				
Segment loss	<u>(13,791)</u>	<u>(37,472)</u>	<u>(354)</u>	<u>(51,617)</u>
Fair value loss on investment of an associate measured at FVTPL				(120,591)
Fair value gain on other financial asset measured at FVTPL				1,219
Recognition of share-based payments, net				(883)
Unallocated corporate expenses				(11,359)
Finance costs				<u>(23,567)</u>
Loss before taxation				<u><u>(206,798)</u></u>

For the year ended 31 December 2022

Continuing operations

	Property investment HK\$'000	Financial investments and services HK\$'000	Consolidated HK\$'000
SEGMENT REVENUE			
Group's revenue	<u>28,137</u>	<u>–</u>	<u>28,137</u>
SEGMENT RESULTS			
Segment loss	<u>(37,477)</u>	<u>(357)</u>	<u>(37,834)</u>
Fair value loss on investment of an associate measured at FVTPL			(12,530)
Fair value gain on other financial asset measured at FVTPL			936
Recognition of share-based payments, net			(4,712)
Unallocated corporate expenses			(19,279)
Finance costs			<u>(12,296)</u>
Loss before taxation			<u><u>(85,715)</u></u>

Segment assets and liabilities

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

At 31 December 2023

	Cars <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Financial investments and services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets				
Segment assets	<u>10,865</u>	<u>456,264</u>	<u>–</u>	467,129
Bank balances and cash				21,373
Pledged bank deposits				5,545
Tax recoverable				87
Investment of an associate measured at FVTPL				117,122
Other financial asset measured at FVTPL				15,308
Unallocated corporate assets				<u>1,975</u>
Consolidated assets				<u><u>628,539</u></u>

	Cars <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Financial investments and services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Liabilities				
Segment liabilities	<u>14,652</u>	<u>276,754</u>	<u>–</u>	291,406
Promissory note				29,700
Deferred taxation				1,756
Unallocated corporate liabilities				<u>94,394</u>
Consolidated liabilities				<u><u>417,256</u></u>

At 31 December 2022

	Property investment <i>HK\$'000</i>	Financial investments and services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets			
Segment assets	485,372	–	485,372
Assets relating to discontinued operation			94
Total segment assets			485,466
Bank balances and cash			42,798
Pledged bank deposits			1,498
Tax recoverable			143
Investment of an associate measured at FVTPL			237,357
Other financial asset measured at FVTPL			14,486
Unallocated corporate assets			514
Consolidated assets			<u>782,262</u>

	Property investment <i>HK\$'000</i>	Financial investments and services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Liabilities			
Segment liabilities	317,897	16	317,913
Liabilities relating to discontinued operation			6,389
Total segment liabilities			324,302
Promissory note			27,500
Deferred taxation			1,445
Unallocated corporate liabilities			38,089
Consolidated liabilities			<u>391,336</u>

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

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

5. OTHER GAINS AND LOSSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Continuing operations		
Net foreign exchange gain	355	365
Fair value loss on investment of an associate measured at FVTPL	(120,591)	(12,530)
Fair value gain on other financial asset measured at FVTPL	1,219	936
Fair value loss on investment properties	(52,601)	(55,449)
Impairment loss on intangible assets	(3,267)	–
	<u>(174,885)</u>	<u>(66,678)</u>

6. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Continuing operations		
Interests on bank and other borrowings	19,755	8,056
Interests on promissory note	2,200	2,891
Interests on loan from a non-controlling member of a subsidiary	967	884
Loan arrangement fee	522	465
Interests on lease liabilities	123	–
	<u>23,567</u>	<u>12,296</u>

7. TAXATION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Continuing operations		
Current tax		
Hong Kong	<u>50</u>	<u>83</u>
Under (over)provision in prior years		
Hong Kong	1	(60)
Deferred taxation	<u>(952)</u>	<u>(837)</u>
	<u>(901)</u>	<u>(814)</u>

8. LOSS FOR THE YEAR

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Continuing operations		
Loss for the year has been arrived at after charging/(crediting):		
Auditor's remuneration	1,148	1,060
Staff costs:		
Directors' emoluments	6,418	5,625
Share-based payments	1,519	4,712
Other staff costs	4,165	2,797
	12,102	13,134
Rental income from investment properties	31,665	28,137
Less: direct operating expenses	(5,282)	(5,286)
	26,383	22,851
Depreciation of property, plant and equipment	4,413	630
Depreciation of right-of-use assets	3,230	–
Cost of inventories recognised as expense	11,654	–
Amortization of intangible assets	803	–
Other expense (<i>note a</i>)	–	8,826
	–	–

Note:

- (a) Other expense represents legal and professional fee incurred during both years in respect of proposed acquisition of the entire issued share capital of VMS Auto Italia Fin Services Holdings Limited (“**Acquisition**”). The Acquisition was subsequently terminated by a deed of termination dated 25 November 2022.

9. LOSS PER SHARE

From continuing operations

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

Loss figures are calculated as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company (from continuing and discontinued operations)	(179,285)	(63,405)
Less: Loss for the year from discontinued operation	<u>–</u>	<u>689</u>
Loss for the purpose of basic and diluted loss per share from continuing operations	<u>(179,285)</u>	<u>(62,716)</u>
	2023 Number of share	2022 Number of share
Number of ordinary shares in issue for the purpose of calculating basic and diluted loss per share	<u>5,292,515,390</u>	<u>5,292,515,390</u>

For the year ended 31 December 2023 and 2022, the computation of diluted loss per share from continuing operations do not assume the exercise of the Company's share options because the assumed exercise would result in decrease in loss per share.

From continuing and discontinued operations

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

Loss figures are as follow:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the purpose of basic and diluted loss per share	<u>(179,285)</u>	<u>(63,405)</u>

The denominator used are the same as those detailed above for both basic and diluted loss per share.

For the year ended 31 December 2023 and 2022, the computation of diluted loss per share from continuing and discontinued operations does not assume the exercise of the Company's share options because the assumed exercise would result in a decrease in loss per share.

10. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
At 1 January 2022	579,155
Fair value loss, net	(55,449)
Exchange adjustments	<u>(53,495)</u>
At 31 December 2022	<u>470,211</u>
Fair value loss, net	(52,601)
Exchange adjustments	<u>21,181</u>
At 31 December 2023	<u><u>438,791</u></u>

11. TRADE AND OTHER RECEIVABLES

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rent receivables	<u>10,096</u>	<u>11,938</u>
	10,096	11,938
Utility and rental deposits	804	130
Value-added tax receivables	1,173	–
Prepayment	3,896	1,681
Other receivables	<u>4,024</u>	<u>124</u>
	19,993	13,873
Less: Amount due more than one year shown under non-current assets	<u>(7,589)</u>	<u>(9,558)</u>
Amount shown under current assets	<u>12,404</u>	<u>4,315</u>

There is no past due rent receivables as at 31 December 2023 (2022: nil).

12. TRADE AND OTHER PAYABLES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
31 to 60 days	279	–
61 to 90 days	335	–
91 days to 1 year	280	38
Over 1 year	49	10
	<hr/>	<hr/>
Trade payables	943	48
Accrued charges	2,583	3,647
Receipt in advance for rental income	7,411	5,517
Other payables	7,388	7,931
	<hr/>	<hr/>
	18,325	17,143
	<hr/> <hr/>	<hr/> <hr/>

Included in other payables represent an amount of HK\$5,059,000 (2022: HK\$5,114,000) refundable deposits to customers relating to discontinued Hong Kong car business.

13. BANK AND OTHER BORROWINGS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank borrowing	29,067	30,586
Other borrowings	314,566	305,557
	<hr/>	<hr/>
	343,633	336,143
	<hr/>	<hr/>
Secured	286,554	331,094
Unsecured	57,079	5,049
	<hr/>	<hr/>
	343,633	336,143
	<hr/> <hr/>	<hr/> <hr/>

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other borrowings		
Carrying amount repayable:		
Within one year	257,487	300,508
Within a period of more than one year but not exceeding two years	57,079	5,049
	314,566	305,557
Bank borrowing		
Carrying amounts that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	1,942	1,911
Within a period of more than one year but not exceeding two years	27,125	1,550
Within a period of more than two years but not exceeding five years	–	27,125
	29,067	30,586
Less: Amounts due within one year shown under current liabilities	(286,554)	(331,094)
Amounts shown under non-current liabilities	57,079	5,049

14. LOAN FROM A NON-CONTROLLING MEMBER OF A SUBSIDIARY

The loan from a non-controlling member of a subsidiary is an unsecured loan which will mature in October 2024 or after full repayment of the other borrowing of HK\$257,487,000, related to the financing of the acquisition of Dakota RE II in Scotland, whichever earlier, and carries interest at 10% per annum.

15. LOAN FROM A RELATED PARTY

During the year ended 31 December 2023, the Group obtained a loan of RMB10,000,000 from a related party which is unsecured and interest free with maturity date on 12 February 2025.

16. PROMISSORY NOTE

On 25 March 2021, the Group issued unsecured promissory note amounting to HK\$53,500,000 in Hong Kong to acquire additional equity interest of 27.49% in Dakota RE II Limited. The unsecured promissory note has extended the maturity date from original maturity date of three years until March 2024 to a further two years from March 2024 to March 2026 and carries interest at 8% per annum. The Group may redeem all or part of the promissory note at any time to the maturity date at 100% of the face value of the promissory note. During the year ended 31 December 2023, the Group has not repaid any principal (2022: HK\$17,000,000).

17. DIVIDEND

No dividend was paid or proposed for ordinary shares of the Company during the year ended 31 December 2023 (2022: Nil), nor has any dividend been proposed since the end of the reporting period (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Property Investment Division

For the year ended 31 December 2023, the Property Investment Division recorded a rental income of HK\$31.7 million for leasing the properties of the Group to third parties in Hong Kong and Scotland (2022: HK\$28.1 million). The increase of HK\$3.6 million rental income was mainly contributed by the dilapidation income received from one existing tenant in Scotland.

Car Division

For the year ended 31 December 2023, the Car Division recorded a revenue of HK\$15.8 million (2022: HK\$1.3 million).

The reported revenue reflects the financial contribution of Wuhan Junyi Cars Sales and Service Company Ltd, which was acquired by the Group in February 2023. The revenue figure represents the cumulative revenue generated over a period of eleven months.

Financial Investments and Services Division

Amid the prevailing market turbulence, the Group has adopted a cautious approach in its lending business to mitigate the risk of loan defaults and non-performing debts. As at 31 December 2023 and 2022, the Group did not have any outstanding loan lent to customers. Hence, no revenue was recorded.

Cost of Sales and Gross Profit

Gross profit increased by HK\$6.3 million to HK\$29.0 million (2022: HK\$22.7 million). The increase was largely attributed to the performance of the Car Division.

Due to the inherent nature of the car dealership industry, which typically exhibits lower gross profit margins compared to the property investment industry, our overall gross profit margin declined by 15.9 percentage points, settling at 61.1% (2022: 77.0%) for the reporting period.

Other Income

For the year ended 31 December 2023, other income amounted to HK\$0.5 million (2022: HK\$0.6 million). The decrease of HK\$0.1 million was mainly caused by non-recurrence of service income from the discontinued operation.

Other Gains and Losses

Other gains and losses amounted to a net loss of HK\$174.9 million (2022: HK\$66.7 million) which mainly represented unrealized fair value loss of investment of an associate of HK\$120.6 million (2022: HK\$12.5 million) measured at fair value through profit or loss and fair value loss of investment properties of HK\$52.6 million (2022: HK\$55.4 million).

Selling and Distribution Costs and Administrative Expenses

Selling and distribution costs and administrative expenses in 2023 aggregated to HK\$37.8 million (2022: HK\$21.6 million), which accounted for 79.6% (2022: 73.2%) of revenue. The net increase of HK\$16.2 million was mainly due to increase in depreciation of right-of-use assets, marketing expense and legal and professional fee.

Finance Costs

Finance costs during the year were increased to HK\$23.6 million (2022: HK\$12.3 million) which was mainly caused by increase in interest on bank and other borrowings by HK\$11.7 million to HK\$19.8 million (2022: HK\$8.1 million). The increase of finance costs was partially offset by decrease in interest on promissory note by HK\$0.7 million to HK\$2.2 million (2022: HK\$2.9 million).

Life Science Investment

For the full year ended 31 December 2023, Chime Biologics Limited (“**CBL**”) generated unaudited consolidated revenue of US\$40.0 million (2022: US\$36.5 million) and recorded unaudited consolidated operating loss of US\$2.3 million (2022: loss of US\$13.8 million). At 31 December 2023, the fair value of this investment decreased to HK\$117.1 million (December 2022: HK\$237.4 million) and represents around 18.6% (December 2022: 30.3%) of the total assets of the Group. The decrease was mainly caused by the unfavorable market condition during the period.

Loss Attributable to Shareholders

Loss attributable to shareholders of the Company for the year was HK\$179.3 million (2022: HK\$63.4 million). It was primarily caused by an unrealized fair value loss of investment of an associate of HK\$120.6 million measured at fair value through profit or loss and the fair value loss of investment properties of HK\$52.6 million.

Liquidity and Financial Resources

Cash Flow

During the year ended 31 December 2023, the Group financed its operations and investments through cash generated from the Group's operations, as well as bank and other borrowings. The Group successfully secured a borrowing of HK\$50 million and received an interest-free loan of HK\$11.6 million from a related party. Additionally, the Group repaid bank and other borrowings of HK\$59.9 million.

Cash and Cash Equivalents

As at 31 December 2023, the Group had cash and cash equivalents (including pledged bank deposits) of HK\$26.9 million as compared with HK\$44.3 million as at 31 December 2022, which were denominated in Pound Sterling (as to 68.7%), Hong Kong dollars (as to 25.4%) and Renminbi (as to 5.8%).

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

As at 31 December 2023, the Group had bank and other borrowings, loan from a non-controlling member of a subsidiary, loan from a related party and promissory note totaling HK\$394.9 million (2022: HK\$372.7 million), of which HK\$97.8 million were repayable more than one year (2022: HK\$32.5 million were repayable more than one year). The Group's debt to equity ratio for the year ended 31 December 2023 increased to 186.9% from 95.4% for the year ended 31 December 2022 based on the total of bank and other borrowings, loan from a non-controlling member of a subsidiary, loan from a related party and promissory note totaling HK\$394.9 million (2022: HK\$372.7 million) and total equity of HK\$211.3 million (2022: HK\$390.9 million).

The increase in debt to equity ratio was mainly caused by an unrealized fair value loss of investment properties of HK\$52.6 million and an unrealized fair value loss of investment of an associate of HK\$120.6 million measured at fair value through profit or loss during the period.

The bank borrowing represents a bank loan which was secured by an investment property in Hong Kong and pledged bank deposit which is repayable in instalments over a period of 3 years, with a repayment on demand clause and carry interest at variable market rates of Hong Kong Interbank Offered Rate plus 2% per annum. The bank borrowing balance with accrued interest as at 31 December 2023 are HK\$29.1 million (2022: HK\$30.5 million). The promissory note have maturity of five years until March 2026 and carry interest at 8% per annum. For the year ended 31 December 2023, the Group incurred interest expense of HK\$2.2 million, the remaining promissory note balance as at 31 December 2023 is HK\$29.7 million.

The other borrowings of HK\$257.5 million, secured by an investment property in Scotland, and loan from a non-controlling member of a subsidiary have maturity in October 2024 and carry interest at 8.5% and 10% per annum respectively. The remaining balance of the other borrowings, totaling HK\$57.1 million is unsecured, carry interest at 9% per annum and scheduled to mature in April 2025. For the year ended 31 December 2023, the Group incurred interest expense of HK\$17.8 million on other borrowings and HK\$1.0 million on loan from a non-controlling member of a subsidiary. The Group also repaid interest of HK\$15.8 million on other borrowings. The remaining loan balances as at 31 December 2023 are HK\$314.6 million and HK\$10.6 million respectively.

Loan Receivables

During the current period of market distress, the Group has continued to adopt a prudent and cautious approach to balance the return and risk of the financing activities. As at 31 December 2023 and 2022, the Group did not have any outstanding secured loan lent to customers.

Foreign Exchange Exposure

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

Due to the appreciation of the Pound Sterling over the period, a positive exchange difference arising on translation of foreign operations of approximately HK\$6.4 million was recorded during the year (2022: negative exchange difference of approximately HK\$14.9 million).

Pledge of Assets

As at 31 December 2023, certain of the Group's bank deposit and properties totaling HK\$444.3 million (2022: bank deposit and properties totaling HK\$471.7 million) were pledged as securities for relevant borrowings.

CAPITAL EXPENDITURES, COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2023 and 31 December 2022, the Group had no capital commitment and no significant contingent liabilities.

EVENTS AFTER REPORTING PERIOD

There are no material subsequent events after the end of the Reporting Period.

HUMAN RESOURCES AND CHARITY

As at 31 December 2023, the Group employed a total of 22 employees in Hong Kong and Mainland China. The Group believes that employees are all pivotal to our development and representing the most valuable asset for supporting our sustainable business growth. Total remuneration expenses in 2023 amounted to HK\$12.1 million (2022: HK\$13.1 million), which comprised fixed compensation such as basic salaries and allowances; variable incentives such as performance bonus and long term incentives such as share-based payments as well as retirement benefits scheme. The decrease in total remuneration expenses for the year was primarily due to the share-based payment of HK\$1.5 million recognised (2022: HK\$4.7 million) as resignation of directors during the year.

As always, 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 participation in charitable events such as donations and charity walk.

BUSINESS REVIEW

Property Investment

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

For our investment properties in Hong Kong and Scotland, the Group continued to earn a rental income of HK\$2.3 million and HK\$29.4 million respectively (2022: HK\$2.2 million and HK\$25.9 million respectively) from leasing the investment properties.

As at 31 December 2023, approximately 94% of the total net internal area of Capella is subject to various tenancy agreements at a total rental of approximately GBP3.1 million per annum with the expiry date in February 2030 at the latest and a weighted average unexpired lease term to expiry of 4.87 years.

Cars

On 17 February 2023, the Group completed the Wuhan Junyi Acquisition. It represents a strategic investment of the Group, which expands the Group's network for Maserati car dealership in the PRC. Such dealership network has also compliment and leverage on the Group's strength and experience in Maserati dealership.

We achieved a significant milestone in 2023 with the grand opening of the state-of-the-art Maserati 4S shop spanning an impressive 47,000 square feet in Panlong Automobile City, Wuhan, Hubei Province, the PRC. This expansive facility seamlessly combines key service areas, including exhibition, new car sales, and after-sales service, all aimed at delivering exceptional and top-notch experiences in line with Maserati's renowned global standards. In addition, the Maserati Levante and Grecale models have experienced a surge in popularity, serving as key drivers behind the continuous growth of new car deliveries.

Throughout the year of 2023, we orchestrated a series of captivating marketing events that left a lasting impact. One standout event was the grand opening of the new 4S shop and launch of the New Maserati GranTurismo Trofeo. This highly anticipated event drew the attention of hundreds of potential customers, media representatives, and influential opinion leaders, resulting in a remarkable surge in showroom traffic exceeding 50% in the subsequent month. In addition, we organised a cross-marketing event in collaboration with a renowned luxury jewelry group, specifically curated for VIP customers, car shows during festive periods in Wuhan, exclusive test drive events for VIP customers from banks, luxury shopping malls and first-class commercial centers, providing an immersive Maserati driving experience. Furthermore, the after-sales service department also offered door-to-door private transportation services to the airport for selected VIP customers, along with various service campaigns targeted both existing and potential customers. These events not only provided platforms for Maserati owners to come together and foster brand loyalty but also presented an opportunity to explore potential sales synergies through partnerships with other esteemed luxury brands and business partners.

Financial Investments and Services

The Group holds a valid money lender license and successfully renew the license in February 2023. The Group also has adequate infrastructure to support the financial services division such as subscribing to the World-Check database system operated by Reuters to conduct comprehensive background checks of the borrowers and security providers.

To cope with the recent susceptible market sentiments and market volatility, the Group has continued to adopt a prudent and cautious approach to balance the return and risk of the financing activities. As at 31 December 2023 and 2022, the Group did not have any outstanding secured loan lent to customers.

Life Sciences Investment

In the full year of 2023, CBL continue to attract Chinese clients with late stage projects and overseas clients with early stage projects. As of 31 Dec 2023, CBL accumulated a pre-commercial contract backlog of US\$47.4 million, and is expected to sign US\$30 million plus contract in the near future.

CBL also achieved notable results in R&D fields. In 2023 fourth quarter, CBL R&D center developed a new cell line for one of CBL's European clients, with drug yield improved 270% over the original cell line developed in Europe. The client was very impressed by CBL's R&D capabilities and subsequently awarded a larger contract to CBL.

In the second half of 2023, CBL welcomed several high caliber executives to join the management team, including Vice President of Quality and Director of Supply Chain. CBL also continued to advance its' corporate ESG initiative, a public education sponsoring program in Sichuan province.

OUTLOOK

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The acquisition of Wuhan Junyi Cars Sales & Service Company Ltd

References are made to the announcement of the Company dated 28 December 2022 and 17 February 2023.

On 28 December 2022, Success Master (Shanghai) Consultancy Limited, an indirect wholly-owned subsidiary of the Company ("**Success Master**") entered into an agreement with CTF Automobile (China) Investment Co., Ltd* 運天(中國)投資有限公司 ("**CTF**"), pursuant to which Success Master conditionally agreed to acquire, and CTF conditionally agreed to sell 51% equity interest in Wuhan Junyi Cars Sales & Service Company Ltd* 武漢駿意汽車銷售服務有限公司 ("**Wuhan Junyi**") for the consideration of RMB10,200,000 (the "**Wuhan Junyi Acquisition**"). Wuhan Junyi is a company established in the PRC with limited liability, and is principally engaged in the 4S dealership business in the PRC for a premium brand vehicle named Maserati.

* For identification purpose only

Completion of the Wuhan Junyi Acquisition has taken place on 17 February 2023 (the “**Completion**”). Upon Completion, Wuhan Junyi has become a subsidiary of the Company and its financial statements have been consolidated by the Group.

Subscription of new shares in Dakota RE II Limited

On 9 October 2023, Elite Jumbo Limited (an indirect wholly-owned subsidiary of the Company) subscribed for 6,297 new shares in Dakota RE II Limited (an indirect non-wholly owned subsidiary of the Company) for a total amount of GBP3,061,807 (equivalent to approximately HK\$29,253,000). As a result of such subscription, the shareholding interest of Elite Jumbo Limited in Dakota RE II Limited increased from approximately 54.98% to approximately 69.15%. Details of the subscription are set out in the announcement of the Company dated 9 October 2023.

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2023.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil). No interim dividend was paid during the year ended 31 December 2023 (2022: Nil).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2023.

CORPORATE GOVERNANCE

Maintaining an effective corporate governance framework is one of the priorities of the Company. In the opinion of the Directors, the Company had complied with all the CG Code Provisions throughout the year ended 31 December 2023, except the following deviations:

CG Code Provision C.2.1

Mr. CHONG Tin Lung Benny is the Executive Chairman and the Chief Executive Officer. Mr. Chong has extensive experience in corporate management and securities investments and is responsible for the overall corporate strategies, planning and business development of the Group. The Board considers that the vesting of two roles in the same person provides our Group with strong and consistent leadership and facilitates the implementation and execution of our Group's business strategy. Although the positions of the Executive Chairman and Chief Executive Officer are not separate, the broke and authorities have not been concentrated as all major decisions have been made in consultation with the Board and appropriate Board Committee. The Board believes that a balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high caliber individuals including three Executive Directors (including Mr. CHONG Tin Lung Benny) and three Independent Non-executive Directors as at the Latest Practicable Date who offer advices and views from different perspectives. Moreover, the Audit Committee has be 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 as standard for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors by the Company, during the year ended 31 December 2023, the Directors confirmed that they have complied with the standards set out in the Model Code.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2023 including the accounting principles and practices adopted by the Group, and discussed the risk management, internal control and financial reporting matters during the review.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (“AGM”) will be held on Tuesday, 28 May 2024. For further details of the AGM, please refer to the notice of AGM, which will be dispatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

In order to determine the identity of the Shareholders who are entitled to attend and vote at the forthcoming AGM, all transfers accompanied by the relevant Share certificates must be lodged with the Company’s Hong Kong share registrar and transfer office, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Wednesday, 22 May 2024. The register of members of the Company will be closed from Thursday, 23 May 2024 to Tuesday, 28 May 2024 (both dates inclusive), during which period no transfer of Shares will be registered.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 22 March 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company’s website (www.autoitalia.com.hk) respectively. The annual report of the Company for the year ended 31 December 2023 will be dispatched to the Shareholders and published on the aforesaid websites in due course.

GLOSSARY OF TERMS

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

“Acquisition”	the acquisition of the entire issued share capital of the Target Company by the Purchase from the Vendor pursuant to the terms and the conditions of the Agreement
“Agreement”	the agreement dated 26 November 2021 entered into among the Purchaser and the Vendor in relation to the Acquisition;
“AGM”	the annual general meeting of the Company;
“Associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Company;
“Board”	the board of Directors;
“Capella”	the property known as Capella, 60 York Street, Glasgow, G2 8JX, United Kingdom;
“Car Division”	the business segment of the Group in respect of trading cars and related accessories;
“CBL”	Chime Biologics Limited, a company incorporated in British Virgin Islands with limited liability and which is an associate company of the Company;
“CG Code”	the Corporate Governance Code contained in Appendix C1 of the Listing Rules;
“Chief Executive Officer”	the chief executive officer of the Company;
“CODM”	the chief operating decision maker of the Company;
“Company”	AUTO ITALIA HOLDINGS LIMITED, an exempted company incorporated in Bermuda with limited liability, whose Shares are listed on the main board of the Stock Exchange;
“Connected person”	has the same meaning as ascribed to it under the Listing Rules

“Connected transaction”	has the same meaning as ascribed to it under the Listing Rules
“Consideration Shares”	the consideration of HK\$960 million, which will be settled by way of allotment and issue to the Vendor 6,956,521,739 new Shares;
“Controlling shareholder”	has the same meaning as ascribed to it under the Listing Rules
“Dealership Business”	the Maserati car dealership business;
“Director(s)”	the director(s) of the Company;
“Executive Chairman”	the chairman of the Board;
“Executive Director(s)”	the executive director(s) of the Company;
“Financial Investments and Services Division”	the business segment of the Group in respect of securities investment, financing and corporate finance services;
“GBP”	British pound sterling, the lawful currency of the United Kingdom
“Group”	the Company and its subsidiaries;
“HKFRSs”	Hong Kong Financial Reporting Standards;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Latest Practicable Date”	22 March 2024
“Life Science Investment Division”	the business segment of the Group in respect of life science investment;
“Independent Non-executive Director(s)” or “INED(s)”	the independent non-executive director(s) of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time;

“Maserati”	an Italian luxury vehicle manufacturer, was initially associated with Ferrari S.p.A., and currently owned by Stellantis N.V.;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 of the Listing Rules;
“PRC” or “Mainland China” or “China”	The People’s Republic of China, which for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan;
“Purchaser”	Racing Time Limited, a company incorporated in British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company;
“Property Investment Division”	the business segment of the Group in respect of property investment;
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary”	has the same meaning as ascribed to it under the Listing Rules
“substantial shareholder”	has the same meaning as ascribed to it under the Listing Rules
“Target Company”	VMS Auto Italia Fin Services Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Vendor;
“Vendor”	VMS Holdings Limited, a company incorporated in the British Virgin Islands and owned as to 92% by Ms. Mak Siu Hang Viola and 8% by VMS Management Partners Limited as per the announcement dated 26 November 2021;
“US\$”	United States Dollars, the lawful currency of the United States of America; and

“%”

per cent.

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

Hong Kong, 22 March 2024

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