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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)

**(A) OPEN OFFER OF 1,729,726,130 OFFER SHARES
ON THE BASIS OF ONE (1) OFFER SHARE
FOR EVERY TWO (2) EXISTING SHARES HELD ON THE RECORD DATE
AND
(B) CHANGE OF BOARD LOT SIZE**

Financial Adviser to the Company



KINGSTON CORPORATE FINANCE LTD

Underwriter to the Open Offer



KINGSTON SECURITIES LTD.

PROPOSED OPEN OFFER

The Company proposes to raise approximately HK\$112.4 million before expenses by issuing 1,729,726,130 Offer Shares at the Price of HK\$0.065 per Offer Share on the basis of one (1) Offer Share for every two (2) existing Shares held on the Record Date and payable in full on application.

The Open Offer is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders. To qualify for the Open Offer, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and must not be a Non-Qualifying Shareholder. The last day of dealings in the Shares on the Stock Exchange on a cum-entitlement basis will be on Wednesday, 6 August 2014. The Shares will be dealt in on an ex-entitlement basis on the Stock Exchange from Thursday, 7 August 2014. In order for a transferee of Share(s) to be registered as a Shareholder on the Record Date, a transfer of Share(s) (with the relevant share certificates) must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Friday, 8 August 2014.

The register of members of the Company will be closed from Monday, 11 August 2014 to Friday, 15 August 2014, both days inclusive, to determine the eligibility of the Open Offer. No transfer of Shares will be registered during this book closure period.

The gross proceeds of the Open Offer (before expenses) are approximately HK\$112.4 million. The estimated net proceeds of the Open Offer (after deducting the costs and expenses in relation to the Open Offer and the underwriting commission fees) are expected to be approximately HK\$110 million. The Company intends to apply such net proceeds from the Open offer (i) as to approximately HK\$35 million for repayment of its current outstanding bank loans; (ii) as to approximately HK\$65 million for expansion of its existing business and/or future investments in properties as and when opportunities arise; and (iii) any remaining net proceeds will be for the general working capital of the Group and/or short term investments.

As at the date of this announcement, the Company does not have any outstanding derivatives, options, warrants or securities in issue which are convertible or exchangeable into Shares.

IRREVOCABLE UNDERTAKINGS AND UNDERWRITING

As at the date of this announcement, VMSIG is deemed to be interested in an aggregate of 704,770,045 Shares, representing approximately 20.37% of the issued share capital of the Company, of which 501,620,045 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, a wholly-owned subsidiary of VMSIG). Pursuant to the Irrevocable Undertakings, each of VMSIG and Gustavo has irrevocably undertaken to: (a) subscribe for or procure the subscription for 250,810,022 Offer Shares and 101,575,000 Offer Shares respectively, being their respective full entitlements to the Offer Shares in respect of the Shares which are registered in its name on the date of the Underwriting Agreement; and (b) remain as the registered owner of the Shares respectively owned by them in the same name from the date of the Irrevocable Undertakings up to and including the Latest Time for Acceptance). VMSIG has also irrevocably undertaken to procure Gustavo to subscribe for 101,575,000 Offer Shares and to apply and subscribe for or procure the subscription for a maximum of 447,706,665 excess Offer Shares.

On 25 July 2014 (after the trading hours of the Stock Exchange), the Company entered into the Underwriting Agreement with the Underwriter in relation to the underwriting and the relevant arrangements in respect of the Open Offer. Subject to the Irrevocable Undertakings and the terms and conditions of the Underwriting Agreement, the Open Offer will be fully underwritten by the Underwriter.

CHANGE OF BOARD LOT SIZE

The Board proposed to change the board lot size for trading of the Shares from 12,500 Shares to 25,000 Shares with effect from Thursday, 11 September 2014. No new share certificates for existing Shareholders will be issued as a result of the change in board lot size, and therefore no arrangement for free exchange of existing share certificates in board lot size of 12,500 Shares to new share certificates in board lot size of 25,000 Shares is necessary. With effect from Thursday, 11 September 2014, the Shares (including the Offer Shares to be issued under the Open Offer) will be traded in board lot of 25,000 Shares.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES

If the Underwriter terminates the Underwriting Agreement (details are set out in the paragraph headed “Rescission and termination of the Underwriting Agreement” in the section headed “Underwriting Arrangement” in this announcement) or the conditions of the Open Offer (details are set out in the section headed “Conditions of the Open Offer” in this announcement) are not fulfilled, the Open Offer will not proceed. Accordingly, the Open Offer may or may not proceed and the Shareholders and potential investors are advised to exercise caution when dealing in the Shares and consult their professional advisers if they are in any doubt about their positions. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

GENERAL

Since the Open Offer will not increase the issued share capital or the market capitalisation of the Company by more than 50% within 12 month period immediately preceding this announcement, pursuant to Rule 7.24(5) of the Listing Rules, the Open Offer itself is not subject to the Shareholders’ approval.

The Company will send the Prospectus Documents containing, among other things, the Prospectus setting out details of the Open Offer, the Application Form and the Excess Application Form to the Qualifying Shareholders. The Prospectus, but not the Application Form and the Excess Application Form, will be sent to the Non-Qualifying Shareholders (if any) for their information only.

OPEN OFFER

Issue Statistics

Basis of the Open Offer	:	One Offer Share for every two existing Shares held on the Record Date
Number of existing Shares in issue	:	3,459,452,260 Shares as at the date of this announcement

Number of Offer Shares to be issued	:	1,729,726,130 Offer Shares (assuming no new Shares being issued and no Share being repurchased by the Company on or before the Record Date)
Aggregate nominal value of the Offer Shares	:	Approximately HK\$34.6 million
Subscription Price	:	HK\$0.065 per Offer Share payable in full on application
Funds to be raised before expenses	:	Approximately HK\$112.4 million
Number of Offer Shares undertaken to be taken up by VMSIG and Gustavo pursuant to the Irrevocable Undertakings	:	352,385,022 Offer Shares
Maximum number of excess Offer Shares undertaken to be applied for by VMSIG pursuant to the Irrevocable Undertakings	:	447,706,665 Offer Shares
Number of Offer Shares underwritten by the Underwriter	:	All of the Offer Shares (other than the Offer Shares and maximum excess Offer Shares to be taken up by VMSIG and Gustavo under the Irrevocable Undertakings), being 929,634,443 Offer Shares
Number of Shares in issue immediately after completion of Open Offer (assuming no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date)	:	5,189,178,390 Shares

As at the date of this announcement, the Company does not have any outstanding derivatives, options, warrants or securities in issue which are convertible or exchangeable into Shares.

The Open Offer is not subject to any Shareholders' approval and the Offer Shares are not issued under the general mandate granted to the Directors.

Subscription Price

The Subscription Price of HK\$0.065 per Offer Share will be payable in full upon application for the Offer Shares under the Open Offer. The Subscription Price represents:

- (1) a discount of approximately 39.81% to the closing price of HK\$0.108 per Share as quoted on the Stock Exchange on the date of the Underwriting Agreement and on the Last Trading Day;

- (2) a discount of approximately 38.09% to the average of the closing prices of approximately HK\$0.105 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (3) a discount of approximately 30.85% to the theoretical ex-entitlement price of approximately HK\$0.094 per Share as adjusted for the effects of the Open Offer, based on the closing price of HK\$0.108 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (4) a premium of approximately 51.16% over the audited consolidated net asset value per Share of approximately HK\$0.043 based on the latest audited net asset value attributable to owners of the Company as at 31 December 2013 and the Shares in issue as at the date of this announcement.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to, among other factors, the market price and trading liquidity of the Shares under the prevailing market conditions as well as the recent financial conditions of the Group. The Directors (including the independent non-executive Directors) consider the terms of the Open Offer, including the determination of the Offer Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Open Offer offers each Qualifying Shareholder the opportunity to maintain its respective pro rata shareholdings in the Company as well as an opportunity to apply for additional Shares (if they so wish) by way of application for excess Offer Shares, and enable them to participate in the future growth of the Group. The net price (after deducting the relevant expenses) per Offer Share will be approximately HK\$0.0636.

Qualifying Shareholders

The Company will send (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Prospectus, for information only, to the Non-Qualifying Shareholders.

The Open Offer is only available to the Qualifying Shareholders. To qualify for the Open Offer, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date, and not be a Non-Qualifying Shareholder.

In order for a transferee of Share(s) to be registered as a Shareholder on the Record Date, a transfer of Share(s) (together with the relevant share certificates) must be lodged for registration with the Company's branch share registrars and transfer office in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Friday, 8 August 2014.

The invitation to apply for the Offer Shares to be made to the Qualifying Shareholders will not be transferable or capable of renunciation and there will not be any trading of entitlements of the Offer Shares on the Stock Exchange.

Closure of register of members

The register of members of the Company will be closed from Monday, 11 August 2014 to Friday, 15 August 2014, both days inclusive, to determine the eligibility of the Open Offer. No transfer of Shares will be registered during this book closure period.

Overseas Shareholders and Non-Qualifying Shareholders

If, at the close of business on the Record Date, a Shareholder's address on the register of members of the Company is in a place outside of Hong Kong, that Shareholder may not be eligible to take part in the Open Offer. The Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdictions other than Hong Kong.

Prior to the despatch of the Prospectus Documents, the Company will make enquiries to its legal advisers of the relevant jurisdictions as to whether the offer or issue of Offer Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory bodies or stock exchanges pursuant to Rule 13.36(2)(a) of the Listing Rules.

If, after making such enquiries, the Board is of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Offer Shares to such Overseas Shareholders, the Open Offer will not be available to such Overseas Shareholder(s), the Open Offer will not be extended to such Overseas Shareholders who will become the Non-Qualifying Shareholders. The results of the enquiries and the basis of any exclusion of the Overseas Shareholders will be included in the Prospectus. If they are excluded, the Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any Application Forms and the Excess Application Forms to them.

Those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled and the Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Open Offer.

Status of the Offer Shares

The Offer Shares when allotted, issued and fully paid, shall rank pari passu in all respects with the then existing Shares in issue on the date of allotment and issue of the Offer Shares, including the right to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares.

Application for excess Offer Shares

Qualifying Shareholders may apply for entitlements of the Non-Qualifying Shareholders and any Offer Shares entitled but not applied for by the Qualifying Shareholders.

Applications for excess Offer Shares may be made by completing the Excess Application Form and lodging the same with a separate remittance for the excess Offer Shares being applied with the Company's branch registrar and transfer office in Hong Kong, Tricor Standard Limited, for completion of the relevant registration by no later than the Latest Time for Acceptance.

The Directors will allocate the excess Offer Shares (if any) at their discretion, but on a fair and equitable basis, to the Qualifying Shareholders who have applied for excess Offer Shares on a pro-rata basis with reference to the number of excess Offer Shares applied for but no reference will be made to Offer Shares comprised in applications by Application Forms or the existing number of Shares held by the Qualifying Shareholders. No preference will be given to topping-up odd lots to whole board lots.

Shareholders with their Shares held by a nominee company (or which are deposited into the CCASS) should note that the Board will regard the nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the above arrangement in relation to allocation of excess Offer Shares will not be extended to beneficial owners individually. The Shareholders with their Shares held by a nominee company (or which are deposited into CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date. Excess application from Qualifying Shareholders (including registered nominee company) will be accepted by the Company even if their assured entitlement of the Offer Shares is not subscribed for in full.

Fractions of Offer Shares

Fractions of Offer Shares shall not be allotted and entitlements shall be rounded down to the nearest whole number. Offer Shares representing the aggregate of fractions of Offer Shares shall be first taken up by the Qualifying Shareholders who have applied for the excess Offer Shares and then by the Underwriter if there is any excess Offer Shares which have not been taken up by the Qualifying Shareholders.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. Dealings in the Offer Shares will be subject to the payment of stamp duty, Stock Exchange trading fee and any other applicable fees and charges in Hong Kong.

None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is proposed to be sought.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Dealings in the Offer Shares on the Stock Exchange may be settled through CCASS. Shareholders should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Share Certificates for Offer Shares and refund cheques

Subject to the fulfillment of the conditions of the Open Offer as set out in the section headed "Conditions of the Open Offer" below, share certificates for all fully-paid Offer Shares (including excess Offer Shares) are expected to be posted on or before Wednesday, 10 September 2014 by ordinary post to the Qualifying Shareholders who have validly accepted and (where applicable) applied for, and paid for the Offer Shares at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Offer Shares are also expected to be posted on or before Wednesday, 10 September 2014 by ordinary post at their own risk.

UNDERWRITING ARRANGEMENT

Underwriting Agreement

Date: 25 July 2014

Issuer: The Company

Underwriter: Kingston Securities

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Underwriter and its associates are Independent Third Parties

Number of Offer Shares: 1,729,726,130 Offer Shares (assuming no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date)

Number of Underwritten Shares: 929,634,443 Offer Shares (assuming no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date)

Commission: 2.0% of the aggregate Subscription Price in respect of Underwritten Shares (being the 1,729,726,130 Offer Shares less (i) 352,385,022 Offer Shares which VMSIG and Gustavo undertake to subscribe for; and (ii) a maximum of 447,706,665 excess Offer Shares which VMSIG undertakes to subscribe for subject to the undertaking described in the paragraph headed "Irrevocable Undertakings" below)

The commission rate was determined between the Company and the Underwriter by reference to the market rate. The Directors (including the independent non-executive Directors) consider the terms of the Underwriting Agreement including the commission rate to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Irrevocable Undertakings

As at the date of this announcement, VMSIG is deemed to be interested in an aggregate of 704,770,045 Shares, representing approximately 20.37% of the issued share capital of the Company, of which 501,620,045 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, a wholly-owned subsidiary of VMSIG). Pursuant to the Irrevocable Undertakings, each of VMSIG and Gustavo has irrevocably undertaken to: (a) subscribe for or procure the subscription for 250,810,022 Offer Shares and 101,575,000 Offer Shares respectively, being their respective full entitlements to the Offer Shares in respect of the Shares which are registered in its name on the date of the Underwriting Agreement; and (b) remain as the registered owner of the Shares respectively owned by them in the same name from the date of the Irrevocable Undertakings up to and including the Latest Time for Acceptance). Furthermore, pursuant to the Irrevocable Undertakings, VMSIG has also irrevocably undertaken to procure Gustavo to subscribe for 101,575,000 Offer Shares and to apply and subscribe for or procure the subscription for a maximum of 447,706,665 excess Offer Shares.

Save for the Irrevocable Undertakings, as at the date of this announcement, the Board has not received any information or irrevocable undertakings from the substantial Shareholders of their intention to take up the Offer Shares under the Open Offer.

Rescission and termination of the Underwriting Agreement

If any time prior to the Latest Time for Termination:

- (1) in the absolute opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter are likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Open Offer; or

- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of this announcement or the circular or the Prospectus Documents or other announcements or circulars in connection with the Open Offer; or
- (8) any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise,

the Underwriter shall be entitled, by notice in writing to the Company served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the representations, warranties or undertakings by the Company contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (2) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect comes to the knowledge of the Underwriter,

any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed.

CONDITIONS OF THE OPEN OFFER

The obligations of the Underwriter under the Underwriting Agreement are conditional upon:

- (1) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively not later than the Posting Date one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance;
- (2) the posting of the Prospectus Documents to the Qualifying Shareholders and, if required by or in compliance with the Listing Rules, the posting of the Prospectus to the Non-Qualifying Shareholders, if any, for information purpose only on or before the Posting Date;
- (3) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked, listing of and permission to deal in the Offer Shares by no later than the first day of their dealings on the Stock Exchange;
- (4) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms hereof at or before the Latest Time for Termination;

- (5) the compliance with and performance of all the undertakings and obligations of each of VMSIG and Gustavo under the Irrevocable Undertakings;
- (6) the compliance with and performance of all the undertakings and obligations of the Company under the Underwriting Agreement and the representations and warranties given by the Company under the Underwriting Agreement remaining true, correct and not misleading in all material respects; and
- (7) there being no event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material, occurring prior to the Latest Time for Termination.

The conditions of the Open Offer (other than condition (6) which can only be waived by the Underwriter) are incapable of being waived. If the conditions are not satisfied in whole (or waived where applicable) by the Latest Time for Termination or such other date as the Company and the Underwriter may agree in writing, the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

WARNING OF RISKS OF DEALING IN SHARES

If the Underwriter terminates the Underwriting Agreement (details are set out in the paragraph headed “Rescission and termination of the Underwriting Agreement” in the section headed “Underwriting Arrangement” in this announcement) or the conditions of the Open Offer (details are set out in the section headed “Conditions of the Open Offer” in this announcement) are not fulfilled, the Open Offer will not proceed. Accordingly, the Open Offer may or may not proceed and the Shareholders and potential investors are advised to exercise caution when dealing in the Shares and consult their professional advisers if they are in any doubt about their positions. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE OPEN OFFER

The shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Open Offer (assuming all Qualifying Shareholders fully take up their respective entitlements); and (iii) immediately after completion of the Open Offer (assuming none of the Qualifying Shareholders (save and except VMSIG and Gustavo) fully take up their respective entitlements and VMSIG subscribes for a maximum of 447,706,665 excess Offer Shares) is set out below:

	As at the date of this announcement		Immediately after completion of the Open Offer (assuming all Qualifying Shareholders fully take up their respective entitlements)		Immediately after completion of the Open Offer (assuming none of the Qualifying Shareholders (save and except VMSIG and Gustavo) fully take up their respective entitlements and VMSIG subscribes for a maximum of 447,706,665 excess Offer Shares)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
VMSIG and its parties acting in concert (Note 1)	704,770,045	20.37	1,057,155,067	20.37	1,504,861,732	29.00
Mr. Tan Boon Seng (Note 2)	1,020,000	0.03	1,530,000	0.03	1,020,000	0.02
The Underwriter	—	—	—	—	929,634,443	17.91
Public Shareholders	<u>2,753,662,215</u>	<u>79.60</u>	<u>4,130,493,323</u>	<u>79.60</u>	<u>2,753,662,215</u>	<u>53.07</u>
Total	<u>3,459,452,260</u>	<u>100.00</u>	<u>5,189,178,390</u>	<u>100.00</u>	<u>5,189,178,390</u>	<u>100.00</u>

Notes:

- VMSIG and parties acting in concert with it are interested in an aggregate of 704,770,045 Shares, of which 501,620,045 Shares are held by VMSIG and 203,150,000 Shares are held by Gustavo.
- Mr. Tan Boon Seng is an independent non-executive Director.

FUND-RAISING ACTIVITIES BY THE COMPANY DURING THE PAST 12 MONTHS IMMEDIATELY PRECEDING THE ANNOUNCEMENT

It was announced by the Company on 7 March 2014 that it has entered into a placing agreement with a placing agent, on a fully underwritten basis, to place 500,000,000 new Shares. The net proceeds from the placing in the amount of approximately HK\$60.83 million were used as intended as general working capital of the Group. The placing was completed on 20 March 2014.

Saved as disclosed above, the Company has not conducted any fund raising activities in the past 12 months immediately preceding the date of this announcement.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The Group is principally engaged in the import, distribution and provision of after-sales service of Italian “Ferrari” and “Maserati” branded cars in Hong Kong and Macau as well as the provision of pre-delivery inspection service in Shanghai, the PRC.

Having considered other fund raising alternatives for the Group, such as bank borrowings and placing of new Shares or other convertible securities, and taking into account the benefits and cost of each of the alternatives, the Open Offer allows the Group to strengthen its balance sheet without facing the increasing interest rates and enlarge the capital base of the Company, which may facilitate long-term development of the Group. The Board is of the view that it is in the interest of the Company and the Shareholders as a whole to raise the capital through the Open Offer since it offers the Qualifying Shareholders the opportunity to maintain their pro rata shareholding interests in the Company as well as an opportunity to apply for additional Shares (if they so wish) by way of application for excess Offer Shares, and continue to participate in the future growth and development of the Group should they wish to do so.

In view of the above, the Directors (including the independent non-executive Directors) consider the Open Offer is in the interests of the Company and the Shareholders as a whole.

The gross proceeds of the Open Offer (before expenses) are approximately HK\$112.4 million. The estimated net proceeds of the Open Offer (after deducting the costs and expenses in relation to the Open Offer and the underwriting commission fees) are expected to be approximately HK\$110 million. The Company intends to apply such net proceeds from the Open Offer (i) as to approximately HK\$35 million for repayment of its current outstanding bank loans; (ii) as to approximately HK\$65 million for expansion of its existing business and/or future investments in properties as and when opportunities arise; and (iii) any remaining net proceeds will be for the general working capital of the Group and/or short term investments.

CHANGE OF BOARD LOT SIZE

The Shares are currently traded in board lots of 12,500 Shares each and the market value of each board lot is HK\$1,350 (based on the closing price of HK\$0.108 per Share as quoted on the Stock Exchange on the Last Trading Day). In order to increase the value of each board lot of the Shares, as well as to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposes to change the board lot size for trading of the Shares from 12,500 Shares to 25,000 Shares with effect from Thursday, 11 September 2014. Based on the theoretical ex-entitlement price of the Shares of HK\$0.094 with reference to the closing price on the Last Trading Day, the new estimated board lot value would be approximately HK\$2,350. The change in board lot size will not result in any change in the relative rights of the Shareholders. The Board is of the opinion that the change in board lot size is in the interests of the Company and its Shareholders as a whole.

To alleviate the difficulties in trading odd lots of the Shares arising from the change in board lot size of the Shares, the Company has appointed Kingston Securities as an agent to provide matching services to the Shareholders who wish to top up or sell their holdings of odd lots of the Shares during the period from 9:00 a.m. on Thursday, 11 September 2014 to 4:00 p.m. on Friday, 3 October 2014 (both days inclusive). Holders of the Shares in odd lots represented by the existing share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full new board lot may directly or through their broker contact Ms. Rosita Kiu of Kingston Securities at Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong (telephone: (852) 2298 6215 and facsimile: (852) 2295 0682) during such period. Holders of the Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

All existing share certificates in board lot of 12,500 Shares will continue to be evidence of entitlement to the Shares and be valid for delivery, transfer, trading and settlement purposes. No new share certificates for existing Shareholders will be issued as a result of the change in board lot size, and therefore no arrangement for free exchange of existing share certificates in board lot size of 12,500 Shares to new share certificates in board lot size of 25,000 Shares is necessary. With effect from Thursday, 11 September 2014, the Shares (including the Offer Shares to be issued under the Open Offer) will be traded in board lot of 25,000 Shares and any new certificate of the Shares will be issued in new board lot size of 25,000 Shares (except for odd lots or where the Shareholder(s) otherwise instruct(s)). Save and except for the change in the number of Shares for each board lot, new certificates of Shares will have the same format and colour as the existing certificates of Shares.

EXPECTED TIMETABLE

The expected timetable for the Open Offer is set out below:

2014

Last day of dealings in Shares on a cum-entitlement basis	Wednesday, 6 August
First day of dealings in Shares on an ex-entitlement basis	Thursday, 7 August
Latest time for lodging transfer for entitlement of the Open Offer	4:30 p.m. on Friday, 8 August
Register of members of the Company closes (both days inclusive)	Monday, 11 August to Friday, 15 August
Record Date	Friday, 15 August
Register of members re-opens	Monday, 18 August
Despatch of the Prospectus Documents	Monday, 18 August
Latest time for acceptance of application and payment for the Offer Shares and the excess Offer Shares	4:00 p.m. on Monday, 1 September
Latest Time for Termination of the Underwriting Agreement	4:00 p.m. on Thursday, 4 September
Announcement of results of the Open Offer on the website of The Hong Kong Exchanges and Clearing Limited	Monday, 8 September
Share certificates for the Offer Shares (including excess Offer Shares) and refund cheques to be despatched on or before	Wednesday, 10 September
Dealings in fully-paid Offer Shares commence on the Stock Exchange	Thursday, 11 September

Effective date of change of board lot size
from 12,500 Shares to 25,000 Shares Thursday, 11 September

Designated broker starts to stand in the market to
provide matching services Thursday, 11 September

Last day for the designated broker to stand in
the market to provide matching services Friday, 3 October

Dates stated in this announcement for events in the timetable are indicative only and may be extended or varied. Any changes to the expected timetable for the Open Offer will be announced by the Company as and when appropriate.

Effect of bad weather on the Latest Time for Acceptance

If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on Monday, 1 September 2014, being the date of the Latest Time for Acceptance:

- (i) at any time before 12:00 noon and no longer in force after 12:00 noon, the Latest Time for Acceptance will be postponed to 5:00 p.m. on the same business day; or
- (ii) at any time between 12:00 noon and 4:00 p.m., the Latest Time for Acceptance will be postponed to 4:00 p.m. on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on Monday, 1 September 2014, the dates mentioned in the above section headed “Expected timetable” in this announcement may be affected. An announcement will be made by the Company in such event.

GENERAL

Since the Open Offer will not increase the issued share capital or the market capitalisation of the Company by more than 50% within 12 months immediately preceding this announcement, pursuant to Rule 7.24(5) of the Listing Rules, the Open Offer itself is not subject to the Shareholders’ approval.

The Company will send the Prospectus Documents containing, among other things, the Prospectus setting out details of the Open Offer, the Application Form and the Excess Application Form to the Qualifying Shareholders. The Prospectus, but not the Application Form and the Excess Application Form, will be sent to the Non-Qualifying Shareholders (if any) for their information only.

DEFINITION

In this announcement, unless the content otherwise requires, words and expressions used herein shall have the meanings ascribed to each of them below:

- “Application Form” the form of application for use by the Qualifying Shareholders to apply for the Offer Shares
- “associates” has the meaning ascribed thereto in the Listing Rules
- “Board” the board of Directors

“business day(s)”	any day (other than a Saturday or Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“Company”	Auto Italia Holdings Limited (意達利控股有限公司*), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Directors”	directors of the Company
“Excess Application Form”	the form of application for use by the Qualifying Shareholders to apply for the Offer Shares in excess of their entitlements under the Open Offer
“Group”	the Company and its subsidiaries
“Gustavo”	Gustavo International Limited, a limited liability company incorporated in the British Virgin Islands and owned as to approximately 80% by Maini Investments Limited, which is a wholly-owned subsidiary of VMSIG
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) (as defined in the Listing Rules) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Irrevocable Undertakings”	the irrevocable undertaking dated 25 July 2014 executed by each of VMSIG and Gustavo, pursuant to which VMSIG and Gustavo respectively undertakes to subscribe for or procure the subscription for certain Offer Shares and/or excess Offer Shares (as the case may be) as described in the paragraph headed “Irrevocable Undertakings” in this announcement
“Last Trading Day”	25 July 2014, being the last trading day of the Shares on the Stock Exchange immediately preceding the date of this announcement

“Latest Time for Acceptance”	4:00 p.m. on Monday, 1 September 2014 or such other date and/or time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the application and payment for the Offer Shares and excess Offer Shares
“Latest Time for Termination”	4:00 p.m. on the third business day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriter, being the latest time to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Qualifying Shareholder(s)”	the Overseas Shareholder(s) whom the Board, after making enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant overseas regulatory bodies or stock exchanges, considers it necessary or expedient to exclude them from the Open Offer
“Offer Share(s)”	the new Share(s) to be allotted and issued under the Open Offer, which will be a total of 1,729,726,130 Offer Shares
“Open Offer”	the proposed issued of Offer Shares by the Company on the basis of one (1) Offer Share for every two (2) existing Shares at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Overseas Shareholder(s)”	the Shareholder(s) with registered addresses in the register of members of the Company as at the close of business on the Record Date which are outside Hong Kong
“Posting Date”	18 August 2014 or such later date as may be agreed between the Underwriter and the Company, being the date for the despatch of the Prospectus Documents
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	a prospectus containing details of the Open Offer to be issued by the Company in relation to the Open Offer
“Prospectus Documents”	collectively, the Prospectus, the Application Form and the Excess Application Form
“Qualifying Shareholder(s)”	Shareholder(s) whose names appear(s) on the register of members of the Company as at the close of business on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	15 August 2014 or such other date as may be agreed between the Company and the Underwriter, being the date for the determination of the entitlements under the Open Offer
“Share(s)”	existing share(s) of HK\$0.02 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.065 per Offer Share
“Underwriter” or “Kingston Securities”	Kingston Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the sole underwriter of the Open Offer
“Underwriting Agreement”	the underwriting agreement dated 25 July 2014 entered into between the Company and the Underwriter in relation to the Open Offer
“Underwritten Shares”	929,634,443 Offer Shares (assuming no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date), being all Offer Shares less such number of Offer Shares which VMSIG and Gustavo undertake to take up its entitlement under the Open Offer and such number of excess Offer Shares which VMSIG undertakes to take up
“VMSIG”	VMS Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability
“HK\$”	Hong Kong dollars
“%”	per cent.

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

Hong Kong, 25 July 2014

As at the date of this announcement, the Board comprises Mr. Chong Tin Lung Benny (Executive Chairman and Chief Executive Officer), Mr. William Keith Jacobsen and Mr. Lam Chi Yan, all of whom are executive Directors; and Mr. Tan Boon Seng, Dr. Antonio Maria Santos and Mr. Kong To Yeung Frankie, all of whom are independent non-executive Directors.

* *For identification purpose only*