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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)

- (1) ADOPTION OF RESTRICTED SHARE AWARD SCHEME;**
- (2) ISSUE AND GRANT OF SHARES UNDER THE RESTRICTED SHARE AWARD SCHEME;**
- (3) ISSUE OF NEW SHARES UNDER THE RESTRICTED SHARE AWARD SCHEME PURSUANT TO GENERAL MANDATE;**
- (4) CONNECTED TRANSACTION INVOLVING PROPOSED ISSUE OF NEW SHARES TO CONNECTED PERSONS UNDER THE RESTRICTED SHARE AWARD SCHEME PURSUANT TO SPECIFIC MANDATE; AND**
- (5) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



SOMERLEY CAPITAL LIMITED

ADOPTION OF RESTRICTED SHARE AWARD SCHEME

The Board is pleased to announce that it has resolved to adopt the Scheme on 12 June 2020 to, among other things, recognize the contributions, to motivate and retain Participants and to attract personnel to join the Group. The Scheme shall initially be valid and effective for a period of ten years from the Adoption Date subject to early termination as stipulated under the Scheme Rules.

The aggregate number of Shares administered under the Scheme and underlying all Grants (excluding Shares where the rights to acquire them has been released or lapsed in accordance with the Scheme) made pursuant to the Scheme shall not exceed in total 5% of the Company's issued Shares as at the Adoption Date. The maximum number of Grant Shares which may be granted to an individual Selected Participant shall not exceed 1%, of the issued Shares as at the Adoption Date.

The Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. No Shareholders' approval is required to adopt the Scheme.

ISSUE AND GRANT OF SHARES UNDER THE RESTRICTED SHARE AWARD SCHEME

For the purpose of implementing and administering the Scheme, the Company has appointed BOCI-Prudential Trustee Limited as the Trustee by the Trust Deed. On 12 June 2020, the Board resolved that an aggregate of 50,000,000 Grant Shares shall be issued and allotted to the Trustee who shall hold the said Shares on trust exclusively for the benefit of all or one or more of the Selected Participants and/or persons eligible for the Grants under the Scheme.

Based on the recommendation of the Remuneration Committee, the Board (including all independent non-executive Directors) has resolved to conditionally grant a total of 47,100,000 Grant Shares to 40 Selected Participants in accordance with the terms of the Scheme. Of the 47,100,000 Grant Shares, (i) 35,700,000 Grant Shares are granted to 37 Non-connected Selected Participants, all being independent Employees of the Group who are not connected persons of the Company; and (ii) 11,400,000 Grant Shares are granted to 3 Connected Selected Participants, who are executive Directors of the Company, and they are therefore connected persons of the Company. The said 50,000,000 Grant Shares to be issued to and held on trust by the Trustee will be used to satisfy the vesting of the 47,100,000 Grant Shares and future Grants which may be made by the Board from time to time.

ISSUE OF CERTAIN NEW SHARES UNDER THE SCHEME PURSUANT TO GENERAL MANDATE AND CONNECTED TRANSACTION INVOLVING PROPOSED ISSUE OF CERTAIN NEW SHARES TO CONNECTED PERSONS UNDER THE SCHEME PURSUANT TO SPECIFIC MANDATE

The Board further resolved that, (i) 38,600,000 Grant Shares, including the 35,700,000 Grant Shares granted to the 37 Non-connected Selected Participants shall be satisfied by the allotment and issue of new Shares, fully paid or credited as fully paid to the Trustee pursuant to the 2020 General Mandate; and (ii) 11,400,000 Grant Shares granted to the 3 Connected Selected Participants shall be satisfied by the allotment and issue of new Shares, fully paid or credited as fully paid to the Trustee pursuant to the Specific Mandate.

Assuming the total of 50,000,000 Grant Shares are allotted and issued by the Company to the Selected Participants, such Grant Shares represent (i) approximately 2.04% of the total issued Shares as at the date of this announcement; and (ii) approximately 2.00% of the total issued Shares as enlarged by such allotment and issue (assuming there is no change in the number of issued Shares of the Company from the date of this announcement up to the allotment date of the new Shares, other than the allotment and issue of the new Grant Shares).

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Somerley Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the grant of the Specific Mandate and the allotment and issue of Connected Grant Shares described herein.

LISTING RULES IMPLICATIONS

As the Connected Selected Participants are Directors of the Company, the Connected Selected Participants are connected persons of the Company. Therefore, the allotment and issue of the Connected Grant Shares to the Trustee on trust for the Connected Selected Participants under the Scheme shall constitute a connected transaction for the Company under Chapter 14A of the Listing Rules and shall be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will put forward the ordinary resolutions to approve the grant of Specific Mandate, the allotment and issue of the Connected Grant Shares to the Trustee on trust for the Connected Selected Participants and the transactions contemplated therein at the EGM to be convened by the Company for the Independent Shareholders' consideration and approval.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the grant of Specific Mandate and the allotment and issue of the Connected Grant Shares to the Trustee on trust for the Connected Selected Participants.

A circular containing, among others, further details of the grant of the Specific Mandate and the allotment and issue of the Connected Grant Shares, a letter of advice from the Independent Board Committee to the Independent Shareholders, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the grant of the Specific Mandate and the allotment and issue of Connected Grant Shares together with a notice convening the EGM will be despatched to the Shareholders no more than 15 business days after the publication of this announcement in accordance with the requirements of the Listing Rules.

ADOPTION OF RESTRICTED SHARE AWARD SCHEME

The Board is pleased to announce that it has resolved to adopt a restricted share award scheme on 12 June 2020 to, among other things, recognize the contributions, to motivate and retain Participants and to attract personnel to join the Group.

SUMMARY OF THE RESTRICTED SHARE AWARD SCHEME

A summary of the principal terms of the Scheme is set out below.

Purposes and Objectives

The purposes of the Scheme is to provide Selected Participants with an opportunity to acquire a proprietary interest in the Company; to encourage and retain Participants to work with the Group; to provide additional incentive for Selected Participants to achieve performance goals; and to attract personnel to join the Group, with a view to achieving the objectives of increasing the value of the Company and aligning the interests of the Selected Participants directly to the Shareholders of the Company through ownership of Shares.

Administration

The Scheme shall be subject to the administration of the Board and the Trustee in accordance with the provisions of the Scheme and the Trust Deed. The decisions of the Board on all matters arising in relation to the Scheme or its interpretation or effect shall be final, conclusive and binding, provided that such administration shall not prejudice the powers of the Trustee as provided under the Trust Deed. Subject to the Scheme Rules, the authority to administer and implement the Scheme may be delegated by the Board to

the Chairman, a committee of the Board (including the Remuneration Committee) or any person authorized by the Board as deemed appropriate at the sole discretion of the Board.

Operation of the Scheme

Subject to the Scheme Rules, the Board may, from time to time during the Scheme Period (as defined below) determine the number of Grant Shares, fully paid or credited as fully paid, to be granted under the Scheme and the Board at its absolute discretion may select and nominate any Participant to be a Selected Participant under the Scheme. Each determination of the number of Grant Shares and identities of the Selected Participants shall be subject to the approval of the Remuneration Committee, or in the case where the Grant Shares are proposed to be made to any member of the Remuneration Committee, by all of the other members of the Remuneration Committee.

Subject to the Scheme Rules, the Grant Shares shall be new Shares to be issued and allotted by the Company.

The Company shall notify in writing the Trustee and Selected Participants about the results of its determination of Grant Shares. The Grant Shares are subject to acceptance of the Selected Participants. Shares pursuant to a Grant not accepted by the Selected Participants shall lapse forthwith and become unaccepted Shares (“**Unaccepted Shares**”). Please refer to the paragraph headed “Unaccepted and Unvested Shares” below for the treatment of Unaccepted Shares.

Criteria for Determining Selected Participants

In selecting and nominating candidates as the Selected Participants and in determining the number of Grant Shares to any Selected Participant which shall be subject to approval by the Remuneration Committee, the following matters shall be taken into consideration:

- (i) the performance of the particular Participant and his/her contribution to the Group;
- (ii) the general financial condition of the Group;
- (iii) the Group’s overall business objectives and future development plan; and
- (iv) any other matter which the Board considers relevant.

Where any Grant is proposed to be made to any Selected Participant who is a connected person (including a Director), such Grant must first be approved by all the independent non-executive Directors and in each case excluding any independent non-executive Director who is the proposed Selected Participant and shall be separately approved by the Shareholders in general meeting with such connected person and his associates abstaining from voting and shall comply with all other requirements of Chapter 14A of the Listing Rules applicable to such Grant.

Group Contribution

The Company shall issue and allot Shares to the Trustee from time to time for future Grants; or (2) in case where certain Participants are selected to be Selected Participants pursuant to the Scheme Rules, the Company shall, as soon as reasonably practicable after the Grant Date, for the purposes of satisfying the Grant, issue and allot Shares to the Trustee and/or transfer to the Trust the necessary funds from the Group Contribution (as defined below) and instruct the Trustee to subscribe for Shares to be issued by the Company.

The Board, after having regard to all relevant circumstances and affairs of the Group (including without limitation the Group's business and financial performance during the preceding financial year, its business plans and cashflow requirements), may from time to time determine the amount of the funds out of the Company's resources ("**Group Contribution**") to be allocated to the Trustee for subscribing for Shares for the purpose of implementation of the Scheme. The Group Contribution shall be applied to cover (i) the subscription prices for the Shares; and (ii) all related expenses for such subscription.

Such Shares shall be held by the Trustee upon trust for the benefit of the Selected Participants and shall vest and transfer to the relevant Selected Participants after fulfilment of all vesting conditions and subject to the vesting schedule as set out in the Scheme Rules.

Scheme Limit

The aggregate number of Shares administered under the Scheme and underlying all Grants (excluding Shares where the rights to acquire them has been released or lapsed in accordance with the Scheme) made pursuant to the Scheme shall not exceed in total 5% of the Company's issued Shares as at the Adoption Date. The maximum number of Grant Shares which may be granted to an individual Selected Participant shall not exceed 1%, of the issued Shares as at the Adoption Date.

Restrictions and Limitations

Any Grant made in the Scheme shall be personal to the Selected Participant to whom it is made and shall not be assignable.

No Grant shall be made to any Selected Participants:

- (i) after a price sensitive event in relation to the securities of the Company or event which constitutes inside information (as defined in Part XIVA of the SFO) of the Company has occurred, or a price sensitive matter in relation to the securities of the Company or inside information of the Company has been the subject of a decision, until such information has been made public by announcement being published in accordance with the Listing Rules;

- (ii) within the period commencing 60 days immediately preceding the earlier of: (a) the date of a meeting of the Board for the approval of the Company's annual results for any financial period; and (b) the deadline for the Company to publish its annual results announcement under the Listing Rules, and ending on the date of such announcement;
- (iii) within the period commencing 30 days immediately preceding the earlier of: (a) the date of a meeting of the Board for the approval of the Company's interim or quarterly results for any financial period; and (b) the deadline for the Company to publish its interim or quarterly results announcement under the Listing Rules, and ending on the date of such announcement; or
- (iv) in any circumstances where the making of Grants would result in a breach by any member of the Group or its directors of any applicable laws, rules and regulations or where dealings of Shares are prohibited under the applicable laws, rules and regulations which includes amongst others Listing Rules and/or SFO or the securities dealing restrictions adopted by the Company or where the requisite approval from any applicable regulatory authorities has not been granted.

Vesting and Lapse

The Grant Shares shall vest in and be transferred by the Trustee to the Selected Participants after all relevant vesting conditions as set out in the Scheme Rules are fulfilled.

The Grant Shares shall not vest under any of the following circumstances, in each case, pursuant to the terms of the Scheme Rules:

- (i) in the event of any failure of Selected Participants to remain as Participants prior to Vesting Date (as defined below);
- (ii) in the event that the Selected Participants fail to confirm the transfer of the Grant Shares prior to the Vesting Date;
- (iii) in the event that the Selected Participants fail to satisfy the annual performance review for the preceding financial year ("**Annual Performance Review**") applicable to the relevant Selected Participants; and
- (iv) in the event of the death of Selected Participants.

In the event that the Grant Shares do not vest, the Grant shall automatically lapse and all the unvested or outstanding Grant Shares not yet vested shall be immediately forfeited and shall become unvested Shares ("**Unvested Shares**"). Please refer to the paragraph headed "Unaccepted and Unvested Shares" below for the treatment of Unvested Shares.

Subject to the Scheme Rules, a Selected Participant shall automatically cease to be a Participant if the Selected Participant,

- (i) has been terminated by any member of the Group for cause involving for instance, dishonesty or serious misconduct; wilful disobedience; incompetence or negligence in the performance of his duties; or matters adversely affect his ability to perform his duties properly or bring the Group into disrepute;
- (ii) has been summarily dismissed by any member of the Group in so far as such Selected Participant is an Employee;
- (iii) become bankrupt or failed to pay his debts after they become due or has made any arrangement or composition with his creditors generally;
- (iv) has been convicted for any criminal offence involving his integrity or honesty;
- (v) has been charged, convicted or held liable for any offence under the relevant securities laws in Hong Kong or any other applicable laws or regulations in force from time to time;
- (vi) where he is an Employee, retirement, redundancy, severance or dismissal or because he has tendered his resignation;
- (vii) the subsidiary of the Company by which such Selected Participant is employed or contracted with (as the case may be) ceases to be a subsidiary of the Company;
- (viii) an order for the winding up of the Company is made or a resolution is passed for the voluntary winding up of the Company.

In the event that a Selected Participant ceases to be a Participant, the Grant shall automatically lapse forthwith and all the unvested or outstanding Grant Shares not yet vested shall be immediately forfeited and the Grant Shares that have lapsed shall become Unvested Shares. In the case of (i), (ii), (iii), (iv) or (v) above, all benefits accrued to the Grant Shares vested to such person shall form part of the Trust Fund and will apply in accordance with the Scheme Rules.

If there occurs an event of change in control of the Company, whether by way of takeover, merger, scheme of arrangement, share repurchase or otherwise prior to the Vesting Date, then the Board shall determine at its discretion whether the Grant Shares granted shall vest in the relevant Selected Participants and, if applicable, whether the Vesting Dates of any Grants shall be accelerated.

Vesting Schedule

Grant Shares held by the Trustee on behalf of the Selected Participants shall vest in them in accordance with the vesting schedule ranging from the first to the fourth anniversary of the Grant Date, as determined and applicable to relevant Selected Participants according to their respective tenure of office with and/or level of position in the Group.

Voting Rights

Neither the Trustee nor the Selected Participant shall exercise any voting rights in respect of any Shares held under the Trust.

Duration and Termination

The Scheme commenced on the Adoption Date and shall terminate upon expiry of the period of 10 years from the Adoption Date, subject to other circumstances where the Scheme may be earlier terminated as stipulated under the Scheme Rules including but not limited to a change of control of the Company or a resolution passed by the Board for earlier termination (“**Scheme Period**”).

The Scheme shall be valid and effective for the Scheme Period, after which no further Grants shall be made but the Scheme Rules shall remain in full force and effect to the extent necessary to give effect to any Grants made prior thereto and the administration of the Trust Fund held by the Trustee pursuant to the Trust Deed.

Subject to the terms of the Scheme Rules and the Trust Deed, upon termination of the Scheme, the Trustee shall (i) vest in the Selected Participants all Grant Shares referable to the date of termination which are not vested by transferring the same held by the Trustee and in the Trust Fund to the relevant Selected Participants; and (ii) sell all Shares and non-cash income remaining in the Trust, if any, and remit the proceeds of sale of the same together with any residual cash accrued in the Trust, net of expenses in connection with such sale, to the Company.

The Trustee may not in any event transfer any Shares to the Company upon termination of the Scheme.

Unaccepted and Unvested Shares

Where Grant Shares, referable to a Selected Participant, (a) are not accepted by such Selected Participant within the stipulated period in accordance with the Scheme Rules and become Unaccepted Shares; or (b) do not vest in a Selected Participant in accordance with the Scheme Rules and become Unvested Shares (please refer to the paragraph headed “Vesting and Lapse” above), the Trustee shall hold such Unaccepted Shares or Unvested Shares which shall be applied towards future Grants, which Grants shall be subject to the same vesting conditions and vesting schedule pursuant to the Scheme Rules and all income derived therefrom for the benefit of all or one or more of the Selected Participants.

Amendments to the Scheme

The Scheme and the Scheme Rules may be amended in any respect by the Board provided that no such amendment shall operate to affect adversely any rights of any Selected Participant thereunder which accrued prior to such amendment becoming effective, and provided that no such amendment or alteration to the Scheme which affects the Trustee's rights and obligations under the Trust Deed shall be made without the prior written consent of the Trustee (save as may be required to comply with the applicable laws, rules or regulations including amongst others the Listing Rules and/or the SFO).

GENERAL MANDATE MAY BE USED TO SATISFY SHARE AWARDS AND LISTING APPLICATION

New Shares to be allotted and issued by the Company to the Trustee on behalf of the Selected Participants pursuant to the Scheme shall be issued under the general mandate granted or to be granted by Shareholders at general meetings of the Company from time to time unless separate Shareholders' approval is obtained or is required to be obtained as specific mandate in a general meeting of the Company. The Company will comply with the relevant Listing Rules when granting awards of new Shares and application shall be made to the Stock Exchange for the granting of the listing of, and permission to deal in the new Shares to be issued before such Shares are issued.

SHARE AWARDS TO DIRECTORS AND/OR CONNECTED PERSONS

Shares may be awarded to Selected Participants, including Directors and/or connected persons of the Group. If new Shares are awarded to Directors and/or connected persons of the Group, such Grants shall constitute connected transactions under Chapter 14A of the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules.

APPOINTMENT OF TRUSTEE AND ISSUE OF SHARES UNDER THE SCHEME

For the purpose of implementing and administering the Scheme, the Company has appointed BOCI-Prudential Trustee Limited as the Trustee by the Trust Deed. To the best knowledge, information and belief of the Directors after making all reasonable enquiries, the Trustee is third party independent of the Company and not connected with any of its connected persons.

Subject to the Scheme Rules and the Trust Deed, the Trustee shall during the Trust Period stand possessed of the Trust Fund upon the following trusts, (a) to hold the Trust Fund (other than the Grant Shares) upon trust exclusively for the benefit of all or one or more of the Selected Participants and/or persons eligible for Grants under the Scheme; (b) to hold Grant Shares in respect of Grants which have not lapsed or been cancelled upon trust exclusively for the benefit of all or one or more of the Selected Participants to

whom the Grants have been made; and (c) at the expiry of the Trust Period, to hold the Trust Fund in accordance with Scheme Rules (please refer to the paragraph headed “Duration and Termination” above).

The Trustee shall be entitled to be paid all usual professional or proper charges for work done in connection with the Trust, on the usual terms and conditions of such firm in force from time to time including the right to remuneration.

On 12 June 2020, the Board resolved that an aggregate of 50,000,000 Grant Shares shall be issued and allotted to the Trustee who shall hold the said Shares on trust exclusively for the benefit of all or one or more of the Selected Participants and/or persons eligible for the Grants under the Scheme.

IMPLICATIONS UNDER THE LISTING RULES

The Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. No Shareholders’ approval is required to adopt the Scheme.

GRANT OF SHARES UNDER THE RESTRICTED SHARE AWARD SCHEME

The Board further announces that on 12 June 2020, based on the recommendation of the Remuneration Committee, the Board (including all independent non-executive Directors) has resolved to conditionally grant a total of 47,100,000 Grant Shares to 40 Selected Participants in accordance with the terms of the Scheme. The selection of Selected Participants and the number of Grant Shares granted to each of them under the Scheme was determined in accordance with, among other factors, his/her contributions to the Group. Please refer to the paragraph headed “Criteria for Determining Selected Participants” above for brief details. Of the 47,100,000 Grant Shares, (i) 35,700,000 Grant Shares are granted to 37 Non-connected Selected Participants, all being independent Employees of the Group who are not connected persons of the Company; and (ii) 11,400,000 Grant Shares are granted to 3 Connected Selected Participants, who are executive Directors of the Company, and they are therefore connected persons of the Company. The said 50,000,000 Grant Shares to be issued to and held on trust by the Trustee will be used to satisfy the vesting of the 47,100,000 Grant Shares and future Grants which may be made by the Board from time to time.

The Board further resolved that, (i) 38,600,000 Grant Shares, including the 35,700,000 Grant Shares granted to the 37 Non-connected Selected Participants shall be satisfied by the allotment and issue of new Shares, fully paid or credited as fully paid to the Trustee pursuant to the 2020 General Mandate; and (ii) 11,400,000 Grant Shares granted to the 3 Connected Selected Participants shall be satisfied by the allotment and issue of new Shares, fully paid or credited as fully paid to the Trustee pursuant to the Specific Mandate.

The Grant Shares will be allotted and issued to the Trustee on trust for the Selected Participants with details as follows:

Selected Participants	Number of Grant Shares granted
Non-connected Selected Participants	
37 Selected Participants who are independent Employees	<u>35,700,000</u>
Connected Selected Participants	
— Mr. WANG Kunpeng (<i>executive Director</i>)	4,400,000
— Mr. LI Zhubo (<i>executive Director</i>)	4,000,000
— Mr. WAN To (<i>executive Director</i>)	<u>3,000,000</u>
Total Connected Grant Shares	<u>11,400,000</u>
Total Grant Shares conditionally granted	47,100,000
Grant Shares held on trust by Trustee for the purpose of future Grant(s)	<u>2,900,000</u>
Total Grant Shares to be issued and allotted to Trustee	<u>50,000,000</u>

The new 50,000,000 Grant Shares to be conditionally granted to the 40 Selected Participants and other Selected Participants who may be awarded with any Grant Shares under future Grant(s) shall be initially and directly allotted and issued to the Trustee at market price pursuant to the terms of the Scheme. Upon the allotment of the 50,000,000 new Shares, the Trustee will hold the said new Shares on trust for the Selected Participants and will transfer such number of Shares to each of them at no cost upon satisfaction of the vesting conditions.

The nominal value of the new 50,000,000 Grant Shares is HK\$5,000,000. The closing price of the Share as quoted on the Stock Exchange as at the date of this announcement is HK\$1.26. The average closing price of the Shares for the five consecutive trading days immediately preceding the date of this announcement (excluding the date of this announcement) as quoted on the Stock Exchange is approximately HK\$1.178 per Share. The issue price of the Grant Shares is based on the average five-day closing price of the Shares of approximately HK\$1.178 per Share and the market value of such 50,000,000 Grant Shares is HK\$58,900,000.

Assuming the total of 50,000,000 Grant Shares are allotted and issued by the Company to the Selected Participants, such Grant Shares represent (i) approximately 2.04% of the total issued Shares as at the date of this announcement; and (ii) approximately 2.00% of the total issued Shares as enlarged by such allotment and issue (assuming there is no change in the number of issued Shares of the Company from the date of this announcement up to the allotment date of the new Shares, other than the allotment and issue of the new Grant Shares).

Vesting conditions and vesting dates

Grant Shares held by the Trustee on behalf of the Selected Participants shall, unless otherwise determined by the Board, vest in them in accordance with the following vesting schedule, subject to, on each Vesting Date for every Selected Participant, satisfaction of the Annual Performance Review of the relevant Selected Participant. For this purpose, the date or each such date on which the Grant Shares are to vest is referred to as a “Vesting Date” and in case such date is not a Business Day, such Vesting Date shall be the Business Day immediately thereafter.

Applicable to Selected Participants whose term of service with any member of the Group are less than 5 years as at the Grant Date, including those Selected Participants who newly join the Group

Vesting Date	Amount of Grant Shares to vest
Second anniversary of Grant Date	One-third (round down to the nearest board lot of Shares)
Third anniversary of Grant Date	One-third (round down to the nearest board lot of Shares)
Fourth anniversary of Grant Date	The remaining Grant Shares

Applicable to Selected Participants whose term of service with any member of the Group are 5 years or more as at the Grant Date

Vesting Date	Amount of Grant Shares to vest
First anniversary of Grant Date	One-third (round down to the nearest board lot of Shares)
Second anniversary of Grant Date	One-third (round down to the nearest board lot of Shares)
Third anniversary of Grant Date	The remaining Grant Shares

Applicable to Selected Participants whose term of service with any member of the Group are 10 years or more as at the Grant Date and/or whose office or role are vice-president level or above

Vesting Date	Amount of Grant Shares to vest
First anniversary of Grant Date	100%

Subject to the satisfaction of the vesting conditions of the Grants set out in the Scheme (Please refer to the paragraph headed “Vesting and Lapse” above for details) and the satisfaction of the conditions precedent as set out in the paragraph headed “Conditions precedent” below, the 47,100,000 Grant Shares conditionally granted to the 40 Selected Participants shall be transferred by the Trustee to those Selected Participants upon expiry of the following vesting schedule:

Vesting Date	Amount of Grant Shares to vest
First anniversary of Grant Date (i.e. 12 June 2021)	19,720,000 Shares
Second anniversary of Grant Date (i.e. 12 June 2022)	10,900,000 Shares
Third anniversary of Grant Date (i.e. 12 June 2023)	10,900,000 Shares
Fourth anniversary of Grant Date (i.e. 12 June 2024)	5,580,000 Shares
TOTAL	47,100,000 Shares

Ranking of the Grant Shares

The new Shares shall be granted to the Selected Participants for nil consideration and, when issued and fully paid or credited as fully paid, will rank *pari passu* among themselves and with the other Shares in issue, with the right to receive all dividends and other distribution declared, made or paid on or after the allotment date.

Conditions precedent

The allotment and issue of the Grant Shares and the vesting thereof to the Selected Participants shall be subject to the satisfaction of the vesting conditions applicable to the relevant Selected Participants.

The allotment and issue of (i) 35,700,000 new Grant Shares to the Trustee on trust for the 37 Non-connected Selected Participants and (ii) 2,900,000 new Grant Shares to the Trustee on trust for other Selected Participants under future Grant(s) shall be subject to the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in such Grant Shares.

The allotment and issue of the Connected Grant Shares to the Trustee on trust for the Connected Selected Participants shall be subject to (i) the approval by the Independent Shareholders at the EGM in respect of the grant of the Specific Mandate, the allotment and issue of the Connected Grant Shares and the transactions contemplated therein; and (ii) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in the Connected Grant Shares.

General Mandate

Pursuant to the 2020 General Mandate, the Company was authorised to allot and issue up to 490,444,084 Shares, representing 20% of the total number of the issued Shares as at the date of the 2020 AGM. Except for the aforesaid issue of 38,600,000 new Grant Shares to the Trustee on trust for the 37 Non-connected Selected Participants and for other Selected Participants under future Grant(s), no new Share has been issued or allotted under the 2020 General Mandate.

Specific Mandate

11,400,000 Grant Shares to be granted to the Connected Selected Participants shall be satisfied by the allotment and issue of new Shares, fully paid or credited as fully paid to the Trustee pursuant to the Specific Mandate.

Application for listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the aggregate of 50,000,000 new Grant Shares to be allotted and issued.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not engaged in any equity fund raising activities by any issue of Shares in the 12 months immediately preceding the date of this announcement.

REASONS FOR THE AWARD OF THE GRANT SHARES

The Board considers that the award of the Grant Shares to the Selected Participants, in providing the Selected Participants with an opportunity to acquire a proprietary interest in the Company, can encourage and retain Participants to work with the Group, to provide additional incentive for Selected Participants to achieve performance goals, as well as to attract personnel to join the Group, with a view to achieving the objectives of increasing the value of the Company and aligning the interests of the Selected Participants directly to the Shareholders through ownership of Shares. Furthermore, there will not be any actual cash outflow by the Group under the grant and award of the Grant Shares to provide incentives to the Selected Participants. In this regard, the

Directors consider that the terms and conditions of the allotment and issue of new Grant Shares are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Upon allotment and issue of the new Grant Shares, the Trustee will hold the new Shares on trust for the Selected Participants and such new Grant Shares shall be transferred to the Selected Participants at no consideration on the vesting dates. As such, no fund will be raised by the Company as a result of the allotment and issue of the Grant Shares.

LISTING RULES IMPLICATIONS

As the Connected Selected Participants are Directors of the Company, the Connected Selected Participants are connected persons of the Company. Therefore, the allotment and issue of the Connected Grant Shares to the Trustee on trust for the Connected Selected Participants under the Scheme shall constitute a connected transaction for the Company under Chapter 14A of the Listing Rules and shall be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will put forward the ordinary resolutions to approve the grant of Specific Mandate, the allotment and issue of the Connected Grant Shares to the Trustee on trust for the Connected Selected Participants and the transactions contemplated therein at the EGM to be convened by the Company for the Independent Shareholders' consideration and approval.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the grant of Specific Mandate and the allotment and issue of the Connected Grant Shares to the Trustee on trust for the Connected Selected Participants.

A circular containing, among others, further details of the grant of Specific Mandate and the allotment and issue of the Connected Grant Shares, a letter of advice from the Independent Board Committee to the Independent Shareholders, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the grant of Specific Mandate and the allotment and issue of Connected Grant Shares together with a notice convening the EGM will be despatched to the Shareholders no more than 15 business days after the publication of this announcement in accordance with the requirements of the Listing Rules.

Each of Mr. WANG Kunpeng, Mr. LI Zhubo and Mr. WAN To has abstained from approving the relevant Board resolution on the allotment and issue of the Connected Grant Shares to the Trustee on trust for him under the Scheme.

Any future grant(s) of the Grant Shares from the pool of the 2,900,000 Grant Shares to be issued and allotted to and held by Trustee on trust for the benefit of the Selected Participants shall be subject to the terms of the Scheme and in compliance with the relevant requirements under the Listing Rules. Further announcements(s) will be published by the Company for such future Grant(s) as and when applicable.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the grant of the Specific Mandate and the allotment and issue of Connected Grant Shares described herein.

DEFINITIONS

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

“2020 AGM”	the annual general meeting of the Company held on 12 June 2020
“2020 General Mandate”	the general mandate granted by the Shareholders to the Directors to allot, issue and otherwise deal with new Shares at the 2020 AGM
“Adoption Date”	12 June 2020, the date on which the Scheme is adopted by the Board
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Days”	a day on which banks in Hong Kong are open for normal banking business (excluding Saturdays, Sundays and public holidays)
“Chairman”	Chairman of the Board
“Company”	China ZhengTong Auto Services Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Connected Grant Shares”	11,400,000 Grant Shares conditionally granted to the Connected Selected Participants

“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Connected Selected Participants”	the Selected Participants who are connected with the Company or connected persons of the Company
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held at which the ordinary resolutions for the grant of the Specific Mandate and the allotment and issue of the Connected Grant Shares will be considered and, if thought fit, approved by the Independent Shareholders
“Employee”	an employee of the Company or any of its subsidiary
“Grant Date”	in relation to any Grant Share, the date on which the Grant Share is, was or is to be granted
“Grant Shares”	Shares, fully paid or credited as fully paid, to be granted to Selected Participant(s) under the Scheme
“Grant(s)”	individually or collectively, a grant of Grant Shares under the Scheme
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region in the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the grant of the Specific Mandate, the allotment and issue of the Connected Grant Shares to the Trustee on trust for the Connected Selected Participants and transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than the Connected Selected Participants and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Non-connected Selected Participants”	the Selected Participants who are not connected with the Company or connected persons of the Company

“Participant(s)”	any employees or directors of the Company or any of its subsidiaries whom the Board considers, in its sole discretion, to have contributed or will contribute to the Group; however, no individual who is resident in a place where the grant, acceptance or vesting of a Grant pursuant to the Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Scheme and such individual shall therefore be excluded from the term Participant
“Remuneration Committee”	the remuneration committee of the Board
“Scheme”	China ZhengTong Auto Services Holdings Limited Restricted Share Award Scheme as constituted by the Scheme Rules
“Scheme Rules”	the scheme rules related to the Scheme in its present or any amended form
“Selected Participant(s)”	any Participant nominated and selected by the Board and approved by the Remuneration Committee in accordance with the terms of the Scheme Rules for an entitlement to receive a Grant under the Scheme
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shareholder(s)”	registered holder(s) of Shares
“Shares”	share(s) with a par value of HK\$0.10 each (or such other nominal amount as shall result from a sub-division or a consolidation of such shares from time to time) in the capital of the Company
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM to grant the authority to the Board for the allotment and issue of the Connected Grant Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust”	the China ZhengTong Auto Services Holdings Limited Restricted Share Award Scheme Trust as declared by the Trust Deed

“Trust Deed”	the trust deed constituting the Trust, as restated, supplemented and amended from time to time
“Trust Fund”	all the property (including Shares, cash and non-cash income) for the time being and from time to time held or deemed to be held upon the trust of the Trust Deed contributed by the Company
“Trust Period”	without prejudice the subsisting rights of any Selected Participants, the period beginning with the date of the Trust Deed and ending upon (a) 10 years from the Adoption Date; or (b) the day on which the Trustee shall have discharged all its obligations under the Scheme and the Trust Deed; or (c) the date determined/resolved by the Board to terminate the Trust by board resolution; whichever is sooner
“Trustee”	means BOCI-Prudential Trustee Limited, or such other person(s) who for the time being is duly appointed to be the trustee (or trustees) of the Trust
“%”	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
WANG Muqing
Chairman

Hong Kong, 12 June 2020

As at the date of this announcement, the Board comprises Mr. WANG Muqing (Chairman), Mr. WANG Kunpeng, Mr. LI Zhubo and Mr. WAN To as executive Directors; and Dr. WONG Tin Yau, Kelvin, Dr. CAO Tong and Ms. WONG Tan Tan as independent non-executive Directors.