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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 NEW SHARES UNDER GENERAL MANDATE

Sole Overall Coordinator and Sole Placing Agent



THE PLACING

The Board announces that on 7 June 2023 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company agreed to appoint the Placing Agent, and the Placing Agent agreed to act as, the agent of the Company to procure, on a best efforts basis, purchasers for 122,560,000 new Shares at the Placing Price upon the terms and subject to the conditions set out in the Placing Agreement.

The Placing Shares represent: (a) approximately 4.47% of the total existing issued Shares as at the date of this announcement; and (b) approximately 4.27% of the total issued Shares as enlarged by the allotment and issue of the Placing Shares (assuming there will be no change to the total number of Shares in issue from the date of this announcement to the completion of the Placing other than the issue by the Company of the Placing Shares).

Assuming that all Placing Shares are fully placed, the gross proceeds from the Placing are approximately HK\$58.83 million and the net proceeds of approximately HK\$56.34 million are intended to be applied towards repaying bank loans.

The Placing Shares are expected to be placed to not less than six independent Places, who and whose ultimate beneficial owners are independent of the Company and the connected persons of the Company.

The Placing Shares will be allotted and issued under the General Mandate.

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

As completion of the Placing is subject to satisfaction of certain conditions precedent and the Placing Agent's termination rights, the Placing may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

THE PLACING

The Board announces that on 7 June 2023 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which, the Company agreed to appoint the Placing Agent, and the Placing Agent agreed to act as the agent of the Company to procure purchasers, on a best efforts basis, for 122,560,000 new Shares at the Placing Price upon the terms and subject to the conditions set out in the Placing Agreement.

THE PLACING AGREEMENT

Date

7 June 2023 (after trading hours)

Parties

- (i) The Company; and
- (ii) The Placing Agent.

The Placing Agent

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are independent of the Company and the connected persons of the Company.

Number of the Placing Shares

The Placing Agent has agreed to act as agent of the Company to procure purchasers for 122,560,000 new Shares at the Placing Price (together with such brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable by the purchasers), upon the terms and subject to the conditions set out in the Placing Agreement.

The Placing Shares represent: (a) approximately 4.47% of the total existing issued Shares, as at the date of this announcement; and (b) approximately 4.27% of the total issued Shares, as enlarged by the allotment and issue of the Placing Shares (assuming there will be no change to the total number of Shares in issue from the date of this announcement to the completion of the Placing other than the issue by the Company of the Placing Shares).

Rights of the Placing Shares

The Placing Shares will rank *pari passu* in all aspects with the existing Shares upon issuance.

Placees

The Placing Shares are expected to be placed to not less than six independent Placees, who are either individual or institutional investor. To the best of the knowledge, information and belief of the Directors, the Placees and their respective ultimate beneficial owners are independent of the Company and its connected persons.

Immediately after completion of the Placing, it is expected that none of the Placees will become a substantial shareholder (as defined under the Listing Rules) of the Company.

Placing Price

The Placing Price is HK\$0.48 per Placing Share and represents:

- (i) a discount of approximately 15.79% to the closing price of HK\$0.570 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 16.67% to the average closing price of approximately HK\$0.576 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to and including the Last Trading Day; and
- (iii) a discount of approximately 17.53% to the average closing price of approximately HK\$0.582 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to and including the Last Trading Day.

The net Placing Price (after deducting the costs and expenses of the Placing) is approximately HK\$0.46 per Placing Share. Based on a nominal value of HK\$0.10 per Share, the aggregate nominal value of the Placing Shares is HK\$12,256,000.

The Placing Price was negotiated on an arm's length basis between the Company and the Placing Agent after taking into account factors including the recent market price and liquidity of the Shares and the current market conditions.

Condition of the Placing

Completion of the Placing is conditional upon the fulfillment or waiver of the following conditions:

- (a) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Placing Shares and such listing and permission not subsequently being revoked prior to the delivery of the definitive share certificate(s) representing the Placing Shares, and the delivery to the Placing Agent of a copy of such permission;
- (b) the representations, warranties and undertakings made by the Company pursuant to the Placing Agreement being true, accurate, complete in all material respects and not misleading as of the date of the Placing Agreement and the Closing Date;
- (c) the Company having complied with all of the undertakings and satisfied all of the conditions on its part to be complied with or satisfied under the Placing Agreement on or before the Closing Date;
- (d) the Placing Agent having received on the Closing Date an opinion from the Company's Cayman legal counsel, such opinion to be in a form agreed on behalf of the Company and the Placing Agent prior to the execution of the Placing Agreement.

If at any time prior to 8:00 a.m. (Hong Kong time) on the Closing Date:

- (a) there has developed, occurred or come into force:
 - (i) any new law or regulation or any change (whether or not permanent) or development (whether or not permanent) involving a prospective change in existing laws or regulations or the interpretation or application thereof by any court or other competent authority which in the sole opinion of the Placing Agent is or is likely to be materially adverse to the success of the Placing, or makes or is likely to make it impracticable or inadvisable or inexpedient to proceed with; or
 - (ii) any event, or series of events beyond the control of the Placing Agent (including, without limitation, any calamity, act of government, strike, labour dispute, lock-out, fire, explosion, flooding, earthquake, civil commotion, economic sanctions, epidemic, pandemic, outbreak of infectious disease, outbreak or escalation of hostilities, act of terrorism and act of God) involving Hong Kong, the PRC or the U.S., or the declaration by Hong Kong, the PRC or the U.S. of war or a state of emergency or calamity or crisis; or
 - (iii) any change (whether or not permanent) or development (whether or not permanent) involving a prospective change in local, national or international financial, political, economic, legal, military, industrial, fiscal, regulatory, currency exchange rates, currency controls or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, interbank markets and credit markets) which in the sole opinion of the Placing Agent is or is likely to be materially adverse to the success of the Placing, or makes or is likely to make it impracticable or inadvisable or inexpedient to proceed with; or
 - (iv) any suspension of or limitation in dealings in the Shares during the Placing Period whatsoever (other than as a result of the Placing); or
 - (v) any moratorium, suspension or material restriction on trading in shares or securities generally on the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the London Stock Exchange, the Singapore Stock Exchange, the Stock Exchange, NASDAQ or the New York Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to the Closing Date; or
 - (vi) the commencement by any state, governmental, judicial, regulatory or political body or organisation of any action against any director or supervisor of the Company or an announcement by any state, governmental, judicial, regulatory or political body or organisation that it intends to take any such action which in the sole opinion of the Placing Agent is or is likely to be materially adverse to the success of the Placing or makes or is likely to make it impracticable or inadvisable or inexpedient to proceed with; or

- (b) (i) any breach of any of the representations, warranties and undertakings by the Company set out in the Placing Agreement comes to the knowledge of the Placing Agent; or (ii) any event occurs or any matter arises on or after the date the date of the Placing Agreement and prior to the Closing Date which if it had occurred or arisen before the date hereof would have rendered any of such representations, warranties and undertaking untrue or incorrect in any material respect; or (iii) there has been a breach of, or failure to perform, any other provision of the Placing Agreement on the part of the Company; or
- (c) there is any change, or any development involving a prospective change, in or affecting the business, general affairs, management, prospects, assets and liabilities, shareholders' equity, results of operations or position, financial or otherwise, of the Group (other than those already disclosed to the public on or before the date of the Placing Agreement), whether or not arising out of ordinary course of business, which in the sole opinion of the Placing Agent is or is likely to be materially adverse to the success of the Placing, or makes or is likely to make it impracticable or inadvisable or inexpedient to proceed with,

then, and in any such case, the Placing Agent may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, which notice may be given at any time prior to 8:00 a.m. (Hong Kong time) on the Closing Date.

Application for listing of the Placing Shares

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

Completion of the Placing

Subject to the fulfillment (or waiver, as the case may be) of the conditions set out above, the completion of the Placing will take place on the Closing Date.

As completion of the Placing is subject to satisfaction of certain conditions precedent, the Placing may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

LOCK-UP UNDERTAKING

The Company has undertaken to the Placing Agent that for a period from the date of the Placing Agreement up to 30 days from the Closing Date, neither the Company nor any of its subsidiaries or Affiliates over which it exercises management or voting control will

except for the Placing Shares and any other shares or options which have been or may be granted under the Company's share schemes and those disclosed by the Company prior to the Closing Date:

- (a) sell, transfer, dispose, allot or issue or offer to sell, transfer, dispose, allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares;
- (b) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (a) above; or
- (c) announce any intention to enter into or effect any such transaction described in sub-paragraph (a) or (b) above without first having obtained the written consent of the Placing Agent.

GENERAL MANDATE TO ISSUE THE PLACING SHARES

As disclosed in the Company's circular and poll results announcement dated 17 May 2022 and 27 June 2022, respectively, the grant of the General Mandate was approved by the Shareholders at the annual general meeting of the Company held on 27 June 2022. Under the General Mandate, the Company is authorised to issue up to 548,908,484 new Shares.

As of the date of this announcement, no Shares have been allotted and issued under the General Mandate. The Placing Shares will be allotted and issued pursuant to the General Mandate.

REASONS FOR AND BENEFITS OF THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in 4S dealership business and automotive supply chain business in China.

The Directors consider that the Placing is an opportunity to tap the market for funds to retire some of the more expensive bank loans coming due. The Directors are of the opinion that the terms of the Placing Agreement, including the Placing Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Assuming that all Placing Shares are fully placed, the aggregate gross proceeds from the Placing are expected to be approximately HK\$58.83 million. The Company intends to use the net proceeds of approximately HK\$56.34 million (after deducting related costs and expenses) from the Placing for repaying bank loans.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the shareholding structure of the Company as at the date of this announcement and immediately after the completion of the Placing is set out as follows (assuming all Placing Shares are fully placed and no other changes to the share capital of the Company prior to completion of the Placing):

	As at the date of this announcement		Immediately upon the completion of the Placing	
	<i>Number of Shares</i>	<i>Percentage of total issued shares</i>	<i>Number of Shares</i>	<i>Percentage of total issued shares</i>
Substantial shareholder				
Xiamen ITG Holding Group Co., Ltd.*	820,618,184	29.90%	820,618,184	28.62%
Others				
Other public shareholders	1,568,085,236	57.13%	1,568,085,236	54.69%
Placees ^{Note}	<u>355,839,000</u>	<u>12.97%</u>	<u>478,399,000</u>	<u>16.69%</u>
Total	<u>2,744,542,420</u>	<u>100.00%</u>	<u>2,867,102,420</u>	<u>100.00%</u>

Note: None of the Placees is a substantial shareholder as at the date of this announcement, and it is expected that none of the Placees will become a substantial shareholder of the Company immediately upon the completion of the Placing.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising exercises in the past twelve months immediately before the date of this announcement.

DEFINITIONS

In this announcement, unless the context otherwise required, the following terms have the following meanings:

“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Board”	board of Directors

“Business Day”	means any day (excluding a Saturday, Sunday, public holiday in Hong Kong and a day on which a tropical cyclone warning signal number 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are generally open for business in Hong Kong and the Stock Exchange is generally open for trading of securities in Hong Kong
“Closing Date”	means the second Business Day after the date on which the conditions to the completion of the Placing are fulfilled (other than those conditions intended to be fulfilled on the Closing Date) but in any event no later than 15 June 2023, or such other date as the Company and the Placing Agent may agree in writing
“Company”	China ZhengTong Auto Services Holdings Limited 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 (stock code: 1728)
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Board by the Shareholders at the annual general meeting of the Company held on 27 June 2022 to allot, issue and deal with the Shares
“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”	7 June 2023
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Placee(s)”	investor(s) procured by the Placing Agent to purchase the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing to the Placees procured by the Placing Agent of the Placing Shares subject to the terms and conditions set out in the Placing Agreement
“Placing Agent”	Huatai Financial Holdings (Hong Kong) Limited

“Placing Agreement”	the placing agreement entered into between the Company and the Placing Agent dated 7 June 2023 in respect of the Placing
“Placing Price”	HK\$0.48 per Placing Share
“Placing Shares”	122,560,000 new Shares to be issued under the Placing Agreement
“PRC”	the People’s Republic of China
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	the ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	have the meaning given to such term in the Listing Rules
“U.S.” or “United States”	the United States of America
“%”	per cent

English translations of company names in Chinese which are marked with “” are for identification purposes only.*

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

Hong Kong, 8 June 2023

As at the date of this announcement, the Board comprises Mr. WANG Mingcheng (Chairman), Mr. LI Zhihuang and Mr. ZENG Tingyi as executive Directors; and Dr. WONG Tin Yau, Kelvin, Dr. CAO Tong and Ms. WONG Tan Tan as independent non-executive Directors.