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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)

TERMINATION OF IMPORT AND DISTRIBUTION RIGHTS:

**UPDATE AND ENTERING INTO OF TERM SHEET FOR
TRANSITIONAL ARRANGEMENTS**

This announcement is made by Auto Italia Holdings Limited (the “Company”, and together with its subsidiaries, collectively the “Group”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (the “SFO”, Chapter 571, Laws of Hong Kong).

Reference is made to the Company's announcement (“2016 Announcement”) dated 29 November 2016 regarding the Company having received on 29 November 2016 (“Termination Advice Date”) an advice (“Termination Advice”) from Ferrari to terminate, pursuant to the Import & Distribution Agreement, the Group’s import and distribution rights of “Ferrari” cars in Hong Kong and Macau with effect from 27 May 2017 (“Agreement Termination Date”).

Terms defined in the 2016 Announcement shall, unless the context requires otherwise, have the same meanings when used in this announcement.

* *For identification purpose only*

Subsequent to the receipt of the Termination Advice, the Group and Ferrari have been in discussion with regards to arrangements for the purpose of ensuring a smooth and orderly transition of the distribution business. The Group views such transitional arrangement to be in the interest of all parties, and for the protection of the business reputation of the Group and Ferrari.

Following negotiations and discussions, on 10 March 2017, the Group and Ferrari entered into a Term Sheet concerning (among other matters) the handling of existing Ferrari vehicle orders received by the Group, continuation of limited scope pre-delivery inspection and after-sales services for the period from the Agreement Termination Date until 30 September 2017, transitional arrangements relating to the current principal operating premises for the Group's distribution of Ferrari vehicles, and the payment of a sum by Ferrari to Auto Italia for, among other matters, the provision of such services and assistance with transitional arrangements. Most terms set out in the Term Sheet are not legally binding (except for provisions concerning confidentiality, costs and expenses, and governing law). It is contemplated that a legally binding definitive agreement for the transitional arrangements will be entered into (if so entered into by the parties subsequently) upon further discussions and negotiations between the Group and Ferrari.

If there is any material development in the above matter, further announcement will be issued by the Company in accordance with the applicable Listing Rules and/or the Inside Information Provisions.

It should be noted that the definitive agreement may or may not be finally entered into.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Auto Italia Holdings Limited
CHONG Tin Lung Benny

Executive Chairman and Chief Executive Officer

Hong Kong, 10 March 2017

As at the date of this announcement, the Board comprises Mr. CHONG Tin Lung Benny (Executive Chairman and Chief Executive Officer) and Mr. LAM Chi Yan, both of whom are executive Directors; and Dr. SANTOS Antonio Maria, Mr. KONG Kai Chuen Frankie and Mr. LEE Ben Tiong Leong, all of whom are independent non-executive Directors.