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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)**

**MAJOR TRANSACTION**  
**IN RELATION TO THE ACQUISITION OF**  
**ADDITIONAL 27.49% EQUITY INTEREST IN**  
**DAKOTA RE II LIMITED**  
**INVOLVING ISSUE OF PROMISSORY NOTE**

**THE ACQUISITION**

The Board is pleased to announce that on 24 December 2020, Elite Jumbo (an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Acquisition Agreement, pursuant to which, among others, Elite Jumbo conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares, representing 27.49% of the entire issued share capital of the Target Company, for the consideration of HK\$53,500,000, which will be satisfied by way of issue of the Promissory Note by Elite Jumbo on the Completion Date.

As at the date of this announcement, Elite Jumbo holds 27.49% of the entire issued share capital of the Target Company and the Target Company is accounted for as an associated corporation of the Company. Upon Completion, Elite Jumbo will hold 54.98% of the entire issued share capital of the Target Company and the Target Company will become an indirect non-wholly owned subsidiary of the Company and accordingly, the assets, liabilities and financial results of the Target Group will be consolidated into the consolidated financial statements of the Group.

\* *For identification purpose only*

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 25% but all of them are less than 100%, the Acquisition constitutes a major transaction of the Company, and is subject to the reporting, announcement, circular and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

### **GENERAL**

A SGM will be convened for the Shareholders to consider, and if thought fit, approve, among other things, the Acquisition Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) details of the Acquisition; (ii) financial information of the Group; (iii) financial information of the Target Company; (iv) unaudited pro forma financial information of the Enlarged Group; (v) the valuation report of the Property; and (vi) a notice convening the SGM, is expected to be despatched to the Shareholders on or before 5 March 2021 as additional time will be required to prepare the above information to be included in such circular.

**As completion of the Acquisition is conditional on the satisfaction (or, where applicable, waiver) of certain terms and conditions, including the approval by the Shareholders at the SGM, there remains the possibility that the Acquisition may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.**

## **THE ACQUISITION**

The Board is pleased to announce that on 24 December 2020, Elite Jumbo (an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Acquisition Agreement, pursuant to which, among others, Elite Jumbo conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares, representing 27.49% of the entire issued share capital of the Target Company, for the consideration of HK\$53,500,000, which will be satisfied by way of issue of the Promissory Note by Elite Jumbo on the Completion Date.

## **THE ACQUISITION AGREEMENT**

The principal terms of the Acquisition Agreement are set out below:

### **Date**

24 December 2020

### **Parties**

Purchaser: Elite Jumbo Limited, an indirect wholly-owned subsidiary of the Company

Vendor: Ever Bless Investments Limited

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are Independent Third Parties.

### **Assets to be acquired**

Pursuant to the Acquisition Agreement, Elite Jumbo conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares, representing 27.49% of the entire issued share capital of the Target Company, free from all encumbrances and together with all rights attaching or accruing to them at and from Completion including but not limited to all rights to any dividend or other distribution declared, made, paid or payable on or after the Completion Date.

### **Consideration**

The Consideration is HK\$53,500,000, which will be satisfied by way of issue of the Promissory Note by Elite Jumbo to the Vendor on the Completion Date.

The Consideration was arrived at after arm's length negotiations between Elite Jumbo and the Vendor with reference to, among other things, (i) the indicative market value of the Property, being GBP50 million (equivalent to approximately HK\$522.5 million), as appraised by an independent property valuer as at 31 October 2020; (ii) unaudited consolidated net asset attributable to equity owner of the Target Company of approximately GBP18.7 million (equivalent to approximately HK\$195.4 million) as at 30 September 2020; and (iii) the information as set out in the section headed "Reasons for and benefits of the Acquisition" below.

Details of the valuation report of the Property will be set out in the circular to be despatched to the Shareholders.

Taking into consideration the factors set out above, the Directors are of the view that the Consideration and the terms and conditions of the Acquisition Agreement are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

### **The Promissory Note**

The principal terms of the Promissory Note are summarised as follows:

Issuer:	Elite Jumbo
Noteholder:	the Vendor
Principal amount:	HK\$53,500,000
Maturity date:	the date falling on the date of the third (3rd) anniversary of the date of issue of this Promissory Note or if such date is not a Business Day, the Business Day immediately following such date, or such other date as agreed by the Parties in writing (the “ <b>Maturity Date</b> ”).
Interest rate:	8% per annum on the principal amount outstanding from time to time, payable annually in arrears on the last Business Day of December each year, beginning with 31 December 2021, and on the Maturity Date and at such other times as may be specified in the Promissory Note.
Early redemption:	Elite Jumbo may redeem all or part of the Promissory Note at any time prior to the Maturity Date at 100% of the face value thereby redeemed but unpaid, by giving the noteholder not less than seven (7) days’ prior written notice specifying the amount and date of prepayment without any penalty, prepayment or other fees.

## Conditions precedent

The obligation of Elite Jumbo to complete the purchase of the Sale Shares at Completion is subject to the fulfilment or, if applicable, waiver of the Conditions summarized below:

- (a) Elite Jumbo and the Company having obtained all necessary approvals (including but not limited to Shareholders' approval) that may be required under the applicable laws (including but not limited to the Listing Rules) for and/or in connection with the transactions contemplated under the Transaction Documents;
- (b) each of the parties to the Shareholders' Agreement (other than Elite Jumbo) having executed a deed to waive all transfer restrictions and pre-emptive rights under the Shareholders' Agreement with respect to, and acknowledge and consent to, the Acquisition;
- (c) each of the parties to the Partnership Agreement having executed a deed to approve and consent to the Acquisition, and waive all rights and remedies under the Partnership Agreement or otherwise as a result of or in connection with the Acquisition and the indirect change of control over Dakota LLP;
- (d) as of the Completion Date:
  - (i) the representations, warranties and undertakings given by the Vendor under the Acquisition Agreement remaining true and accurate and not misleading in any respect as of the Completion Date;
  - (ii) the Vendor having performed and complied in all respects with all covenants, agreements and obligations contained in the Transaction Documents to which it is a party that are required to be performed or complied with by it on or before Completion; and
  - (iii) there having been delivered to Elite Jumbo a certificate confirming that each of the Conditions (except for those Conditions specifically subject to the satisfaction of the Purchaser) has been satisfied;

- (e) no notice, order, judgement, action or proceeding of any court, arbitrator, governmental authority, statutory or regulatory body having been served, issued or made which restrains, prohibits or makes unlawful any transaction contemplated by the Acquisition Agreement or which may materially and adversely affect the right of Elite Jumbo to own the legal and beneficial title to the Sale Shares and (through the Target Group) interests in the Property, in each case free from encumbrances, following the Completion Date or affixes additional conditions unacceptable to Elite Jumbo to the operations or shareholding of the Target Group; and
- (f) (i) no Material Adverse Change having occurred; and (ii) there being no change in the applicable laws which may result in Material Adverse Change to the Target Group.

The Vendor shall use its best endeavours to ensure the satisfaction of the Conditions as soon as possible after the date of the Acquisition Agreement but in any event no later than the Long Stop Date.

Elite Jumbo may in its sole and absolute discretion, at any time by notice in writing to the Vendor, waive in whole or in part and conditionally or unconditionally any of the above Conditions (except for Condition (a), which may not be waived).

If the Conditions are not satisfied or waived (if applicable) by the Long Stop Date, Elite Jumbo shall have the right to serve notice of termination of the Acquisition Agreement, provided however that (a) the surviving provisions in the Acquisition Agreement shall continue in force following the termination; and (b) the termination of the Acquisition Agreement shall be without prejudice to the rights of Elite Jumbo accrued prior to such termination.

## **Completion**

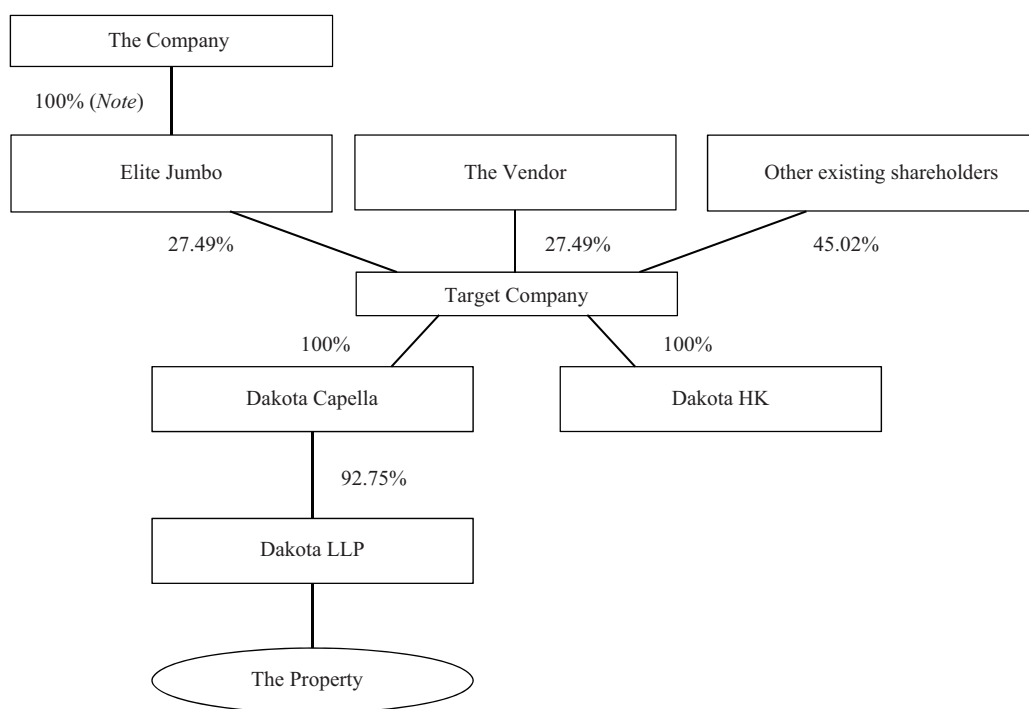
Completion will take place at 11:00 a.m. on the Completion Date (or such other time as Elite Jumbo and the Vendor may agree in writing).

## THE SHAREHOLDING STRUCTURE OF THE TARGET GROUP

As at the date of this announcement, Elite Jumbo holds 27.49% of the entire issued share capital of the Target Company and the Target Company is accounted for as an associated corporation of the Company. Upon Completion, Elite Jumbo will hold 54.98% of the entire issued share capital of the Target Company and the Target Company will become an indirect non-wholly owned subsidiary of the Company and accordingly, the assets, liabilities and financial results of the Target Group will be consolidated into the consolidated financial statements of the Group.

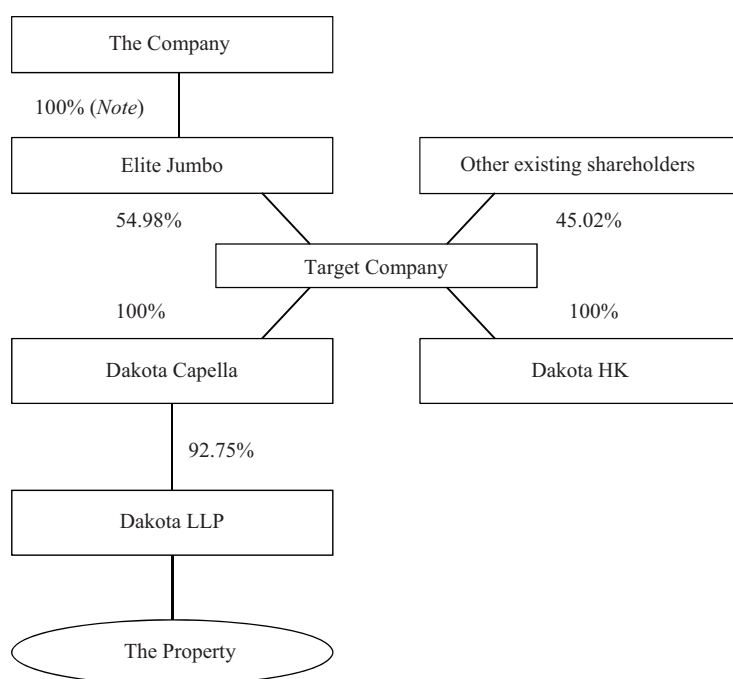
The following diagrams illustrate the shareholding structure of the Target Group (i) as at the date of this announcement and immediately prior to Completion; and (ii) immediately following Completion (assuming no other changes in the shareholding structure of the Target Group):

### (i) Shareholding structure of the Target Group as at the date of this announcement and immediately prior to Completion



*Note:* Elite Jumbo is an indirect wholly-owned subsidiary of the Company.

## (ii) Shareholding structure of the Target Group immediately after Completion



*Note:* Elite Jumbo is an indirect wholly-owned subsidiary of the Company.

### INFORMATION ON THE GROUP

The Group is principally engaged in the import, marketing, distribution and provision of after-sales service of branded cars (including Italian “**Maserati**”) in Hong Kong and Macau, the provision of financing, property investment and life sciences investment.

Elite Jumbo is a company incorporated in the British Virgin Islands with limited liability, and is an indirect wholly-owned subsidiary of the Company. Elite Jumbo is principally engaged in investment holding and directly holds 27.49% equity interest in the Target Company as at the date of this announcement.

### INFORMATION ON THE VENDOR

The Vendor is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding business. The Vendor is wholly-owned by Mr. Cheung. Mr. Cheung is principally engaged in the Hong Kong registered LED manufacturing business and also possesses a wide spectrum of financial and investment expertise with more than 20 years of experience.



## INFORMATION ON THE TARGET GROUP

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

As at the date of this announcement, the Target Company is held as to 27.49% by Elite Jumbo, 27.49% by the Vendor and approximately 45.02% by four other shareholders.

Set forth below is certain unaudited consolidated financial information of the Target Group for the two years ended 31 August 2019 and 2020 prepared on the basis consistent with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants:

	<b>For the year ended</b>		<b>For the year ended</b>	
	<b>31 August 2019</b>		<b>31 August 2020</b>	
	<i>(approximate</i>	<i>(approximate</i>	<i>(approximate</i>	<i>(approximate</i>
	<i>GBP'000)</i>	<i>HK\$'000)</i>	<i>GBP'000)</i>	<i>HK\$'000)</i>
Revenue	3,015	31,507	2,645	27,640
Net profit before tax	4,560	47,652	556	5,810
Net profit after tax	4,560	47,652	556	5,810

As at 30 September 2020, the unaudited consolidated net asset value of the Target Group attributable to its equity owner amounted to approximately GBP18.7 million (equivalent to approximately HK\$195.4 million).

## INFORMATION OF THE PROPERTY

The Property is known as Capella, 60 York Street, Glasgow, G2 8JX, United Kingdom, which comprises the entire block of and the land occupied by Capella Building, a steel framed with glazed external finish Grade-A 11-storey office building completed in 2009. The Property has a site area of approximately 17,425 sq.ft. and a total net internal area of approximately 115,300 sq.ft., including approximately 111,248 sq.ft. for office use and approximately 3,536 sq.ft. for retail use.

The Property is located at a prime location within Glasgow's International Financial Services District, and the surrounding of the Property is predominated by office developments. The Glasgow Central Station is within 5-minute walking distance and the Glasgow International Airport is about 15-minute driving distance from the Property.

Based on the tenancy schedule of the Property effective as of 31 October 2020, approximately 93% of the total net internal area have been leased out. Based on the existing leases (the unit rental of which ranges from about GBP14 (equivalent to approximately HK\$146) to GBP29 (equivalent to approximately HK\$303) per sq.ft. per annum), the total annual rental income attributable to the Property amounted to about GBP2.9 million (equivalent to approximately HK\$30 million).

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

One of the Group's principal business segments is the provision of financing and property investment. In view of the prime location of the Property, the economic development in Glasgow and the historical stable share of rental income derived from the Group's investment in the Property, the Board considers the Acquisition to be a good investment opportunity which can bring long-term enhancement of value to our Shareholders and an initiative to expand the stable income stream generated from the Property's rental revenue. Upon Completion, Elite Jumbo will hold 54.98% of the entire issued share capital in the Target Company and the Target Company will become an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated into the financial results of the Group. As the Company will hold a controlling stake of the Target Company upon Completion, the Board believes that the Acquisition will enable the Group to exercise more effective control over the business and operations of the Target Company, enjoy a larger share of potential return in the Target Company and improve the performance of the Group.

Taking into consideration the reasons for and benefits of the Acquisition to the Company, the Directors are of the view that the terms and conditions of the Acquisition Agreement and the transactions contemplated therein (including the Consideration) and the Promissory Note, which have been reached after arm's length negotiations among the parties, are on normal commercial terms, fair and reasonable, and the Acquisition is in the interests of the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 25% but all of them are less than 100%, the Acquisition constitutes a major transaction of the Company, and is subject to the reporting, announcement, circular and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

## GENERAL

A SGM will be convened for the Shareholders to consider, and if thought fit, approve, among other things, the Acquisition Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, (i) the Vendor holds 227,480,000 Shares, representing approximately 4.31% of the total issued share capital of the Company; and (ii) Mr. Cheung, being the sole shareholder of the Vendor, owns the entire issued share capital of NCS, which in turn holds 4,000,000 Shares, representing approximately 0.08% of the total issued share capital of the Company. Accordingly, the Vendor and its associates (including NCS) are required to abstain from voting on the resolution approving the Acquisition Agreement and the transactions contemplated thereunder at the SGM. Save as disclosed, to the best of the Director's knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Acquisition and is required to abstain from voting on the resolution to approve the Acquisition Agreement and the transactions contemplated thereunder at the SGM.

A circular containing, among other things, (i) details of the Acquisition; (ii) financial information of the Group; (iii) financial information of the Target Company; (iv) unaudited pro forma financial information of the Enlarged Group; (v) the valuation report of the Property; and (vi) a notice convening the SGM, is expected to be despatched to the Shareholders on or before 5 March 2021 as additional time will be required to prepare the above information to be included in such circular.

**As completion of the Acquisition is conditional on the satisfaction (or, where applicable, waiver) of certain terms and conditions, including the approval by the Shareholders at the SGM, there remains the possibility that the Acquisition may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Acquisition”	the acquisition of the Sale Shares by Elite Jumbo from the Vendor on the terms and subject to the conditions set forth in the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 24 December 2020 entered into between Elite Jumbo and the Vendor in relation to the Acquisition
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or Sunday, a general holiday as defined in the General Holidays Ordinance (Chapter 149 of the Laws of Hong Kong) or days on which Typhoon Signal No. 8 or higher is hoisted or a “black” rainstorm warning signal is given in Hong Kong at any time during 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are generally open for ordinary business and dealings in inter-bank deposits and payments can take place
“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)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“Completion Date”	the fifth (5th) Business Day immediately following the date on which all the conditions (except for such conditions which may only be fulfilled at Completion) are fulfilled or waived (as the case maybe), or such other date as may be agreed between Elite Jumbo and the Vendor in writing

\* *For identification purpose only*

“Conditions”	the conditions precedent to the Acquisition as set out in the Acquisition Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration of HK\$53,500,000 payable by Elite Jumbo for the purpose of the Sale Shares under the Acquisition Agreement
“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
“Enlarged Group”	the Group as enlarged by the Target Group
“GBP”	British Pound(s) Sterling, the lawful currency of the United Kingdom
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	an individual or a company who is not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 April 2021, or any such other date as the Vendor and Elite Jumbo may agree in writing
“Material Adverse Change”	an event, act or circumstance that has a material adverse effect on the business, affairs, trademarks, intellectual property rights, title to properties, results, operations, financial condition, tax position or prospects of the Target Group, or its assets (including its interests in the Property), or that may or would reasonably be expected to result in any of the necessary permits or approvals for the Property being revoked, withdrawn, terminated or suspended, excluding any such event, act or circumstance required to consummate the transactions contemplated by the Acquisition Agreement
“Mr. Cheung”	Mr. Cheung Wai (張韋), the sole shareholder of the Vendor
“NCS”	NCS (BVI) Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Mr. Cheung
“Partnership Agreement”	the limited liability partnership agreement dated 22 August 2017 entered into between Dakota Capella, Dakota Partners Limited, Frances Investments Limited and Dakota LLP in respect of their rights and obligations and the affairs of the Dakota LLP (as amended from time to time)
“Promissory Note”	the promissory note in the principal amount of HK\$53,500,000 to be issued by Elite Jumbo to the Vendor to settle the Consideration

“Property”	the property known as Capella, 60 York Street, Glasgow, G2 8JX, United Kingdom
“Sale Shares”	2,749 shares of the Target Company with a par value of US\$1.00 each registered in the name of the Vendor and beneficially owned by the Vendor, representing 27.49% of the entire issued share capital of the Target Company immediately before Completion
“SGM”	the special general meeting of the Company to be convened to consider, and if thought fit, pass the resolutions to approve the Acquisition Agreement and the transactions contemplated thereunder, including any adjournments thereof
“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)
“Shareholders’ Agreement”	the shareholders agreement dated 18 August 2017 entered into among Elite Jumbo, the Vendor and other shareholders of the Target Company and the Target Company in respect of the affairs of the Target Company (as amended from time to time)
“sq.ft.”	square foot (feet)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Dakota RE II Limited, a company incorporated in the British Virgin Islands with limited liability, which is held as to 27.49% by Elite Jumbo, 27.49% by the Vendor and approximately 45.02% by four other existing shareholders as at the date of this announcement
“Target Group”	collectively, the Target Company, Dakota Capella, Dakota HK and Dakota LLP

“Transaction Documents”	the Acquisition Agreement, the Promissory Note and the documents referred to in it and any other agreements executed or to be executed in connection with the Acquisition Agreement or transactions contemplated in the Acquisition Agreement
“US\$”	United States Dollars, the lawful currency of the United States of America
“Vendor”	Ever Bless Investments Limited (永佑投資有限公司), a company incorporated in the British Virgin Islands with limited liability
“%”	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\$10.45. 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.*

*In this announcement, unless the context otherwise requires, the terms “applicable percentage ratio”, “connected person(s)” and “subsidiary(ies)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.*

*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 Director and Chief Executive Officer*

Hong Kong, 24 December 2020

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