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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)

PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION OF NEW SHARES

Sole Placing Agent



PLACING AND SUBSCRIPTION

On 15 July 2020, after trading hour, the Company entered into the Placing and Subscription Agreement with the Vendor and the Placing Agent, pursuant to which the Placing Agent has agreed to procure Placees, on a best effort basis, for purchase of a total of up to 245,222,000 Placing Shares owned by the Vendor at HK\$1.09 per Placing Share. It is expected that the Placing Shares will be placed to no less than six Placees.

Under the Placing and Subscription Agreement, the Vendor has conditionally agreed to subscribe for the Subscription Shares (the exact number of which will be equivalent to the number of the Placing Shares actually placed under the Placing) at HK\$1.09 per Subscription Share. The Subscription is subject to various conditions set out below under the sub-section headed “Conditions of the Subscription” in section (C) of the main text of this announcement below.

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 12 June 2020. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

PLACING PRICE

The Placing Price represents (i) a discount of approximately 15.50% to the closing price of HK\$1.29 per Share as quoted on the Stock Exchange on 15 July 2020, being the Last Trading Day; (ii) a discount of approximately 19.50% to the average closing price of approximately HK\$1.354 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day, and (iii) a discount of approximately 18.35% to the average closing price of approximately HK\$1.335 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day.

The number of the Placing Shares represent:

- (i) approximately 10.00% of the issued share capital of the Company as at the date of this announcement; and
- (ii) assuming that both the Placing and the Subscription proceed to completion, approximately 9.09% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription.

The aggregate gross proceeds and net proceeds from the Subscription will be approximately HK\$267.29 million and HK\$263.35 million (representing a net price of approximately HK\$1.07 per Subscription Share), respectively. The Company intends to utilise the net proceeds from the Subscription for general working capital purpose.

(A) PLACING OF EXISTING SHARES UNDER THE PLACING AND SUBSCRIPTION AGREEMENT

The Placing and Subscription Agreement after the trading hour on 15 July 2020 was entered into by and among the Vendor, the Company and CCBI.

Parties

Vendor: Joy Capital Holdings Limited, which as at the date of the Placing and Subscription Agreement owned 1,383,516,820 Shares which represent approximately 56.42% of the existing issued share capital of the Company as at the date of this announcement.

Placing Agent: CCBI as placing agent of the Vendor

Issuer: the Company as issuer

Under the Placing and Subscription Agreement, the Placing Agent has agreed to procure Placees, on a best effort basis, to purchase the Placing Shares at the Placing Price. It is expected that the Placing Shares will be placed to no less than six Placees.

To the best knowledge of the Directors after having made all reasonable enquiries:

- (a) the Placees, (where applicable) their ultimate beneficial owners, the Placing Agent and their respective beneficial owners are/will be independent of and not connected with and not acting in concert with any of the Vendors or their respective concert parties;
- (b) the Placees, (where applicable) their ultimate beneficial owners, the Placing Agent and their respective beneficial owners are not/will not be connected persons of the Company and are/will be independent of and not connected with the Company, the directors, chief executive or substantial shareholders of the Company or its subsidiaries, or any of their respective associates; and
- (c) none of the Placees will become substantial shareholders of the Company immediately following the Placing.

Under the Placing and Subscription Agreement, the Vendor has conditionally agreed to subscribe for the Subscription Shares, further details of which are set out in the section headed “(C) Subscription under the Placing and Subscription Agreement” below.

Number of the Placing Shares

The 245,222,000 Placing Shares, representing:

- (i) approximately 10.00% of the issued share capital of the Company as at the date of this announcement, and
- (ii) assuming that both the Placing and the Subscription proceed to completion, approximately 9.09% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription.

(B) PRINCIPAL TERMS OF THE PLACING UNDER THE PLACING AND SUBSCRIPTION AGREEMENT

Placing Price

HK\$1.09 per Placing Share.

The Placing Price was agreed after arm's length negotiations between the Vendor, the Company and the Placing Agent with reference to recent market prices of the Shares and market conditions. The Placing Price represents (i) a discount of approximately 15.50% to the closing price of HK\$1.29 per Share as quoted on the Stock Exchange on 15 July 2020, being the Last Trading Day; (ii) a discount of approximately 19.50% to the average closing price of approximately HK\$1.354 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day, and (iii) a discount of approximately 18.35% to the average closing price of approximately HK\$1.335 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day.

Rights attaching to the Placing Shares

The Placing Shares will be sold by the Vendor free from all encumbrances and together with all rights attaching to the Placing Shares as at the date of the Placing and Subscription Agreement, including the right to receive all dividends or other distributions declared, made or paid on the Placing Shares at any time on or after the date of the Placing and Subscription Agreement. The Placing Shares shall rank *pari passu* in all respects with the other Shares in issue.

Completion of the Placing

Completion of the Placing shall take place on the Completion Date, being the third business day after the date of the Placing and Subscription Agreement or such other date as the Vendor and the Placing Agent may agree in writing.

Payment/Sharing of expenses incurred in the Placing

Under the Placing and Subscription Agreement, the placing commission and other expenses properly incurred by the Vendor in connection with the Placing and the Subscription (including the commission payable to the Placing Agent, reasonable costs and expenses, stamp duty, trading fee of the Stock Exchange, the transaction levy of the Securities and Futures Commission of Hong Kong), shall (subject to the completion of the Placing) be borne by the Vendor among which the Company and the Vendor shall be liable on a joint and several basis to pay the placing commission.

Termination Events

The Placing Agent may terminate the Placing and Subscription Agreement without liability to the Vendor by giving notice in writing prior to 8:00 a.m. on the Completion Date to the Vendor if any of the following has occurred prior to the Completion Date:

- (I) there develops, occurs or comes into force:
 - (i) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the Placing and Subscription Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a material adverse change in, or which may result in a material adverse change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's reasonable opinion would materially adversely affect the success of the Placing; or
 - (ii) there is any material adverse change in the financial position of the Company which in the reasonable opinion of the Placing Agent is material in the context of the Placing; or
 - (iii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's reasonable opinion, would materially adversely affect the success of the Placing; or

- (iv) any material adverse change in conditions of local, national or international securities markets occurs which in the Placing Agent's reasonable opinion would materially and adversely affect the success of the Placing; or
 - (v) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's reasonable opinion any such new law or change may materially and adversely affect the business or financial prospects of the Group and/or the success of the Placing; or
 - (vi) a change or development occurs involving a prospective change of taxation or exchange control (or the implementation of exchange control) in Hong Kong or elsewhere and if in Placing Agent's reasonable opinion, any such change or development would materially adversely affect the success of the Placing; or
 - (vii) any litigation or claim being instigated against any member of the Group, which has or may have a material adverse effect on the business or financial position of the Group and which in the Placing Agent's reasonable opinion would materially and adversely affect the success of the Placing; or
 - (viii) any outbreak or escalation of hostilities or act of terrorism involving Hong Kong or the PRC or the declaration by Hong Kong or the PRC of a national emergency or war; or
 - (ix) any suspension in the trading of the Shares for a period exceeding two trading days except for suspension relating to any transaction under the Placing and Subscription Agreement or in contemplation of the Placing and/or the Subscription; or
- (II) any material breach of any of the representations and warranties set out the Placing and Subscription Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing and Subscription Agreement and prior to the Completion Date which if it had occurred or arisen before the date of the Placing and Subscription Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Vendor of any other provision of the Placing and Subscription Agreement; or there is any adverse change in the financial position of the Company which is material in the context of the Placing,

(C) SUBSCRIPTION UNDER THE PLACING AND SUBSCRIPTION AGREEMENT

Under the Placing and Subscription Agreement, the Vendor has conditionally agreed to subscribe for the Subscription Shares at HK\$1.09 per Subscription Share.

Number of Subscription Shares

The Company has agreed to allot and issue and the Vendor has agreed to subscribe for up to 245,222,000 new Shares (the exact number of which will be equivalent to the number of the Placing Shares actually placed under the Placing) which, having an aggregate nominal value of HK\$24,522,200, represents:

- (i) approximately 10.00% of the issued share capital of the Company as at the date of this announcement, and
- (ii) assuming that both the Placing and the Subscription proceed to completion, approximately 9.09% of the issued share capital as enlarged by the allotment and issue of the Subscription Shares.

Subscription Price

HK\$1.09 per Subscription Share, which is equivalent to the Placing Price per Share. The Placing and Subscription Agreement provides that the subscription monies for the Subscription Shares shall be the aggregate amount of the Placing Price for the Subscription Shares, less the fees and related expenses in relation to the Placing and the Subscription. The net price per Subscription Share is expected to be approximately HK\$1.07.

Mandate to Allot and Issue New Shares

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors by a resolution passed by the Shareholders at the Company's annual general meeting held on 12 June 2020. The Company is authorised to issue up to 490,444,084 Shares under such mandate. As at the date of this announcement, 35,700,000 Share have been or will be allotted and issued pursuant to the said general mandate, details of which are set out in the announcements of the Company dated 12 June 2020 and 18 June 2020 respectively. The issue of the Subscription Shares is not subject to Shareholders' further approval.

Ranking

The Subscription Shares shall, when fully paid, rank *pari passu* in all respects with the other Shares in issue or to be issued by the Company on or prior to the date of completion of the Subscription including the rights to all dividends and other distributions declared, made or paid at any time after the date of allotment.

Conditions of the Subscription

The Subscription is conditional upon:

- (a) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Subscription Shares (and such listing and permission not being subsequently revoked prior to the completion of the Subscription);
- (b) completion of the Placing having occurred pursuant to the terms of the Placing and Subscription Agreement; and
- (c) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the Subscription void, unenforceable or illegal, or restrict or prohibit the implementation of, or impose any additional material conditions or obligations with respect to the Subscription (other than such orders or decisions as would not have a material adverse effect on the legal ability of the Company and/or the Vendor to proceed with the Subscription).

Completion of the Subscription

Completion of the Subscription shall take place on the second business day after the date upon which the last of the above conditions of the Subscription to be satisfied shall have been so satisfied, provided that it shall take place on a date no later than a date falling 14 days after the date of the Placing and Subscription Agreement (or such other time and/or date as the Vendor and the Company may agree in writing).

If the above conditions of the Subscription are not fulfilled within 14 days after the date of the Placing and Subscription Agreement, or such later date as may be agreed between the Company and the Vendor, the obligations and liabilities of the Vendor and the Company under the Subscription shall be null and void and neither the Company nor the Vendor shall have any claim against the other for costs, damages, compensation or otherwise provided that the Company shall reimburse the Vendor any legal fees and out-of-pocket expenses which the Vendor shall be obliged to pay in connection with the Placing.

Completion of the Placing and Subscription Agreement is subject to the right to terminate the Placing and Subscription Agreement not being exercised by the Placing Agent, as mentioned in the sub-section headed “Termination Events” in Section (B) above of this announcement. Completion of the Subscription is subject to the above conditions. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

(D) APPLICATION FOR LISTING

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

(E) CHANGES TO SHAREHOLDINGS AS A RESULT OF THE PLACING AND THE SUBSCRIPTION

Assuming the Placing Shares are fully placed under the Placing, the Placing Shares are fully placed and the Subscription Shares are fully subscribed under the Subscription, the shareholdings of the Vendor and certain other Shareholders in the Company (a) immediately before completion of the Placing; (b) immediately after completion of the Placing, but before completion of the Subscription; and (c) immediately after completion of both the Placing and the Subscription are as follows:

Shareholders ^(Note 1)	Existing shareholding		Immediately after the Placing, but before the Subscription		Immediately after the Placing and the Subscription	
	No. of Shares	% ^(Note 2)	No. of Shares	% ^(Note 2)	No. of Shares	% ^(Note 2)
Vendor ^(Note 3)	1,383,516,820	56.42%	1,138,294,820	46.42%	1,383,516,820	51.29%
Mr. WANG Kunpeng ^(Note 4)	1,230,000	0.05%	1,230,000	0.05%	1,230,000	0.05%
Mr. LI Zubo ^(Note 4)	1,550,000	0.06%	1,550,000	0.06%	1,550,000	0.06%
Public Shareholders:						
Places	—	—	245,222,000	10.00%	245,222,000	9.09%
Other shareholders	<u>1,065,923,600</u>	<u>43.47%</u>	<u>1,065,923,600</u>	<u>43.47%</u>	<u>1,065,923,600</u>	<u>39.52%</u>
Total:	<u><u>2,452,220,420</u></u>	<u><u>100%</u></u>	<u><u>2,452,220,420</u></u>	<u><u>100%</u></u>	<u><u>2,697,442,420</u></u>	<u><u>100%</u></u>

Notes:

1. The number of Shares held by the Shareholders mentioned in the above table is based on the latest information in the possession of the Company.
2. Some percentage figures above have been rounded to two decimal places. Any discrepancies in the table above between totals and sums of amounts listed in it are due to rounding.
3. Mr. WANG Muqing and Mr. WANG Weize were the founders of the family trusts that own all the issued shares of the Vendor, and Credit Suisse Trust Limited in Guernsey is the trustee of these family trusts. The Wang family members are discretionary beneficiaries of these trusts.
4. Mr. WANG Kunpeng and Mr. LI Zubo are the executive Directors of the Company.

As disclosed in the above shareholding table, immediately after completion of the Placing and the Subscription, a minimum of 25% of the then issued share capital of the Company will be in public hands.

(F) REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

The Group intends to use the net proceeds from the Subscription for general working capital purpose. By entering into the Placing and Subscription Agreement, the Group is able to raise capital through the Subscription to further strengthen its capital base and financial position. The Directors consider the terms of the Placing and Subscription Agreement to be fair and reasonable and are in the best interests of the Company, as far as the Company and the Shareholders as a whole are concerned.

Assuming that the Placing Shares are fully placed under the Placing and the Subscription Shares are fully subscribed under the Subscription:

- (i) the gross proceeds from the Subscription are estimated to be approximately HK\$267.29 million;
- (ii) the net proceeds of the Subscription (after deducting related placing commission, professional fees and all related expenses in connection with the Placing) are estimated to be approximately HK\$263.35 million; and
- (iii) the net price per Subscription Share is approximately HK\$1.07.

(G) GENERAL INFORMATION

Principal activities of the Group

The Group is a leading auto sales and services group of luxury conglomerates in China. Its principal businesses include the operation of automobile 4S stores, auto finance businesses and supply chain business.

Fund raising activities of the Company in the past 12 months

The Group has not conducted any equity fund raising activities involving the issue of its securities in the past 12 months from the date of this announcement.

DEFINITIONS

The following defined terms are used in this announcement:

“associates”	having the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“business day”	a day (other than a Saturday, a Sunday or a public holiday) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“CCBI”	CCB International Capital Limited, a company incorporated in Hong Kong and a licensed corporation with Securities and Futures Commission of Hong Kong to carry out Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 6 (Advising on Corporate Finance) regulated activities under the SFO in Hong Kong
“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
“Completion Date”	the date falling three business days after the date of the Placing and Subscription Agreement or such other date as the Vendor and the Placing Agent may agree in writing
“Connected person(s)”	having the meaning ascribed thereto in the Listing Rules
“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”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	15 July 2020, being the date of the Placing and Subscription Agreement and the full trading day in respect of the trading of the Shares of the Company prior to the release of this announcement
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Placee(s)”	professional, institutional and/or corporate investors whom the Placing Agent or its agent(s) has procured or will procure to purchase any of the Placing Shares
“Placing”	the placing of the Placing Shares pursuant to the terms of the Placing and Subscription Agreement
“Placing Agent”	CCBI
“Placing and Subscription Agreement”	the placing and subscription agreement dated 15 July 2020 and made between the Vendor, the Company the Placing Agent in relation to the Placing and the Subscription
“Placing Price”	HK\$1.09 per Placing Share
“Placing Shares”	a total of up to 245,222,000 Shares beneficially owned by the Vendor and to be placed pursuant to the Placing and Subscription Agreement
“PRC”	People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Vendor pursuant to the Placing and Subscription Agreement
“Subscription Shares”	a total of up to 245,222,000 new Shares, the exact number of which will be equivalent to the number of the Placing Shares actually placed under the Placing
“substantial shareholder”	having the meaning ascribed thereto in the Listing Rules

“Vendor” Joy Capital Holdings Limited, a company incorporated in British Virgin Islands, which is the direct controlling shareholder of the Company

“%” per cent.

For and on behalf of the Board of Directors of
China ZhengTong Auto Services Holdings Limited
中國正通汽車服務控股有限公司
WANG Kunpeng
Chief Executive Officer and Executive Director

Hong Kong, 15 July 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.