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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**  
**SUBSCRIPTION FOR SHARES IN A JOINT VENTURE**  
**WHICH AGREED TO ACQUIRE**  
**AN OFFICE BUILDING IN SCOTLAND**

**AGREEMENT TO SUBSCRIBE FOR 27.49% SHAREHOLDINGS IN TARGETCO**

On 18 August 2017 (after trading hours), Elite Jumbo (an indirect wholly-owned subsidiary of the Company) together with the other five JV Shareholders and Targetco entered into the JV Shareholders Agreement. Pursuant to the JV Shareholders Agreement, Elite Jumbo has agreed to subscribe for 2,749 Targetco Shares (which will represent 27.49% of the issued share capital in Targetco following completion of the Subscriptions) at a total subscription price of about GBP5.43 million (equivalent to about HK\$55 million). Following completion of the Subscriptions, Targetco will be accounted for as an associated corporation of the Company, and will not be treated as its subsidiary. The amount of the Elite Jumbo Subscription would be funded from the Group's internal resources.

Targetco is a recently incorporated holding company of the Target Group, a member of which is the principal investment company (namely, Target LLP) that entered into the Property SP Agreement with the Property Seller which is an Independent Third Party. Pursuant to the Property SP Agreement, Target LLP has agreed to purchase the Relevant Property (which is an office building located in Glasgow, Scotland) at a total purchase price (i.e. Property SP Price) of GBP43.5 million. It is contemplated that the Property Acquisition by Target LLP will be completed in late August 2017. Payment of about 60% of the Property SP Price will be funded by bank financing. The Relevant Property has a total lettable area of about 115,300 sq.ft., of which about 93% have been leased to various tenants. Based on the existing leases (the unit rental of which ranges from about GBP25 to GBP27 per sq.ft. per annum), the total annual rental income attributable to the Relevant Property amounted to about GBP3 million.

#### **LISTING RULES IMPLICATION**

Some of the applicable percentage ratios (as calculated under Rule 14.07 of the Listing Rules) in respect of the Elite Jumbo Subscription are more than 5% but less than 25%. Accordingly, the Elite Jumbo Subscription constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements set out in Chapter 14 of the Listing Rules.

The Board is pleased to announce that on 18 August 2017 (after trading hours), Elite Jumbo (an indirect wholly-owned subsidiary of the Company) together with the other five JV Shareholders and Targetco entered into the JV Shareholders Agreement. Pursuant to the JV Shareholders Agreement, Elite Jumbo has agreed to subscribe for 2,749 Targetco Shares (which will represent 27.49% of the issued share capital in Targetco following completion of the Subscriptions) at a total subscription price of about GBP5.43 million (equivalent to about HK\$55 million). Following completion of the Subscriptions, Targetco will be accounted for as an associated corporation of the Company, and will not be treated as its subsidiary. The amount of the Elite Jumbo Subscription would be funded from the Group's internal resources.

Targetco is a recently incorporated holding company of the Target Group, a member of which is the principal investment company (namely, Target LLP) that entered into the Property SP Agreement with the Property Seller which is an Independent Third Party. Pursuant to the Property SP Agreement, Target LLP has agreed to purchase the Relevant Property (which is an office building located in Glasgow, Scotland) at a total purchase price (i.e. Property SP Price) of GBP43.5 million. It is contemplated that the Property Acquisition by Target LLP will be completed in late August 2017. Further details of the Relevant Property are set out in the section headed "Property SP Agreement – Further information about the Relevant Property" of this announcement.

## JV SHAREHOLDERS AGREEMENT

The major terms of the JV Shareholders Agreement are summarised below:

- Date: 18 August 2017
- Parties:
- (i) Targetco (as issuer of the Targetco Shares, and as the investee company of the JV Shareholders);
  - (ii) Elite Jumbo, which is an indirect wholly-owned subsidiary of the Company and which has agreed to subscribe for 2,749 Targetco Shares at a total subscription price of about GBP5.43 million; and
  - (iii) five other JV Shareholders, which are corporate entities incorporated in various jurisdictions and are special investment vehicles for making and holding investments in the Target Group.

The ultimate holding company of one of the other five JV Shareholders is a company incorporated in the Cayman Islands, whose securities are listed on the Stock Exchange. The Ultimate Owner of each of the other JV Shareholders is an individual.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the JV Shareholders (other than Elite Jumbo) and their respective Ultimate Owners is an Independent Third Party.

Targetco is a special purpose vehicle incorporated as holding company of the Target Group.

- Number of Targetco Shares agreed to be subscribed and the relevant Subscription Price:
- The subscription price for each Targetco Share is about GBP1,976. Immediately after completion of the Subscriptions, Targetco will have a total number of 9,999 Targetco Shares. The shareholding percentages of the JV Shareholders in Targetco range from about 7.8% to 27.49%.

Under the JV Shareholders Agreement, the aggregate Subscription Price payable by each of the JV Shareholders shall be paid in or before late August 2017 to Targetco.

The aggregate Subscription Prices of GBP19.76 million payable to Targetco are planned to pay a portion of the Property SP Price and the related fees and costs for the Property Acquisition.

Principal business of the Target Group:	The Target Group's principal business is the holding and operating of the Relevant Property.
Targetco Board composition:	Unless the JV Shareholders agree otherwise, the number of Targetco Directors shall be no fewer than three. Each JV Shareholder is entitled to nominate one person for appointment as a Targetco Director.
Targetco Board proceedings and chairman:	<p>The quorum for the meeting of Targetco Board shall be a Targetco Director representing each of the JV Shareholders (insofar as such JV Shareholder has appointed one). The JV Shareholders Agreement contains usual provisions on the notice and quorum requirements for convening a meeting (or for an adjourned meeting) of Targetco Board.</p> <p>Targetco Chairman shall be a Targetco Director nominated and appointed by Targetco Board.</p> <p>The number of votes which may be exercised by each Targetco Director generally ties in with the number of Targetco Shares held by their respective nominating JV Shareholder. In the event of an equality of votes, Targetco Chairman does not have a second and casting vote.</p>
Matters which may be approved by simple majority or is subject to unanimous approval of Targetco Board:	<p>Decisions of Targetco Directors (except where unanimous approval is required) shall be by simple majority.</p> <p>Certain matters require an unanimous approval of Targetco Directors (i.e. approval of all of Targetco Directors present and voting at a meeting of the Targetco Board). These matters include (but are not limited to) the following: altering the rights attaching to any shares in Targetco; disposing of the Relevant Property (whether directly or indirectly) where the sale price is less than a prescribed amount; borrowing money; and other matters which are customary in the type of special purpose vehicles with a few independent shareholders, but none of which are a controlling shareholder.</p>

Pre-emptive rights and other similar rights: If any JV Shareholder intends to sell its Targetco Shares or if Targetco plans to issue any new Targetco Shares, all JV Shareholders (or, as the case may be, the other JV Shareholders) generally enjoy pre-emptive rights.

If any JV Shareholder of a group of JV Shareholders holding in aggregate a prescribed proportion of shareholdings accept an offer to purchase their Shares from a bona fide third party, all the remaining JV Shareholders are under the obligations either to sell all the Targetco Shares held by them to such third party, or to take all necessary action to cause the conclusion of such transaction, including voting its Targetco Shares in favour of such transaction.

## **PROPERTY SP AGREEMENT**

On 3 July 2017, Target LLP and the Property Seller entered into the Property SP Agreement, pursuant to which Target LLP (as buyer) has agreed to purchase from the Property Seller the Relevant Property (which is an office building located in Glasgow, Scotland) at a total purchase price of GBP43.5 million.

The major terms of the Property SP Agreement are summarised below:

Date: 3 July 2017

Parties: (a) Target LLP (as buyer), and  
(b) the Property Seller (as seller)

As at the date of this announcement, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Property Seller and its ultimate owners are Independent Third Parties.

Subject matter of the Property SP Agreement: The Relevant Property (namely, Capella), which is an office building located at 60 York Street, Glasgow, Scotland, which has a total lettable area of about 115,300 sq.ft.

As at the date of the Property SP Agreement, an aggregate of about 106,700 sq.ft. was leased to tenants, while about 8,600 sq.ft. remained vacant.

Property SP Price and  
payment terms:

GBP43.5 million, exclusive of any value-added tax.

Under the Property SP Agreement, (a) upon signing of the Property SP Agreement, 10% of the Property SP Price was paid to an escrow account held by the Property Seller's legal advisers pending completion; and (b) at completion of the Property SP Agreement, about 98.5% of the Property SP Price (including the said 10% deposit) will be paid to the Property Seller.

As mentioned above, some of the premises at the Relevant Property have not yet been leased out. It is a term of the Property SP Agreement that the Property Seller will give rental guarantee in connection with some vacant premises for a term of two years from completion (i.e. late August 2017). If such premises are leased out during such two-year period, all or part of the retained amount of about 1.5% of the Property SP Price will be released to the Property Seller based on the terms of the Property SP Agreement. If such premises remain vacant, the whole or part of such retained amount will be returned to Target LLP by the end of the said two-year period.

### **Further information about the Relevant Property**

The Relevant Property is located at a prime location within Glasgow's International Financial Services District. About 93% of the lettable area have been leased out. Based on the existing leases (the unit rental of which ranges from about GBP25 to GBP27 per sq.ft. per annum), the total annual rental income attributable to the Relevant Property amounted to about GBP3 million.

### **FURTHER INFORMATION ON TARGET LLP**

Following completion of the Property SP Agreement, the Relevant Property will be owned by Target LLP. Targetco will through two of its direct wholly-owned subsidiaries give a majority of the aggregate Subscription Prices as financings (including both equity and loan financings respectively) to Target LLP, and such funds will be applied to the payment of a portion of the Property SP Price and the related fees and costs for the Property Acquisition. The remaining balance of the Property SP Price will be funded by bank financing.

It is expected that an asset management company (i.e. AM Co) will be appointed to provide property management services to Target LLP in connection with the Relevant Property. AM Co is a qualified and experienced property and asset management manager. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of AM Co and its sole shareholder (i.e. AM Co Owner) is an Independent Third Party. It is expected that Target LLP and AM Co will enter into the Asset Management Agreement, pursuant to which AM Co will provide the said property management services at a fixed fee each year.

Under its constitutional documents, Target LLP has capital contributions in the aggregate amount of GBP8 million, of which (i) about GBP7.4 million is attributable to Target BVI, (ii) about GBP0.58 million is attributable to an investment vehicle ("Target LLP MI-1") which is ultimately owned by the AM Co Owner, and (iii) GBP1 is attributable to another investment vehicle ("Target LLP MI-2") which is ultimately owned by the AM Co Owner.

Under the constitutional documents of Target LLP, the distributable amount of Target LLP (comprising of, among other items, all funds of Target LLP available for distribution to its members following winding up and all income and profits of a capital nature of Target LLP (after payment of all contractual debts and liabilities), but excluding all tax due to be paid by the shareholders of Target LLP in such connection) shall be applied in the following manner and priority:

- (a) firstly, in repaying to Target BVI and Target LLP MI-1 the full amount of its capital contribution plus an amount equal to an annualized internal rate of return of 9% (compounded quarterly); provided that if the distributable amount is not sufficient to pay the capital return in full calculated in accordance with the above formula, such distributable amount will be apportioned between Target BVI and Target LLP MI-1 in the proportion of 92.75% and 7.25% respectively, and
- (b) following that, apportioning all remaining amounts of the distributable amount between the members of Target LLP in the following proportions – as to 74.2% to Target BVI, as to 5.8% to Target LLP MI-1 and as to 20% to Target LLP MI-2 (as incentive for AM Co to give high-quality management services in respect of the Relevant Property).

## **INFORMATION ON THE GROUP**

The Group is principally engaged in the import, marketing and distribution, and provision of after-sales service of branded cars (including Italian "Maserati") in Hong Kong and Macau, the provision of pre-delivery inspection service in Shanghai, the PRC and Hong Kong as well as provision of financing and property investment.

## **REASONS FOR AND BENEFITS FROM THE ELITE JUMBO SUBSCRIPTION**

One of the Group's business segments is provision of financing and property investment. The Elite Jumbo Subscription represents an indirect investment in an office building in Glasgow, Scotland.

Glasgow gradually recovered from recession which took place in 2008. As indicated above, the Relevant Property is located at a prime location within Glasgow's International Financial Services District. About 93% of the lettable area have been leased out. Based on the existing leases (the unit rental of which ranges from about GBP25 to GBP27 per sq.ft. per annum), the total annual rental income attributable to the Relevant Property amounted to about GBP3 million. It is expected the rental income will allow the Group to enjoy a stable income stream. Moreover, having regard to the experience and skills of AM Co, the Board believes the Elite Jumbo Subscription will enable the Group to capture upside of the recovering property market in Scotland. Having taking into account the terms of the JV Shareholders Agreement and the Property SP Agreement, the Directors (including independent non-executive Directors) consider that the terms of the JV Shareholders Agreement are normal commercial terms and are fair and reasonable, and the Elite Jumbo Subscription is in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATION**

Some of the applicable percentage ratios (as calculated under Rule 14.07 of the Listing Rules) in respect of the Elite Jumbo Subscription are more than 5% but less than 25%. Accordingly, the Elite Jumbo Subscription constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements set out in Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

“AM Co”	a company registered in Northern Ireland with limited liability, which is the property manager of the Relevant Property
“AM Co Owner”	an individual who is the holder of GBP0.58 million in the capital contribution in Target LLP, and who is the sole shareholder of AM Co



“Asset Management Agreement”	the agreement to be entered into between Target LLP and AM Co, pursuant to which AM Co has agreed to provide certain property management services to Target LLP in respect of the Relevant Property after completion of the Property SP Agreement
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“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 Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Elite Jumbo”	Elite Jumbo Limited, a company incorporated in BVI with limited liability, which is an indirect wholly-owned subsidiary of the Company and which (i) has agreed to subscribe for 2,749 Targetco Shares pursuant to the JV Shareholders Agreement, and (ii) will, after completion of the Subscriptions, become interested in 27.49% of Targetco’s issued share capital
“Elite Jumbo Subscription”	the subscription of 2,749 Targetco Shares by Elite Jumbo as contemplated under the JV Shareholders Agreement
“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 PRC
“Independent Third Party(ies)”	a third party independent of and not connected with the Company and its subsidiaries and its connected persons

“JV Shareholders”	collectively, a total of six subscribers (including Elite Jumbo) for Targetco Shares under the JV Shareholders Agreement, or any combination of them
“JV Shareholders Agreement”	the shareholders agreement dated 18 August 2017 and entered into between the JV Shareholders (including Elite Jumbo) and Targetco, pursuant to which the JV Shareholders have agreed to the Subscriptions and the regulation of the conduct of business of holding and operating the Relevant Property through the Target Group and other associated entities
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property Acquisition”	the transaction of acquisition of the Relevant Property by Target LLP from the Property Seller, as contemplated under the Property SP Agreement
“Property Seller”	the owner of the Relevant Property as at the date of the Property SP Agreement, which is a limited corporate partnership organised under the laws of Luxembourg, and which is an Independent Third Party
“Property SP Agreement”	an agreement dated 3 July 2017 in the form of offer letter given by the Property Seller and accepted by Target LLP in connection with the sale and purchase of the Relevant Property
“Property SP Price”	the total price (exclusive of value-added tax) in the sum of GBP43.5 million payable by Target LLP to the Property Seller for Target LLP’s purchase of the Relevant Property under the Property SP Agreement
“Relevant Property”	Capella, which is an office building located at 60 York Street, Glasgow, Scotland, which has a total lettable area of about 115,300 sq.ft.

“sq.ft.”	square foot (feet)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription(s)”	(i) in respect of each JV Shareholder, its subscription for such number of Targetco Shares at the Subscription Price as provided under the JV Shareholders Agreement, and (ii) collectively, the subscriptions by the JV Shareholders for the Targetco Shares pursuant to the JV Shareholders Agreement
“Subscription Price”	a subscription price of about GBP1,976 per Targetco Share by each JV Shareholder as provided under the JV Shareholders Agreement
“Targetco”	Dakota RE II Limited, a company incorporated in BVI with limited liability
“Targetco Board”	the board of directors of Targetco
“Targetco Chairman”	the chairman of Targetco Board
“Targetco Director(s)”	the director(s) of Targetco
“Targetco Share(s)”	share(s) having a par value of US\$1 each in the capital in Targetco
“Target BVI”	Dakota Capella Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of Targetco
“Target Group”	collectively, the Targetco, Target LLP and two other direct wholly-owned subsidiaries of Targetco
“Target LLP”	Dakota Capella LLP, a limited liability partnership incorporated in Northern Ireland, which as at the date of this announcement has a total capital contribution of GBP8 million, of which as to (i) about GBP7.4 million is attributable to Target BVI, (ii) about GBP0.58 million by Target LLP MI-1, and (iii) GBP1 by Target LLP MI-2

“Target LLP MI-1”	Frances Investments Limited, a company incorporated in Northern Ireland with limited liability and which is ultimately wholly-owned by AM Co Owner, which is a holder of the capital in Target LLP
“Target LLP MI-2”	Dakota Partners Limited, a company incorporated in Northern Ireland with limited liability and which is ultimately wholly-owned by AM Co Owner, which is a holder of the capital in Target LLP
“Ultimate Owner”	in respect of each of the JV Shareholders (excluding Elite Jumbo), its ultimate beneficial owner, who (in each case) is an Independent Third Party
“Ultimate Owners”	collectively, all the Ultimate Owners of the JV Shareholders, or any combination of them
“%”	per cent

*Unless otherwise 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\$10.0873. No representation is made that any amounts in Hong Kong dollars and GBP were or could have been or could be converted into each other at such rates or any other exchange rates on the date of this announcement or any other date.*

By Order of the Board  
**Auto Italia Holdings Limited**  
**CHONG Tin Lung Benny**  
*Executive Chairman and Chief Executive Officer*

Hong Kong, 18 August 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.*

\* *For identification purposes only*