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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)

DISCLOSEABLE TRANSACTION IN RELATION TO SUBSCRIPTION OF NEW SHARES IN A SUBSIDIARY

THE SUBSCRIPTION

On 9 October 2023, Elite Jumbo (an indirect wholly-owned subsidiary of the Company) executed the Subscription Letter in respect of the subscription of 6,297 new shares in the Target Company (an indirect non-wholly owned subsidiary of the Company) for a total Subscription Amount of GBP3,061,807 (equivalent to approximately HK\$29,253,000), representing a subscription price of approximately GBP486 (equivalent to approximately HK\$4,643) per Subscription Share.

The Contributing Target Shareholder holding approximately 10.78% interest in the Target Company also subscribed for 761 new Target Shares for a total subscription amount of GBP369,943 (equivalent to approximately HK\$3,535,000), representing a subscription price of approximately GBP486 (equivalent to approximately HK\$4,643) per Target Share. The shareholding interest of the Contributing Target Shareholder in the Target Company remains unchanged before and after the Subscriptions.

Immediately after the Subscriptions, the shareholding interest of Elite Jumbo in the Target Company increased from approximately 54.98% to approximately 69.15%. In addition, the Target Company remains as a subsidiary of the Company and its financial results will continue to be consolidated in the Group's accounts.

* *For identification purpose only*

LISTING RULES IMPLICATIONS

The Subscription resulted in an acquisition of approximately 14.17% of the Company's equity interest in the Target Company. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) is more than 5% but all of the applicable percentage ratios are lower than 25%, the Subscription constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE SUBSCRIPTION

On 9 October 2023, Elite Jumbo (an indirect wholly-owned subsidiary of the Company) executed the Subscription Letter in respect of the Subscription, the principal terms of which are set out below.

Subscription Shares

Pursuant to the Subscription Letter, Elite Jumbo subscribed for 6,297 new Target Shares. The Subscription Shares represent approximately 62.98% of the total issued Target Shares immediately before the Subscriptions and approximately 36.92% of the total issued Target Shares as enlarged by the allotment and issue of new Target Shares under the Subscriptions.

The Subscription Shares rank pari passu in all respects with the existing Target Shares in issue at the date of allotment and issue of the Subscription Shares.

Subscription Amount

The Subscription Amount was GBP3,061,807 (equivalent to approximately HK\$29,253,000), representing a subscription price of approximately GBP486 (equivalent to approximately HK\$4,643) per Subscription Share. The Subscription Amount was determined after arm's length negotiations between Elite Jumbo and the Target Company with reference to, among other things, the funding needs of the Target Group. Accordingly, the Directors consider that the Subscription Amount is fair and reasonable.

The Subscription Amount was settled by Elite Jumbo in cash in full upon allotment of the Subscription Shares, funded by the internal resources of the Group and borrowing facilities. The net Subscription Amount received by the Target Group will be used for repayment of existing indebtedness and as general working capital of the Target Group.

The other Target Shareholders

The Contributing Target Shareholder holding approximately 10.78% interest in the Target Company also subscribed for 761 new Target Shares for a total subscription amount of GBP369,943 (equivalent to approximately HK\$3,535,000), representing a subscription price of approximately GBP486 (equivalent to approximately HK\$4,643) per Target Share. The new Target Shares subscribed by the Contributing Target Shareholder represent approximately 7.61% of the total issued Target Shares immediately before the Subscriptions and approximately 4.46% of the total issued Target Shares as enlarged by the allotment and issue of new Target Shares under the Subscriptions. The shareholding interest of the Contributing Target Shareholder in the Target Company remains unchanged before and after the Subscriptions.

The Non-Contributing Target Shareholders, holding an aggregate of approximately 34.24% interest in the Target Company immediately before the Subscriptions, have confirmed that they would not subscribe for any new Target Share under the Subscriptions. As a result of the Subscriptions, their aggregate shareholding interest in the Target Company was diluted to approximately 20.07%.

Completion

The Subscriptions were unconditional, and completion took place on 9 October 2023.

Immediately after the Subscriptions, the shareholding interest of Elite Jumbo in the Target Company increased from approximately 54.98% to approximately 69.15%. In addition, the Target Company remains as a subsidiary of the Company and its financial results will continue to be consolidated in the Group's accounts.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

As disclosed in the interim report of the Company for the six months ended 30 June 2023, the Group intended to refinance an existing loan of HK\$286,940,000 from MetLife Investment Management Limited (“**MetLife**”) with a new loan from MetLife of HK\$256,470,000, and the Group and other non-controlling shareholders of the Target Company had agreed to make up the shortfall of HK\$30,470,000 by way of injection of additional capital into the Target Company. As such, the Subscription took place to provide the required capital for the Target Company to repay the loan from MetLife.

The Board believes that the Subscription will (i) reduce the indebtedness of the Target Group, enhance the financial position and working capital of the Target Group, and strengthen its capital base; and (ii) enable the Group to increase its effective control over the business and operations of the Target Group, enjoy a larger share of potential return in the Target Company and improve the overall performance of the Group.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Subscription (including the Subscription Amount) are normal commercial terms, are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

None of the Directors has material interests in the Subscription and therefore no Director has abstained from voting on the relevant Board resolutions.

INFORMATION ON THE GROUP

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the 4S dealership business in the PRC for a premium brand vehicle named Maserati, property investment, financial investments and services and life sciences investment.

Elite Jumbo is a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company. Elite Jumbo is principally engaged in investment holding.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands with limited liability. The Target Company indirectly holds 92.75% interest in Dakota LLP, which is the registered owner of the Property. The Target Group's principal business is the holding and operation of the Property.

Set forth below is certain unaudited consolidated financial information of the Target Group for the two years ended 31 December 2021 and 2022 prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants:

	For the year ended 31 December	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(loss) before tax (<i>Note</i>)	(45,210)	2,896
Profit/(loss) after tax (<i>Note</i>)	(44,380)	2,049

Note: The unaudited consolidated financial information of the Target Group for the two years ended 31 December 2021 and 2022 include a non-cash fair value loss on investment property of HK\$5.6 million and HK\$55.6 million respectively.

As at 30 June 2023, the unaudited consolidated net asset value of the Target Group amounted to approximately HK\$139.3 million.

The table below sets out the shareholding interest held by the Target Shareholders in the Target Company immediately before and after the Subscriptions:

	Immediately before the Subscriptions Approximate %	Immediately after the Subscriptions Approximate %
Elite Jumbo	54.98	69.15
The Contributing Target Shareholder	10.78	10.78
The Non-Contributing Target Shareholders	34.24	20.07
Total	100.00	100.00

LISTING RULES IMPLICATIONS

The Subscription resulted in an acquisition of approximately 14.17% of the Company’s equity interest in the Target Company. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) is more than 5% but all of the applicable percentage ratios are lower than 25%, the Subscription constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the Contributing Target Shareholder is a substantial shareholder of the Target Company, which is a subsidiary of the Company, it is a connected person of the Company. The issue of new Target Shares to the Contributing Target Shareholder in proportion to its existing shareholding interest in the Target Company is fully exempt pursuant to Rule 14A.92(1) of the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the meanings set out below:

“Board”	the board of Directors
“Company”	Auto Italia Holdings Limited (意達利控股有限公司*), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 720)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Contributing Target Shareholder”	a Target Shareholder holding approximately 10.78% interest in the Target Company, which subscribed for 761 new Target Shares under the Subscriptions
“Dakota Capella”	Dakota Capella Limited, a company incorporated in the British Virgin Islands with limited liability, a direct wholly-owned subsidiary of the Target Company and a limited partner holding 92.75% of the entire issued share capital of Dakota LLP as at the date of this announcement
“Dakota HK”	Dakota Capella (HK) Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Target Company as at the date of this announcement
“Dakota LLP”	Dakota Capella LLP, a limited liability partnership established under the laws of Northern Ireland, which is held as to 92.75% by Dakota Capella at the date of this announcement
“Director(s)”	the director(s) of the Company
“Elite Jumbo”	Elite Jumbo Limited (駿寶有限公司), a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“GBP”	British Pound(s) Sterling, the lawful currency of the United Kingdom
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Contributing Target Shareholders”	three Target Shareholders who did not participate in the Subscriptions
“PRC”	the People’s Republic of China
“Property”	the property known as Capella, 60 York Street, Glasgow, G2 8JX, United Kingdom
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by Elite Jumbo
“Subscription Amount”	the total subscription amount for the Subscription, being GBP3,061,807 (equivalent to approximately HK\$29,253,000)
“Subscription Letter”	the subscription letter executed by Elite Jumbo dated 9 October 2023 in relation to the Subscription
“Subscription Shares”	6,297 new Target Shares allotted and issued to Elite Jumbo pursuant to the Subscription
“Subscriptions”	collectively, the Subscription and the subscription of 761 new Target Shares by the Contributing Target Shareholder
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“Target Company”	Dakota RE II Limited, a company incorporated in the British Virgin Islands with limited liability, which is an indirect non-wholly owned subsidiary of the Company as at the date of this announcement
“Target Group”	collectively, the Target Company, Dakota Capella, Dakota HK and Dakota LLP

“Target Shareholders”	holders of the Target Shares, comprising Elite Jumbo, the Contributing Target Shareholder and the Non-Contributing Target Shareholders
“Target Shares”	ordinary shares of the Target Company
“%”	per cent.

Notes:

Unless specified in this announcement, amounts denominated in GBP have been converted, for the purpose of illustration only, into Hong Kong dollars at the rate of GBP1: HK\$9.5543. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

Certain amounts and percentage figures set out in this announcement have been subject to rounding adjustments.

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

Hong Kong, 9 October 2023

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.