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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)

**(I) MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF
THE ENTIRE ISSUED SHARE CAPITAL OF
WO KEE HONG (B.V.I.) LIMITED**
(II) CONTINUING CONNECTED TRANSACTION
**(III) CHANGE IN SHAREHOLDING STRUCTURE
AND**
**(IV) RESIGNATION OF EXECUTIVE DIRECTORS,
EXECUTIVE CHAIRMAN, CHIEF EXECUTIVE OFFICER,
CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY**

THE DISPOSAL AGREEMENT

The Company agreed to sell and the Purchaser agreed to purchase the Sale Shares subject to the terms and conditions of the Disposal Agreement entered into between the Company and the Purchaser after the trading hours of the Stock Exchange on 23 October 2013. The cash consideration for the Sale Shares amounts to approximately HK\$112.6 million.

As at the date of this announcement, the Target is a wholly-owned subsidiary of the Company and an investment holding company. The Target Group is principally engaged in the import, distribution and after-sales services of electrical appliances, distribution of fashion apparels and accessories and motor yacht. Upon Completion, the Target will cease to be a subsidiary of the Company and the Company will cease to hold any interest in the Target Group.

THE LEASE

Pursuant to the Disposal Agreement, the Company shall, upon Completion, procure that the Property be leased to a member of the Target Group for a 12-month period commencing from the Completion Date at a monthly rent of HK\$170,000 excluding management fee, rates, government rent, utility charges and other outgoings.

LISTING RULES IMPLICATIONS

As one or more of the applicable Percentage Ratios in respect of the Disposal are higher than 25% but below 75%, the Disposal constitutes a major transaction of the Company and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Purchaser is a company wholly and beneficially owned by Dr. LEE, who is a substantial Shareholder, an executive Director, the Executive Chairman and the Chief Executive Officer of the Company, and is therefore a connected person of the Company. The Disposal therefore also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders at the SGM by way of poll.

The Lease constitutes a continuing connected transaction of the Company. As each of the Percentage Ratios (other than the profits ratio) in respect of the Lease on an annual basis is less than 5%, the Lease is subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As at the date of this announcement, Dr. LEE is interested in 830,620,045 Shares (comprising 247,818,625 Shares held by Dr. LEE in person and 582,801,420 Shares held by Modern Orbit and representing in aggregate approximately 28.07% of the issued share capital of the Company as at the date of this announcement). Mr. Jeff LEE (the brother of Dr. LEE) is interested in 28,325,710 Shares (comprising 19,651,400 Shares held by Mr. Jeff LEE in person and 8,674,310 Shares held by Fisherman Enterprises Inc., a company wholly and beneficially owned by Mr. Jeff LEE, and representing in aggregate approximately 0.96% of the issued share capital of the Company as at the date of this announcement). Dr. LEE and his associates (including Mr. Jeff LEE, Modern Orbit and Fisherman Enterprises Inc.) shall abstain from voting on the resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder. As completion of the Share Transfer is conditional upon the signing of the Disposal Agreement, VMSIG has a material interest which is different from the other Shareholders in the Disposal. Accordingly, VMSIG and its associates shall also abstain from voting on the resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

A circular containing (i) details of the Disposal Agreement; (ii) financial information of the Group; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iv) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (v) a notice of the SGM, will be despatched by the Company to the Shareholders on or before 13 November 2013 in accordance with the relevant requirements of the Listing Rules.

CHANGE IN SHAREHOLDING STRUCTURE

Dr. LEE informed the Company that incidental to the Disposal Agreement, Modern Orbit entered into the Share Transfer Agreement with VMSIG after the trading hours of the Stock Exchange on 23 October 2013, pursuant to which Modern Orbit agreed to sell and VMSIG agreed to purchase a total of 480,620,045 Shares (representing approximately 16.24% of the issued share capital of the Company as at the date of this announcement) at the aggregate consideration of HK\$105,736,410, representing approximately HK\$0.22 per Share.

Dr. LEE also informed the Company that after the trading hours of the Stock Exchange on 23 October 2013, Dr. LEE and Modern Orbit entered into the Placing Agreement for the placing on a best effort basis of not less than 200,000,000 existing Shares and not more than 278,000,000 existing Shares (representing approximately not less than 6.76% and not more than 9.39% of the issued share capital of the Company as at the date of this announcement) held by Dr. LEE and Modern Orbit at the price of no less than HK\$0.16 per Share to placees who are (i) independent of and not connected with the Company and its connected persons; and (ii) not parties acting in concert with VMSIG or its subsidiaries or any of its or their respective associates.

Upon completion of the Share Transfer and assuming completion of placing of 278,000,000 existing Shares pursuant to the Placing, (i) VMSIG and parties acting in concert with it will hold an aggregate of 704,770,045 Shares, representing approximately 23.81% of the issued share capital of the Company as at the date of this announcement; and (ii) Dr. LEE and parties acting in concert with him will hold 100,325,710 Shares, representing approximately 3.39% of the issued share capital of the Company as at the date of this announcement. Upon completion of the Share Transfer and the Placing, VMSIG will become the single largest Shareholder and Dr. LEE will cease to be a substantial Shareholder.

RESIGNATION OF EXECUTIVE DIRECTORS, EXECUTIVE CHAIRMAN, CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Pursuant to the Share Transfer Agreement, Dr. LEE will resign as an executive Director, the Executive Chairman and the Chief Executive Officer of the Company and as the chief executive officer and the president of China Premium Lifestyle Enterprise, Inc., an associated company of the Company, immediately after completion of the Share Transfer.

In addition, pursuant to the Disposal Agreement, Mr. WONG will resign as an executive Director, the Chief Financial Officer and the company secretary of the Company immediately after Completion.

After the trading hours of the Stock Exchange on 23 October 2013, the Company and the Purchaser entered into the Disposal Agreement. The principal terms and conditions of the Disposal Agreement are set out below.

THE DISPOSAL AGREEMENT

Date

23 October 2013

Parties

- (i) the Company as the vendor; and
- (ii) the Purchaser as the purchaser.

The Purchaser is a company engaged in investment holding and is wholly and beneficially owned by Dr. LEE, a substantial Shareholder, an executive Director, the Executive Chairman and the Chief Executive Officer of the Company, and is therefore a connected person of the Company. Dr. LEE and his associates together are interested in 858,945,755 Shares, representing approximately 29.02% of the issued share capital of the Company as at the date of this announcement.

Assets to be disposed of

The Company agreed to sell and the Purchaser agreed to purchase the Sale Shares together with all rights attaching thereto, including all rights to any dividend or other distribution declared, made or paid on the Sale Shares for which a record date occurs on or after the date of the Disposal Agreement, and free from all encumbrances (which to the best of the Company's information, knowledge and belief, having made all reasonable enquiries with all members of the Board (save for Dr. LEE and Mr. WONG), there are none).

Consideration

The consideration for the Sale Shares amounts to approximately HK\$112.6 million, which shall be satisfied by the Purchaser in cash as to HK\$30 million as the Deposit within 30 calendar days from the date of the Disposal Agreement and as to the balance of approximately HK\$82.6 million at Completion.

The consideration was determined after arm's length negotiations between the parties with reference to the unaudited net asset value of the Target Group (assuming completion of the assignment by the Target Group to the Remaining Group of outstanding loans owed by CPMM) as at 30 June 2013 of approximately HK\$112.6 million and taking into account the financial performance of the Target Group in recent years.

Conditions

Completion is conditional upon the fulfillment or waiver (as the case may be) of the following Conditions:

- (i) the passing of the resolution(s) by the Independent Shareholders at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder;
- (ii) in relation to the transactions contemplated under the Disposal Agreement, all relevant regulatory requirements (including but not limited to those under the Listing Rules and all relevant regulatory requirements in Hong Kong) having been complied with and satisfied;
- (iii) the corporate guarantees given by the Company in favour of any banks or third parties for lending or granting credit facilities to the Target Group having been released;
- (iv) the Purchaser having procured the settlement of all outstanding current account balances owed by the Target Group to the Remaining Group as at the Completion Date, and the Company having procured the settlement of all outstanding current account balances owed by the Remaining Group to the Target Group as at the Completion Date to the effect that there is no outstanding current account balances between the Target Group and the Remaining Group;
- (v) all outstanding loans owed by CPMM to Wo Kee Hong Limited (a wholly-owned subsidiary of the Target Group) having been assigned by Wo Kee Hong Limited as the assignor to Corich Enterprises Inc. (a wholly-owned subsidiary of the Remaining Group) as the assignee at a consideration of HK\$1; and
- (vi) the signing of the Share Transfer Agreement and the Placing Agreement.

Based on the unaudited financial statements of the Target Group as at 30 June 2013, the net outstanding current account balances owed by the Target Group to the Remaining Group amounted to approximately HK\$6.2 million.

Conditions (i) and (ii) are not capable of being waived by any party. Only the Company may waive Condition (iii) by notice in writing to the Purchaser.

If before Completion,

- (i) in the reasonable opinion of the Purchaser, a material adverse change on the Target Group has occurred or is likely to occur; or
- (ii) in the reasonable opinion of the Purchaser, any of the warranties given by the Company in the Disposal Agreement is not true and accurate or is misleading or any matter or circumstance has arisen, or come to the notice of the Purchaser, that in the reasonable opinion of the Purchaser would be likely to result in one or more of the said warranties not being true and accurate or is misleading were such warranties to be repeated at Completion by reference to the facts or circumstances then existing,

then, without prejudice to any other rights or remedies available to the Purchaser, the Purchaser may elect not to complete the Disposal by giving notice to the Company to that effect and the Deposit shall be refunded without interest to the Purchaser by the Company within seven Business Days from the giving of such notice.

In the event that the Conditions are not fulfilled or waived (as appropriate) on or before the Long Stop Date, and the parties to the Disposal Agreement do not proceed to Completion, the Deposit shall be refunded without interest by the Company to the Purchaser within seven Business Days from the Long Stop Date whereupon the Disposal Agreement shall terminate with immediate effect, and neither party shall have any rights or obligations against the other under the Disposal Agreement except for any antecedent breach.

In the event that the Conditions are fulfilled or waived (as appropriate) on or before the Long Stop Date, and the Purchaser does not proceed to Completion, the Deposit shall be forfeited by the Company. Other than the aforesaid situation, under no other circumstances shall the Deposit be forfeited by the Company.

Other terms

As at the date of this announcement, the Remaining Group owns the Property which is currently used as the office of the Target Group. The Company shall, upon Completion, procure that the Property be leased to a member of the Target Group, as directed by the Purchaser, for a 12-month period commencing from the Completion Date at a monthly rent of HK\$170,000 excluding management fee, rates, government rent, utility charges and other outgoings. The monthly rent was determined after arm's length negotiations between the parties with reference to the prevailing market rent of the Property as determined by an independent professional valuer. The annual cap of the Lease based on the rental payable (excluding management fee, rates, government rent, utility charges and other outgoings) is HK\$2,040,000.

At any time after the Completion Date and expiring on the first anniversary of the Completion Date, if the Company wishes to sell the Property, the Company shall give written notice to the Purchaser. Upon receipt of the notice, the Purchaser shall have the right to purchase the Property and it shall inform the Company in writing within 14 days of receipt of the said notice whether the Purchaser wishes to purchase the Property. The Purchaser shall be deemed to have waived its right of first refusal to purchase the Property in the event that it fails to respond to the notice within the 14-day period as mentioned above. In the event that the Company and the Purchaser fail to agree on a purchase price for the Property, the Purchaser and the Vendor shall jointly appoint an independent professional valuer to determine the prevailing market price of the Property, which shall be used as the purchase price of the Property. The Company will comply with the applicable requirements under the Listing Rules in the event that the right of first refusal to purchase the Property is exercised as and when appropriate.

The Purchaser will, at Completion, deliver to the Company an undertaking made by a member of the Target Group which will undertake to pay on demand to a member of the Remaining Group a sum of EUR450,000 (equivalent to approximately HK\$4.8 million) in the event that such member of the Remaining Group fails to recover its receivables of the same amount within 12 months from the Completion Date. Such receivables arose from the payment of a deposit which is not related to the business of the Remaining Group.

Pursuant to the Disposal Agreement, the Company has agreed that it shall not and shall procure that any company controlled by it shall not, without the prior written consent of the Purchaser, directly or indirectly, carry on, invest or be engaged in any business which is being carried on by the Target Group as at the date of the Disposal Agreement for a period of two years after Completion.

Completion

Completion shall take place on the Completion Date. Upon Completion, the Company will cease to hold any interest in the Target Group and the Target will cease to be a subsidiary of the Company.

INFORMATION ON THE TARGET GROUP

The Target Group is principally engaged in the import, distribution and after-sales service of electrical appliances, distribution of fashion apparels and accessories and motor yacht.

The table below sets forth the unaudited financial information of the Target Group:

	For the year ended	
	31 December	
	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net loss before taxation	24,448	63,914
Net loss after taxation	25,535	64,335

The unaudited net asset value of the Target Group as at 30 June 2013 amounted to approximately HK\$142.8 million. Assuming completion of the assignment by the Target Group to the Remaining Group of the outstanding loans due from CPMM of approximately HK\$30.2 million at a consideration of HK\$1, the unaudited net asset value of the Target Group as at 30 June 2013 would have been approximately HK\$112.6 million.

REASONS FOR THE DISPOSAL AND INTENDED USE OF PROCEEDS

As at the date of this announcement, the Group is principally engaged in the import, distribution and after-sales service of motor cars and electrical appliances, distribution of fashion apparels and accessories and motor yacht.

Over the past few years, the Business has been the Group's major profit contributor. For the year ended 31 December 2012 and the six months ended 30 June 2013, the Group's turnover from the Business amounted to approximately HK\$1,190.2 million and HK\$562.4 million, respectively, representing approximately 79.0% and 76.0% of the Group's total revenue for the corresponding periods. For each of the two years ended 31 December 2011 and 2012 and the six months ended 30 June 2013, the Business recorded segmental profit of approximately HK\$28.4 million, HK\$7.7 million and HK\$21.6 million, respectively. As disclosed in the Company's annual report for the year ended 31 December 2012, it has been the Group's strategy to focus on and strengthen its foothold in the growing premium car distribution business in the PRC. The Disposal is in line with the aforesaid business strategy and offers a good opportunity for the Group to redeploy its resources into the profitable premium car distribution business which is expected to help strengthen this business segment and create value for the Shareholders. Following the Disposal, the Remaining Group will focus on the business of import, distribution and after-sales service of motor cars.

Based on the above, the Directors (excluding Dr. LEE who has abstained from voting on the relevant Board resolutions due to his interest in the Disposal and excluding the independent non-executive Directors who will form their view after receiving the advice from the Independent Financial Adviser) consider that the terms of the Disposal are fair and reasonable, and the Disposal is in the interests of the Company and the Shareholders as a whole. The Lease will provide additional income to the Remaining Group. The Directors (including the independent non-executive Directors but excluding Dr. LEE who has abstained from voting on the relevant resolutions due to his interest in the Lease) consider that the Lease is on normal commercial terms and the terms of the Lease are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The proceeds from the Disposal, net of expenses directly attributable thereto, are estimated to be approximately HK\$110 million. The Group intends to apply the net proceeds as to approximately HK\$90 million as bank deposits required by Ferrari S.p.A. to cover deposits from customers in relation to the Business and as to the remaining balance of approximately HK\$20 million as general working capital for the Remaining Group.

Based on the consideration for the Disposal of approximately HK\$112.6 million and the carrying value of the Target Group (assuming completion of the assignment by the Target Group to the Remaining Group of the amounts due from CPMM) as at 30 June 2013 of approximately HK\$112.6 million, the Disposal is not expected to result in any material gain or loss for the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable Percentage Ratios in respect of the Disposal are higher than 25% but below 75%, the Disposal constitutes a major transaction of the Company and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Purchaser is a company wholly and beneficially owned by Dr. LEE, who is a substantial Shareholder, an executive Director, the Executive Chairman and the Chief Executive Officer of the Company, and is therefore a connected person of the Company. The Disposal therefore also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders at the SGM by way of poll.

The Lease constitutes a continuing connected transaction of the Company. As each of the Percentage Ratios (other than the profits ratio) in respect of the Lease on an annual basis is less than 5%, the Lease is subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As at the date of this announcement, Dr. LEE is interested in 830,620,045 Shares (comprising 247,818,625 Shares held by him in person and 582,801,420 Shares held by Modern Orbit, and representing in aggregate approximately 28.07% of the issued share capital of the Company as at the date of this announcement). Mr. Jeff LEE (the brother of Dr. LEE) is interested in 28,325,710 Shares (comprising 19,651,400 Shares held by him in person and 8,674,310 Shares held by Fisherman Enterprises Inc., a company wholly and beneficially owned by Mr. Jeff LEE, and representing in aggregate approximately 0.96% of the issued share capital of the Company as at the date of this announcement). Dr. LEE and his associates (including Mr. Jeff LEE, Modern Orbit and Fisherman Enterprises Inc.) shall abstain from voting on the resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder. As completion of the Share Transfer is conditional upon the signing of the Disposal Agreement, VMSIG has a material interest which is different from the other Shareholders in the Disposal. Accordingly, VMSIG and its associates shall also abstain from voting on the resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors will be established to give the Independent Shareholders recommendation on the Disposal. The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing (i) details of the Disposal Agreement; (ii) financial information of the Group; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iv) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (v) a notice of the SGM, will be despatched by the Company to the Shareholders on or before 13 November 2013 in accordance with the relevant requirements of the Listing Rules.

CHANGE IN SHAREHOLDING STRUCTURE

The Share Transfer

Incidental to the Disposal Agreement and given that Dr. LEE intends to focus on the business of the Target Group and VMSIG intends to focus on the business of the Remaining Group, Dr. LEE informed the Company that Modern Orbit entered into the Share Transfer Agreement with VMSIG after the trading hours of the Stock Exchange on 23 October 2013. Pursuant to the Share Transfer Agreement, Modern Orbit agreed to sell and VMSIG agreed to purchase a total of 480,620,045 Shares (representing approximately 16.24% of the issued share capital of the Company as at the date of this announcement) at the aggregate consideration of HK\$105,736,410, representing approximately HK\$0.22 per Share (excluding stamp duty, Stock Exchange trading fee (if any) and Securities and Futures Commission transaction levy (if any)). VMSIG is wholly owned by Ms. Viola Siu Hang MAK and, through itself and its subsidiary, is interested in an aggregate of 224,150,000 Shares, representing approximately 7.57% of the issued share capital of the Company, as at the date of this announcement.

Completion of the Share Transfer is conditional upon the signing of the Disposal Agreement and shall take place on or before the fifth Business Day from the date of the Share Transfer Agreement (or such other date as the parties may agree in writing). Completion of the sale of all 480,620,045 Shares shall take place at the same time, otherwise Modern Orbit shall be under no obligation to proceed to completion of the Share Transfer.

The Placing

In addition to the Share Transfer Agreement, Dr. LEE also informed the Company that after the trading hours of the Stock Exchange on 23 October 2013, Dr. LEE and Modern Orbit entered into the Placing Agreement for the placing on a best effort basis of not less than 200,000,000 existing Shares and not more than 278,000,000 existing Shares (representing approximately not less than 6.76% and not more than 9.39% of the issued share capital of the Company as at the date of this announcement) held by Dr. LEE and Modern Orbit at the price of no less than HK\$0.16 per Share (excluding commission, stamp duty, Stock Exchange trading fee and Securities and Futures Commission transaction levy) to placees who are (i) independent of and not connected with the Company and its connected persons; and (ii) not parties acting in concert with VMSIG or its subsidiaries or any of its or their respective associates. The placing period will be 30 calendar days after the release of this announcement. Completion of the Placing is conditional upon completion of the Share Transfer and will take place on the second Business Day after the end of the aforesaid placing period.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Upon completion of the Share Transfer and assuming completion of the placing of 278,000,000 existing Shares pursuant to the Placing, (i) VMSIG and parties acting in concert with it will hold an aggregate of 704,770,045 Shares, representing approximately 23.81% of the issued share capital of the Company as at the date of this announcement; and (ii) Dr. LEE and parties acting in concert with him will hold 100,325,710 Shares, representing approximately 3.39% of the issued share capital of the Company as at the date of this announcement. Upon completion of the Share Transfer and the Placing, VMSIG will become the single largest Shareholder and Dr. LEE will cease to be a substantial Shareholder.

The following table sets out the shareholding structures of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the Share Transfer and the Placing (assuming a total of 278,000,000 existing Shares have been placed and there is no other change in the issued share capital of the Company):

	(i) As at the date of this announcement		(ii) Immediately after completion of the Share Transfer and the Placing	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Dr. LEE and parties acting in concert with him	858,945,755 <i>(Note 1)</i>	29.02	100,325,710	3.39
VMSIG and parties acting in concert with it	224,150,000 <i>(Note 2)</i>	7.57	704,770,045	23.81
Mr. WONG	20,900,000	0.71	20,900,000	0.71
Mr. Boon Seng TAN <i>(Note 3)</i>	1,020,000	0.03	1,020,000	0.03
Places	–	–	278,000,000	9.39
Other public Shareholders	<u>1,854,436,505</u>	<u>62.66</u>	<u>1,854,436,505</u>	<u>62.66</u>
Total	<u><u>2,959,452,260</u></u>	<u><u>100.00</u></u>	<u><u>2,959,452,260</u></u>	<u><u>100.00</u></u>

Notes:

1. Dr. LEE and parties acting in concert with him are interested in an aggregate of 858,945,755 Shares, of which 247,818,625 Shares are held by Dr. LEE in person, 582,801,420 Shares are held by Modern Orbit, 19,651,400 Shares are held by Mr. Jeff LEE (the brother of Dr. LEE) and 8,674,310 Shares are held by Fisherman Enterprises Inc. (a company wholly owned by Mr. Jeff LEE).
2. VMSIG and parties acting in concert with it are interested in an aggregate of 224,150,000 Shares, of which 21,000,000 Shares are held by VMSIG and 203,150,000 Shares are held by Gustavo (a company owned as to approximately 80% by Maini Investments Limited which is in turn a wholly-owned subsidiary of VMSIG).
3. Mr. Boon Seng TAN is an independent non-executive Director.

NON-COMPETITION UNDERTAKING

To safeguard the interest of the Company, which will be principally engaged in the Business after Completion, Dr. LEE entered into the Deed in favour of the Company on 23 October 2013 pursuant to which Dr. LEE has irrevocably and unconditionally undertaken to the Company (for itself and for the benefits of its subsidiaries) that during the period from the date of completion of the Share Transfer until the second anniversary of the date of the Deed, Dr. LEE shall not and shall procure that any company controlled by him shall not, without the prior written consent of the Company, directly or indirectly carry on, invest in or be engaged in the Business. For the avoidance of doubt, such undertaking shall not apply to the holding of or interests in shares or other securities in any company other than the Company which conducts or engages in any business comprised in the Business, provided that, either:

- (i) the relevant Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that relevant company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or
- (ii) the total number of the shares held by Dr. LEE is less than 10% of the issued shares of that class of the company in question, and Dr. LEE is not entitled to appoint a majority of the directors of that company.

RESIGNATION OF EXECUTIVE DIRECTORS, EXECUTIVE CHAIRMAN, CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Pursuant to the Share Transfer Agreement, Dr. LEE will resign as an executive Director, the Executive Chairman and the Chief Executive Officer of the Company and as the chief executive officer and the president of China Premium Lifestyle Enterprise, Inc., an associated company of the Company, immediately after completion of the Share Transfer. The Company will waive the relevant non-competition obligations of Dr. LEE under the relevant service contract.

In addition, pursuant to the Disposal Agreement, Mr. WONG will resign as an executive Director, the Chief Financial Officer and the company secretary of the Company immediately after Completion. The Company will waive the relevant non-competition obligations of Mr. WONG under the relevant service contract.

Further announcement(s) will be made by the Company in this regard.

DEFINITIONS

“acting in concert”	has the meaning ascribed thereto under the Hong Kong Code on Takeovers and Mergers
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business”	any activity consisting of or relating to the import, distribution and after-sales service of Italian “Ferrari” and “Maserati” cars and spare parts in Hong Kong, Macau and Nanjing, the PRC
“Business Day(s)”	a day(s) on which banks are open for business in Hong Kong (excluding Saturdays, Sundays and public holidays)
“Company”	Auto Italia Holdings Limited (意達利控股有限公司*), a company incorporated in Bermuda, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 720)
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement
“Completion Date”	the second Business Day after the fulfillment (or waiver as appropriate) of the last Condition or such other date as the Company and the Purchaser may agree in writing on which Completion takes place
“Condition(s)”	the condition(s) of the Disposal Agreement precedent to Completion
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“control”	the power of a person to secure: (i) by means of exercising or controlling the exercise of 30% or more of the voting power at general meetings of the relevant body corporate; or

(ii) by virtue of any powers conferred by the laws, memorandum and articles of association or other constitutional document regulating the relevant body corporate, a person is entitled to appoint a majority of the board of directors of such body corporate,

and the term “controlled” shall be construed accordingly

“CPMM”	CPMM (Asia) Limited 名品 (亞洲) 有限公司, a company incorporated in Hong Kong with limited liability and a 49.8%-owned associated company of the Remaining Group
“Deed”	the deed dated 23 October 2013 executed by Dr. LEE in relation to certain non-competition undertakings in favour of the Remaining Group
“Deposit”	the deposit and part payment of the consideration for the Sale Shares in the sum of HK\$30 million
“Director(s)”	director(s) of the Company
“Disposal”	the sale of the Sale Shares by the Company to the Purchaser pursuant to the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the agreement dated 23 October 2013 entered into between the Company and the Purchaser in relation to the Disposal
“Dr. LEE”	Dr. Richard Man Fai LEE, an executive Director, the Executive Chairman and the Chief Executive Officer of the Company
“Group”	the Company and its subsidiaries
“Gustavo”	Gustavo International Limited, a company incorporated in the British Virgin Islands with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors to be established for the purpose of giving recommendation to the Independent Shareholders in respect of the terms of the Disposal Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Disposal Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Dr. LEE, Mr. Jeff LEE, Modern Orbit, Fisherman Enterprises Inc., VMSIG and their respective associates
“Lease”	the lease in respect of leasing the Property by the Remaining Group to the Target Group for a 12-month period commencing on the Completion Date
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2013, or such other date as may be agreed by the Company and the Purchaser in writing
“Modern Orbit”	Modern Orbit Limited, a company wholly and beneficially owned by Dr. LEE
“Mr. Jeff LEE”	Mr. Jeff Man Bun LEE, the brother of Dr. LEE
“Mr. WONG”	Mr. Tik Tung WONG, an executive Director
“Percentage Ratios”	the five ratios set out in Rule 14.07 of the Listing Rules
“Placing”	the placing on a best effort basis of not less than 200,000,000 existing Shares and not more than 278,000,000 existing Shares held by Dr. LEE and Modern Orbit by Haitong International Securities Company Limited as independent placing agent
“Placing Agreement”	the placing agreement dated 23 October 2013 entered into among Dr. LEE, Modern Orbit and Haitong International Securities Company Limited, an independent placing agent, in relation to the Placing

“PRC”	the People’s Republic of China which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Property”	the property located at workshops 01, 02, 03, 04, 05, 06 and 07 on the 28th Floor and the light goods vehicle parking space no. LGV-05 on the podium level two of King Palace Plaza, No. 52A Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong
“Purchaser”	Victor Glory Holdings Limited, a company incorporated in the Cayman Islands with limited liability which is wholly and beneficially owned by Dr. LEE
“Remaining Group”	the Group immediately after Completion
“Sale Shares”	30,000 issued shares of US\$0.01 each of the Target, representing the entire issued share capital of the Target
“SGM”	the special general meeting of the Company to be held to consider and, if thought fit, to approve the Disposal Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.02 each in the capital of the Company
“Share Transfer”	the transfer of an aggregate of 480,620,045 Shares from Modern Orbit to VMSIG pursuant to the Share Transfer Agreement
“Share Transfer Agreement”	the agreement dated 23 October 2013 entered into between Modern Orbit and VMSIG in relation to the Share Transfer
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules

“Target”	Wo Kee Hong (B.V.I.) Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company as at the date of the Disposal Agreement and this announcement
“Target Group”	the Target and its subsidiaries
“VMSIG”	VMS Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability
“EUR”	Euro, the lawful currency of certain member states of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

Throughout this announcement, amounts in EUR have been translated, for illustration only, into HK\$ at the exchange rate of EUR1 = HK\$10.60. No representation is made that any amounts in EUR or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.

By Order of the Board
AUTO ITALIA HOLDINGS LIMITED
Dr. Richard Man Fai LEE
Executive Chairman and Chief Executive Officer

Hong Kong, 23 October 2013

As at the date of this announcement, the Board comprises Dr. Richard Man Fai LEE (Executive Chairman and Chief Executive Officer), Mr. Benny Tin Lung CHONG (Vice-Chairman), Mr. Tik Tung WONG, Mr. William Keith JACOBSEN and Mr. Chi Yan LAM, all of whom are executive Directors; and Mr. Boon Seng TAN, Dr. Antonio Maria SANTOS and Mr. Frankie To Yeung KONG, all of whom are independent non-executive Directors.

* *for identification purposes only*