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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)

INSIDE INFORMATION

UPDATE ON LITIGATION AND ACCEPTANCE OF TERMINATION NOTICE OF MASERATI CAR DEALERSHIP

This announcement is made by Auto Italia Holdings Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

UPDATE ON LITIGATION

Reference is made to the Company’s announcement dated 31 December 2020 (the “**Announcement**”) in relation to the litigation to be commenced by Auto Italia (Hong Kong) Limited, a wholly-owned subsidiary of the Company (the “**Subsidiary**”), against Maserati S.p.A. (“**Maserati**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning as defined in the Announcement.

As disclosed in the Announcement, the Subsidiary has filed a Writ of Summons with the High Court of Hong Kong against Maserati claiming, among others, for wrongful termination of dealership agreement in reliance on a purported “Importership and Distributorship Agreement” allegedly signed on 1 October 2018.

* *For identification purpose only*

Since the filing of the Writ of Summons with the High Court of Hong Kong, the Company and the Subsidiary have been actively engaging in commercial negotiations with Maserati. As at the date of this announcement, parties have not yet reached consensus on the related matter.

The Board is alive as to potential costs, time and other resources to be incurred in a full-blown litigation. The Proceedings will thereby be suspended pending negotiations among the Company, the Subsidiary and Maserati.

ACCEPTANCE OF TERMINATION NOTICE OF MASERATI CAR DEALERSHIP

The board of directors of the Company (the “**Board**”) has been closely monitoring and reviewing the Proceedings and the operations and performance of the Maserati car dealership business (the “**Dealership Business**”). The Board considers that the Proceedings will inevitably involve litigation risks, substantial time and legal costs, resulting in a diversion of our managerial and financial resources.

The Board further noticed that the Dealership Business has recorded loss over the past three financial years and had been seriously disrupted by the COVID-19 pandemic and the resulting economic recession throughout year 2020. As mentioned in the Company’s annual report dated 30 March 2021 for the year ended 31 December 2020 (the “**Annual Report**”), the number of vehicles delivered to Maserati customers fell short of approximately 40% of the prior-year figure in 2020 and the revenue derived from the cars division dropped significantly to HK\$120,861,000, as compared with HK\$221,410,000 in 2019.

Further, with the rise in first registration tax (“**FRT**”) for private cars effective from 24 February 2021, tax rates for private cars have risen from: (i) 40% to 46% (on the first HK\$150,000); (ii) 75% to 86% (on the next HK\$150,000); (iii) 100% to 115% (on the next HK\$200,000); and (iv) 115% to 132% (on the remainder). Given Maserati’s position in the luxurious vehicles sector, the significant increase in FRT has further worsened the market condition and created even further challenging business environment.

Having considered (i) the substantial time and costs to be involved in pursuing the Proceedings and the associated litigation risk; (ii) the increasingly challenging business environment which has been adversely affecting the Dealership Business; and (iii) the unsatisfactory performance of the Dealership Business in recent years, the Board has come to the decision that the Group has no option but to accept the termination notice of the Maserati dealership notified by Maserati to the Subsidiary on 28 October 2020 (the “**Acceptance of Termination**”), with a view to re-allocating and focusing its resources to develop the Group’s other principal businesses, namely financial investments and services, life sciences investment and property investment.

As mentioned in the Annual Report, the Group has been actively seeking business opportunities with a focus on life sciences and healthcare industries, have completed a subscription of series A preferred shares in Chime Biologics Limited in February 2020. In addition, the Company has further acquired a controlling stake in Dakota RE II Limited in March 2021 with a view to securing a promising income stream generated from the Group's property investment division.

In view of the above, the Board considers that the Acceptance of Termination is in the interest of the Company and its shareholders as a whole. Subject to any regulatory and compliance requirements and barring any unforeseeable circumstances, it is anticipated that the Dealership Business will be terminated on 26 April 2021.

As at the date of this announcement and based on the information currently available to the Board, including but not limited to, the loss-making position of the Dealership Business over the past three years, the Board is of the opinion that the Acceptance of Termination will have no material adverse impact on the overall business and operations of the Group.

The Company will keep the shareholders and potential investors of the Company informed of any material developments in connection with the above by way of announcements as and when appropriate, and in compliance with the Listing Rules and applicable laws.

Shareholders and potential investors of the Company 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, 16 April 2021

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.