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China ZhengTong Auto Services Holdings Limited

中國正通汽車服務控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 1728)

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

THE SUBSCRIPTION AGREEMENTS

On 25 July 2024 (after trading hours), the Company entered into two Subscription Agreements with two Subscribers respectively, pursuant to which the Company has conditionally agreed to allot and issue, and the two Subscribers have conditionally agreed to subscribe for an aggregate of 479,888,000 Subscription Shares at the Subscription Price of HK\$0.125 per Subscription Share.

The Subscription Shares, in aggregate, represent: (a) approximately 16.74% of the existing issued share capital of the Company of 2,867,102,420 Shares as at the date of this announcement; and (b) approximately 14.34% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company between the date of this announcement and the Completion other than the issue of the Subscription Shares).

The gross proceeds from the Subscriptions are expected to be approximately HK\$59.99 million and the net proceeds, after deduction of the related expenses, are expected to be approximately HK\$59.33 million, representing a net Subscription Price of approximately HK\$0.124 per Subscription Share. The Company intends to apply such net proceeds for the repayment of bank loans.

The Subscription Agreements are not inter-conditional upon one another.

An application will be made to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

Completion is subject to the fulfilment or waiver (as the case may be) of the Conditions Precedent under the Subscription Agreements as stated below in this announcement and as such, the Subscriptions may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

On 25 July 2024 (after trading hours), the Company entered into two Subscription Agreements with two Subscribers respectively, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for an aggregate of 479,888,000 Subscription Shares at the Subscription Price of HK\$0.125 per Subscription Share.

THE SUBSCRIPTION AGREEMENTS

The principal terms of the Subscription Agreements are set out below:

Date

25 July 2024 (after trading hours)

Parties to Subscription Agreement I

- (1) Mr. Yang Liguo (楊利國) as Subscriber I
- (2) the Company as the issuer

Parties to Subscription Agreement II

- (1) Ms. Li Xiao Feng (李小豐) as Subscriber II
- (2) the Company as the issuer

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Subscribers is an Independent Third Party.

Subscription

Pursuant to Subscription Agreement I, the Company has conditionally agreed to allot and issue, and Subscriber I has conditionally agreed to subscribe for 319,888,000 Shares at the Subscription Price.

Pursuant to Subscription Agreement II, the Company has conditionally agreed to allot and issue, and Subscriber II has conditionally agreed to subscribe for 160,000,000 Shares at the Subscription Price.

Subscription Shares

The Subscription Shares, in aggregate, represent:

- (a) approximately 16.74% of the existing issued share capital of the Company of 2,867,102,420 Shares as at the date of this announcement; and
- (b) approximately 14.34% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company between the date of this announcement and the Completion other than the issue of the Subscription Shares).

The aggregate nominal value of the Subscription Shares is HK\$47,988,800.

Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank *pari passu* in all respects among themselves free from all liens, charges, guarantee, adverse interests and adverse claims, and with the Shares in issue on the date of allotment and issue of the Subscription Shares including all dividends declared or payable or distribution made or proposed on or after Completion.

Subscription Price

The Subscription Price of HK\$0.125 per Subscription Share represents:

- (a) a discount of approximately 13.79% to the closing price of HK\$0.145 per Share as quoted on the Stock Exchange on 25 July 2024, being the date of the Subscription Agreements; and
- (b) a discount of approximately 16.78% to HK\$0.1502, being the average closing price as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of the Subscription Agreements.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscribers with reference to the recent trading prices of the Shares and the funding needs, financial position and prospects of the Company. The Directors consider that the Subscription Price is fair and reasonable in light of the prevailing market conditions, the recent price performance and liquidity of the Shares and the Subscriptions are in the interests of the Company and its Shareholders as a whole.

Conditions Precedent

Completion is conditional upon the following Conditions Precedent having been satisfied:

- (i) the Listing Committee of the Stock Exchange having granted the approval for the listing of and the permission to deal in the Subscription Shares, and such approval and granting of permission not having been withdrawn or revoked;
- (ii) each of the representations and warranties given by the Company as contained in the Subscription Agreements remaining true, complete and accurate and not misleading at the date of the Subscription Agreements and at Completion; and
- (iii) each of the representations and warranties given by the Subscribers as contained in the Subscription Agreements remaining true, complete and accurate and not misleading at the date of the Subscription Agreements and at Completion.

The condition set out in paragraph (i) above cannot be waived by any party to the Subscription Agreements. The Company may waive the condition set out in paragraph (ii) above and the Subscribers may waive the condition set out in paragraph (iii) above. In the event that the Conditions Precedent are not satisfied or waived on or before the Long Stop Date (or such later date as may be agreed by the Company and each of the Subscribers in writing), the parties to the Subscription Agreements shall consult each other and discuss a later date for the satisfaction of the Conditions Precedent and Completion as the parties may agree in writing. In the event that the parties cannot agree to a later date within five Business Days after the Long Stop Date, either party to the Subscription Agreements shall be entitled to terminate such agreements by written notice to the other party and the Subscription Agreements and all rights and obligations of the parties thereunder shall cease and terminate save for any accrued rights and obligations of the parties under such agreements.

Completion

Completion is expected to take place on the first business day after the last Condition Precedent having been satisfied or waived in accordance with the Subscription Agreements or such other earlier date as the parties to the Subscription Agreements may agree in writing.

Lock-Up Period of the Subscription Shares

Each of the Subscribers undertakes to the Company that, for the period of three months from the Completion Date, without the prior written consent of the Company, it shall not: (i) offer, pledge, charge, sell, mortgage, lend, create, transfer or otherwise dispose of any legal or beneficial interest in the Subscription Shares or securities convertible or exchangeable for such Subscription Shares, or contract to do so, whether directly or indirectly; or (ii) enter into any agreement in respect of the votes or any other rights attached to the Subscription Share, any swap or other arrangement that transfers any of the economic consequences or incidents of ownership of such Subscription Shares.

Restrictions to Issue Securities

The Company undertakes to the each of the Subscribers that it shall not, before the Completion Date and save for the issue of Subscription Shares, create, grant, issue or allot any Shares or equity interests or securities or instruments convertible into or exercisable or exchangeable for, or that represent the right to receive, any Share or equity interests, or issue any other equity or ownership interests in the Company or undertake any other event which would increase the total outstanding issued share capital in the Company.

GENERAL MANDATE

Pursuant to a general mandate granted by the Shareholders at the annual general meeting of the Company held on 27 June 2024, the Directors may exercise all powers of the Company to allot, issue or deal with additional Shares not exceeding 20% of the total number of 2,867,102,420 Shares, being the issued share capital of the Company as at the date of that annual general meeting. Pursuant to the general mandate, the total number of new Shares that the Company has been authorised to issue is 573,420,484 Shares. As at the date of this announcement, no Shares have been allotted and issued pursuant to such general mandate. Accordingly, such general mandate is sufficient for the issue of the Subscription Shares and therefore the issue of the Subscription Shares is not subject to separate Shareholders' approval. The issue of the Subscription Shares will utilise 83.69% of such general mandate.

APPLICATION FOR LISTING

An application will be made to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

EQUITY FUND RAISING ACTIVITIES BY THE COMPANY IN THE PAST TWELVE MONTHS PRIOR TO THE DATE OF THIS ANNOUNCEMENT

The Company had not conducted any fund-raising activities involving the issue of its equity securities in the twelve months immediately preceding the date of this announcement.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS

The Group is principally engaged in the luxury and ultra-luxury auto sales business and after-sales business in the PRC. The Directors consider that the issue of the Subscription Shares represents an opportunity to tap the market for funds to retire some of the more expensive bank loans coming due. The Directors believe that Subscriptions reflect the confidence from the Subscribers towards the long-term and sustainable development of the Company and the proceeds to be generated from the Subscriptions will increase the financial flexibility of the Group. The Directors consider that the terms of the Subscription Agreements (including the Subscription Price) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds from the Subscriptions, in aggregate, are expected to be approximately HK\$59.99 million and the net proceeds, in aggregate, after deduction of the related expenses, are expected to be approximately HK\$59.33 million, representing a net Subscription Price of approximately HK0.124 per Subscription Share.

The Company intends to apply such net proceeds for the repayment of bank loans.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 2,867,102,420 Shares in issue. Set out below is a table showing the shareholding structure of the Company (i) as at the date of this announcement, and (ii) immediately upon Completion, assuming there is no change in the issued share capital of the Company and in the shareholding structure of the Company (other than the issue of the Subscription Shares) between the date of this announcement and Completion:

Name of Shareholders	As at the date of this announcement		Immediately after completion of the Subscriptions	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Substantial Shareholders				
Xiamen ITG Holding Group Co., Ltd. (廈門國貿控股集團有限公司) ⁽²⁾	842,977,684	29.40	842,977,684	25.19
Cheung Mui (張梅) ⁽³⁾	316,839,500	11.05	316,839,500	9.47
Public Shareholders				
<i>Subscribers</i>				
— Subscriber I	—	—	319,888,000	9.56
— Subscriber II	300,500	0.01	160,300,500	4.79
Other public shareholders	<u>1,706,984,736</u>	<u>59.54</u>	<u>1,706,984,736</u>	<u>50.99</u>
Total	<u><u>2,867,102,420</u></u>	<u><u>100.00</u></u>	<u><u>3,346,990,420</u></u>	<u><u>100.00</u></u>

Notes:

- Percentages listed herein are subject to rounding.
- Xiamen ITG Holding Group Co., Ltd. (廈門國貿控股集團有限公司) and Xiamen Xindeco Ltd. (廈門信達股份有限公司) are deemed to be interested in 22,359,500 Shares held by Hong Kong Sindanol Ltd., as Xiamen ITG Holding Group Co., Ltd. (廈門國貿控股集團有限公司) was beneficially interested in appropriately 39.27% of the issued share capital of Xiamen Xindeco Ltd. (廈門信達股份有限公司) according to the 2023 annual report of Xiamen Xindeco Ltd. (廈門信達股份有限公司), and Xiamen Xindeco Ltd. (廈門信達股份有限公司) was beneficially interested in the entire issued share capital of Hong Kong Sindanol Ltd. Xiamen ITG Holding Group Co., Ltd. (廈門國貿控股集團有限公司) was also directly interested in 820,618,184 Shares. Therefore, Xiamen ITG Holding Group Co., Ltd. (廈門國貿控股集團有限公司) was directly and indirectly interested in 842,977,684 Shares.
- The source of information on the interests of Cheung Mui is from the Disclosure of Interest Form published on the website of the Stock Exchange as at the date of this announcement.

Completion is subject to the fulfilment or waiver (as the case may be) of the Conditions Precedent under the Subscription Agreements as stated above in this announcement and as such, the Subscriptions may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Board”	the board of Directors;
“Company”	China ZhengTong Auto Services Holdings Limited (中國正通汽車服務控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the Stock Exchange;
“Completion”	the completion of the Subscriptions in accordance with the Subscription Agreements;
“Completion Date”	the first business day after the last Condition Precedent having been satisfied or waived in accordance with the Subscription Agreements or such other earlier date as the parties to the Subscription Agreements may agree in writing;
“Conditions Precedent”	the conditions precedent set out in the section headed “The Subscription Agreements — Conditions Precedent” in this announcement;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and the connected persons of the Company in accordance with the Listing Rules;
“Listing Committee”	the Listing sub-committee appointed by the Stock Exchange for considering applications for listing and the granting of listing of securities on the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Long Stop Date”	31 August 2024 (or such later date as the Company and the Subscribers may agree in writing);
“PRC”	means the People’s Republic of China excluding, for the purposes of this announcement, Hong Kong, the Special Administrative Region of Macao and the territory of Taiwan;
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the issued share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscribers”	collectively, Subscriber I and Subscriber II, and “Subscriber” means any one of them;
“Subscriber I”	Mr. Yang Liguo (楊利國);
“Subscriber II”	Ms. Li Xiao Feng (李小豐);
“Subscriptions”	the subscriptions of the Subscription Shares pursuant to the terms of the Subscription Agreements;
“Subscription Agreements”	collectively, Subscription Agreement I and Subscription Agreement II;
“Subscription Agreement I”	the subscription agreement dated 25 July 2024 entered into between the Company and Subscriber I for the issue and subscription of 319,888,000 new Shares;
“Subscription Agreement II”	the subscription agreement dated 25 July 2024 entered into between the Company and Subscriber II for the issue and subscription of 160,000,000 new Shares;
“Subscription Price”	HK\$0.125 per Subscription Share;
“Subscription Shares”	an aggregate of 479,888,000 new Shares to be issued by the Company to the Subscribers under the Subscription Agreements at the Subscription Price;

“%”

per cent.

By Order of the Board
China ZhengTong Auto Services Holdings Limited
中國正通汽車服務控股有限公司
HUANG Junfeng
Chairman

Hong Kong, 25 July 2024

As at the date of this announcement, the Board comprises Mr. HUANG Junfeng (Chairman), Mr. ZENG Tingyi, Mr. WANG Mingcheng and Mr. CHEN Hong as executive Directors; and Dr. WONG Tin Yau Kelvin, Ms. YU Jianrong and Mr. SONG Tao as independent non-executive Directors.