
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, or registered institutions in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China ZhengTong Auto Services Holdings Limited**, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer, or registered institutions in securities, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of **China ZhengTong Auto Services Holdings Limited**, and it must not be used for the purpose of offering or inviting offers for any securities.



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) CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE (2) APPLICATION FOR WHITEWASH WAIVER AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Subscriber



Financial Adviser to the Company



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



A letter from the Board is set out on pages 6 to 21 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 22 to 23 of this circular. A letter from Gram Capital, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 48 of this circular.

A notice convening the EGM to be held at Large Conference Room, 4th Floor, Wuhan Baoze, No. 6 Huangpu Science Park, Tazihu Street, Jiangnan District, Wuhan, Hubei Province, the PRC on Wednesday, 23 April 2025 at 11:00 a.m. is set out on pages 64 to 66 of this circular. Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 11:00 a.m. on Monday, 21 April 2025) or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof and, in such event, the relevant form of proxy shall be deemed to be revoked.

31 March 2025

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	6
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	22
LETTER FROM GRAM CAPITAL	24
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	49
APPENDIX II — GENERAL INFORMATION	52
APPENDIX III — NOTICE OF EXTRAORDINARY GENERAL MEETING	64

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:

“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“Announcement”	the joint announcement of the Company and the Subscriber dated 26 January 2025 in relation to, among other matters, the Connected Subscription and the Whitewash Waiver
“Articles of Association”	the articles of association adopted by the Company from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	means a day on which licensed banks in Hong Kong are generally open for business (other than Saturday, Sunday and public holiday)
“CITICS HK”	CITIC Securities (Hong Kong) Limited, the financial adviser to the Subscriber and a corporation licensed to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being an indirectly wholly-owned subsidiary of CITIC Securities Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6030)
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“CLSA Limited”	CLSA Limited, the agent of the Subscriber in relation to the possible Offer and a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 7 (providing automated trading services) regulated activities under the SFO, being an indirectly wholly-owned subsidiary of CITIC Securities Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6030)
“Company”	China ZhengTong Auto Services Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1728)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Connected Subscription”	the subscription of 6,669,060,524 Subscription Shares by the Subscriber pursuant to the Subscription Agreement

DEFINITIONS

“Connected Subscription Completion”	the completion of the Connected Subscription pursuant to the Subscription Agreement
“Connected Subscription Completion Date”	the date on which the Connected Subscription Completion takes place pursuant to the Subscription Agreement
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at Large Conference Room, 4th Floor, Wuhan Baoze, No. 6 Huangpu Science Park, Tazihu Street, Jiangnan District, Wuhan, Hubei Province, the PRC on Wednesday, 23 April 2025 at 11:00 a.m. to approve, among other things, the Connected Subscription and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Group”	the Company and its subsidiaries
“HK\$” or “HK dollars”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Sindanol”	Hong Kong Sindanol Limited, a company incorporated in Hong Kong with limited liability
“Huatai”	Huatai Financial Holdings (Hong Kong) Limited, the financial adviser to the Company and a licensed corporation permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO
“Independent Board Committee”	the independent committee of the Board, comprising Dr. TSUI Wai Ling Carlye, Mr. SHEN Jinjun and Ms. YU Jianrong, the independent non-executive Directors, which has been established to advise the Independent Shareholders on the terms of the Connected Subscription, the Whitewash Waiver and the Offer

DEFINITIONS

“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders on the terms of the Connected Subscription, the Whitewash Waiver and the Offer and to make recommendation as to voting
“Independent Shareholders”	Shareholders other than (i) the Subscriber, its associates, and any parties acting in concert with it, including but not limited to ITG Holding and Hong Kong Sindanol, and (ii) other Shareholders who are interested or involved in the Connected Subscription and/or the Whitewash Waiver (if any)
“ITG Group”	ITG Holding and its subsidiaries
“ITG Holding”	Xiamen ITG Holding Group Co., Ltd.* (廈門國貿控股集團有限公司), a company incorporated in the PRC with limited liability and a substantial shareholder of the Company
“Last Trading Day”	24 January 2025, being the last trading day immediately prior to the issue of the Announcement
“Latest Practicable Date”	28 March 2025, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing approval
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 August 2025 (or any later date as the Company may agree with the Subscriber)
“Offer”	the possible unconditional mandatory offer to be made by CLSA Limited on behalf of the Subscriber to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Subscriber and/or parties acting in concert with it)
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Relevant Period”	the period commencing from 26 July 2024, being the date falling six months prior to 26 January 2025, i.e. the date of the Announcement, and up to and including the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended and modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Specific Mandate”	a specific mandate to be granted to the Directors in relation to the proposed allotment and issue of the Subscription Shares to be approved by the Independent Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Xinda Motors Co., Limited (信達汽車(香港)有限公司), a company incorporated in Hong Kong with limited liability and a connected person of the Company as at the Latest Practicable Date
“Subscription Agreement”	the subscription agreement dated 25 January 2025 entered into between the Company and the Subscriber in relation to the Connected Subscription
“Subscription Price”	the subscription price of HK\$0.15 per Subscription Share
“Subscription Shares”	6,669,060,524 Shares to be issued by the Company to the Subscriber pursuant to the Connected Subscription
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

DEFINITIONS

“Whitewash Waiver”	the whitewash waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of any obligation of the Subscriber to make a mandatory general offer for all the issued Shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it) which might otherwise arise as a result of the Subscriber subscribing for the 6,669,060,524 Subscription Shares under the Subscription Agreement
“Xiamen Xindeco”	Xiamen Xindeco Ltd.* (廈門信達股份有限公司), a company incorporated in PRC with limited liability and a company listed on the Shenzhen Stock Exchange (stock code: 000701.SZ)
“%”	per cent.

* *For identification purpose only*



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)

Executive Directors:

Mr. HUANG Junfeng (黃俊鋒) (*Chairman*)
Mr. WANG Mingcheng (王明成)
Mr. CHEN Hong (陳弘)
Mr. SU Yi (蘇毅)

Independent Non-Executive Directors:

Dr. TSUI Wai Ling Carlye (徐尉玲)
Mr. SHEN Jinjun (沈進軍)
Ms. YU Jianrong (于建榕)

Chief Executive Officer:

Mr. CHEN Hong (陳弘)

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY 1-1111
Cayman Islands

*Principal Place of business
in Hong Kong:*

Flat C, 32/F
Lippo Centre Tower 1
89 Queensway
Hong Kong

31 March 2025

To the Shareholders

Dear Sir/Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO THE
SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE
(2) APPLICATION FOR WHITEWASH WAIVER
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

I. INTRODUCTION

We refer to the Announcement in relation to, among other matters, the Connected Subscription and the application for the Whitewash Waiver.

The purpose of this circular is to:

- (a) provide further details of the Connected Subscription and the Whitewash Waiver;

LETTER FROM THE BOARD

- (b) set out (i) the letter from Gram Capital to the Independent Board Committee (comprising of all the independent non-executive Directors) and the Independent Shareholders in relation to the Connected Subscription and the Whitewash Waiver; and (ii) the recommendation and opinion of the Independent Board Committee to the Independent Shareholders after having considered the advice of Gram Capital in relation to the Connected Subscription and the Whitewash Waiver; and
- (c) give you notice of the EGM to consider and, if thought fit, approve, among other things, the Connected Subscription and the Whitewash Waiver.

II. THE CONNECTED SUBSCRIPTION

On 25 January 2025, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 6,669,060,524 Subscription Shares at the Subscription Price of HK\$0.15 per Subscription Share for a total consideration of HK\$1,000,359,078.60 in cash. The principal terms of the Subscription Agreement are set out below.

Principal terms of the Subscription Agreement

Date

25 January 2025

Parties Involved

- (a) the Company (as issuer)
- (b) the Subscriber (as subscriber)

As at the Latest Practicable Date, the Subscriber is a connected person of the Company. Please refer to the section headed “Information on the Subscriber” for more information on the Subscriber.

Total Subscription consideration

HK\$1,000,359,078.60

Subscription Price per Subscription Share

HK\$0.15

LETTER FROM THE BOARD

The Subscription Shares

6,669,060,524 Shares will be issued at the Subscription Price per Subscription Share under the Connected Subscription, which represents (assuming there is no other change in the total number of issued Shares of the Company other than the issue of the Subscription Shares):

- (a) approximately 199.26% of the existing issued share capital of the Company as at the Latest Practicable Date; and
- (b) approximately 66.58% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares immediately after the Connected Subscription Completion.

The Subscription Shares for the Connected Subscription shall be allotted and issued pursuant to the specific mandate to be sought from the Independent Shareholders at the EGM. The aggregate nominal value of the Subscription Shares is HK\$666,906,052.40.

Ranking

The Subscription Shares, when allotted and issued, shall rank *pari passu* in all respects among themselves and with the Shares in issue. There is no restriction which applies to the subsequent sale of the Subscription Shares.

The Subscription Price

The Subscription Price of HK\$0.15 per Subscription Share represents:

- (a) a premium of approximately 45.63% over the closing price of HK\$0.103 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 36.36% over the closing price of HK\$0.1100 per Share as quoted on the Stock Exchange on the Last Trading Day immediately prior to the date of the Subscription Agreement;
- (c) a premium of approximately 42.59% over the average closing price of HK\$0.1052 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement;
- (d) a premium of approximately 83.67% over the average closing price of HK\$0.0817 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to the date of the Subscription Agreement;

LETTER FROM THE BOARD

- (e) a premium of approximately 44.65% over the average closing price of HK\$0.1037 per Share as quoted on the Stock Exchange for the last sixty consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (f) a discount of approximately 9.42% to the unaudited consolidated net asset value per Share as at 30 June 2024 of approximately RMB0.1540 (equivalent to approximately HK\$0.1656¹) calculated based on the unaudited net asset of the Group attributable to the equity holders as at 30 June 2024 of approximately RMB515,321,000 and 3,346,990,420 Shares in issue as at the Latest Practicable Date.

As at 31 December 2024, the value of the Group's audited consolidated net liabilities attributable to equity holders of the Company was approximately RMB357,000,000 (equivalent to approximately HK\$384,000,000¹) and based on a total of 3,346,990,420 Shares in issue as at the Latest Practicable Date, the value of the audited net liabilities per Share was approximately HK\$0.1146.

Note 1: based on an exchange rate of RMB1 = HK\$1.0756 as at 24 January 2025 extracted from Bloomberg.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to (i) the recent and historical market prices of the Shares; (ii) the trading liquidity of the Shares; (iii) the recent financial position of the Group; and (iv) the amount of funds that the Company intends to raise under the Connected Subscription.

Taking into account that the Subscriber is willing to inject large amount of capital into the Company to maintain its operation, and to support its future operation, the Directors (including the members of the Independent Board Committee after taking into account the advice of Gram Capital) consider that the Subscription Price is fair and reasonable and in the interest of the Company, and the Shareholders as a whole.

Conditions precedent

The Connected Subscription Completion is conditional upon satisfaction or (if applicable) waiver of the following conditions:

- (a) the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Subscription Shares for the Connected Subscription and such approval and permission remaining in full force and effect;
- (b) the approval by more than 50% of the votes cast by the Independent Shareholders at the EGM in respect of the Subscription Agreement and the transactions contemplated thereunder and the related specific mandate to allot and issue Subscription Shares;

LETTER FROM THE BOARD

- (c) the Subscriber having obtained all necessary approval, consents, filings or registration from applicable regulatory authorities in respect of the Connected Subscription, including the approval, consents, filings or registration from the National Development and Reform Commission, Ministry of Commerce, and State Administration of Foreign Exchange or the respective competent local authorities (as applicable) in the PRC, and such approval, consents, filings or registration remaining in full force and effect;
- (d) there having been no breach of any terms of the Subscription Agreement by the Company in any material respects;
- (e) the representations and warranties given by the Company under the Subscription Agreement remaining true, complete and accurate in all material respects and not misleading as at the Connected Subscription Completion;
- (f) the representations and warranties given by the Subscriber under the Subscription Agreement remaining true, complete and accurate in all material respects and not misleading as at the Connected Subscription Completion;
- (g) there having been no event which may lead to material adverse change to the business, assets, financial conditions and profits of any member of the Group since the date the Subscription Agreement was entered into;
- (h) no regulatory authority having implemented or enacted any legislation, regulations or decrees to prohibit the Connected Subscription, and no courts with competent jurisdiction having issued any order or injunction prohibiting or preventing the Connected Subscription;
- (i) no dividend or other distribution (whether in cash or in kind) having been declared, made or paid by the Company to the Shareholders between the date of the Subscription Agreement and the Connected Subscription Completion Date without prior written consent of the Subscriber; and
- (j) the Whitewash Waiver being granted by the Executive and approved by at least 75% of the votes cast by the Independent Shareholders at the EGM.

As at the Latest Practicable Date, the Company does not intend to declare, pay and/or make any dividend or other distribution up to the Connected Subscription Completion Date.

The Subscriber shall be entitled to waive any of the conditions as set out in paragraphs (d), (e), (g), (i) and (j) above. The Company shall be entitled to waive the condition as set out in paragraph (f) above. The conditions as set out in paragraphs (a), (b), (c) and (h) are non-waivable. As at the Latest Practicable Date, none of the conditions as set out above has been satisfied or (if applicable) waived.

LETTER FROM THE BOARD

In the event the Connected Subscription Completion does not take place on or before the Long Stop Date (or such other time and date as may be agreed by the Company and the Subscriber in writing), the Company and the Subscriber shall discuss with a view to agree on a subsequent date for the Connected Subscription Completion. If the Company and the Subscriber are unable to agree on a subsequent date for the Connected Subscription Completion within 30 days after the Long Stop Date, either the Company or the Subscriber shall be entitled to terminate the Subscription Agreement by written notice to the other party, upon which all rights and obligations of the parties to the Subscription Agreement shall terminate, save for any rights and obligations accrued prior to such termination.

Completion of the Connected Subscription

The Connected Subscription Completion shall take place within 10 Business Days (or such other date and time as may be agreed by the Company and the Subscriber) upon the satisfaction or (if applicable) waiver of the conditions under the Subscription Agreement, upon which the Company shall allot and issue the Subscription Shares to the Subscriber and the Subscriber shall pay to the Company the total consideration for the Subscription Shares.

Termination of the Subscription Agreement

The Subscription Agreement may be terminated:

- (a) by any party upon the material breach of the Subscription Agreement by the other party;
- (b) by the Subscriber, if:
 - (i) the trading in the Shares on the Stock Exchange is suspended by any competent regulatory authorities for 10 trading days or more (except for any trading halt or suspension pending the approval of the joint announcement or the circular of the Company in respect of the Subscription Agreement and the Whitewash Waiver) or for any period which extends to the Connected Subscription Completion Date, or the listing status of the Company on the Stock Exchange is revoked;
 - (ii) there exists any material adverse effect on the financial position or operational results of the Group as a result of sanctions imposed by any applicable regulatory authorities on the Company or any senior management members of the Group (other than any senior management members of the Group which were sanctioned prior to the date of the Subscription Agreement), as a result of any material fraudulent or inappropriate behaviour conducted by any member of the Group being discovered or alleged and proven by any applicable regulatory authorities; or

LETTER FROM THE BOARD

- (iii) there exists any material adverse effect on the financial position or operational results of the Group as a result of any change in applicable laws since the date of the Subscription Agreement; and
- (c) if the conditions precedent to the Subscription Agreement are not fulfilled or (if applicable) waived as the case may be on or before the Long Stop Date (or such other date as the parties agree).

Information on the Subscriber

The Subscriber is a company incorporated in Hong Kong with limited liability, and is principally engaged in investment holding. As at the Latest Practicable Date, the Subscriber is indirectly wholly owned by ITG Holding, a substantial shareholder of the Company, and is therefore a connected person of the Company.

ITG Holding is a Fortune Global 500 Company with operations in commodity trading, circulation automobile trading, logistics business, commodity retail business and other businesses. ITG Holding is a state-owned enterprise directly controlled by Xiamen State-owned Assets Supervision and Administration Commission. As at the Latest Practicable Date, ITG Holding's board of directors comprises 9 directors, namely, Mr. XU Xiaoxi (許曉曦), Mr. GAO Shaoyong (高少鏞), Mr. MA Chenhua (馬陳華), Mr. CHEN Dingyu (陳鼎瑜), Mr. CHEN Fang (陳方), Mr. YANG Qingrong (楊清榕), Mr. WU Shinong (吳世農), Mr. CHEN Cangxing (陳蒼星) and Mr. CAI Yingbin (蔡瑩彬).

Information on the Company and the Group

The Group is principally engaged in 4S dealership business, automotive supply chain business and comprehensive properties business in the PRC.

Reasons for and Benefits of the Connected Subscription and Use of Proceeds

The gross proceeds from the Connected Subscription will be HK\$1,000,359,078.60. The net proceeds (after deducting relevant costs and expenses) from the Connected Subscription are expected to be approximately HK\$997.5 million. On such basis, the net price per Subscription Share will be approximately HK\$0.15.

The net proceeds from the Connected Subscription are intended to be used for the following purposes (i) approximately 30% (approximately HK\$299.25 million) to be applied towards increasing working capital and supporting the Group's business operation, (ii) approximately 20% (approximately HK\$199.5 million) to be applied towards capitalising on market opportunities for strategic investments or mergers and acquisitions (M&A) as and when they arise (collectively, the "Investment Proceeds"), and (iii) approximately 50% (approximately HK\$498.75 million) to be applied towards repayment of existing debts to lower finance costs and to facilitate the development of the Company's core business. If no suitable investment targets or M&A opportunities are subsequently identified, subject to compliance with applicable PRC regulations and

LETTER FROM THE BOARD

the Listing Rules, the Company may consider reallocating the Investment Proceeds in whole or in part towards repayment of its existing debts in order to reduce its finance costs and improve its debt profile.

With the advent of electric vehicles, which has heralded a paradigm shift towards sustainability and environmental consciousness, away from traditional internal combustion engine (ICE) vehicles, the 4S dealership businesses in the PRC are at a crossroads in market development and subject to intense market competition. The Connected Subscription will supplement the Company's working capital requirements, enable to the Company to better meet its operational cash flow needs during such time of market transition, support its plans to optimise its distribution footprint, adjust its brand portfolio, increase its inventory turnover and overall operational efficiency. All these factors will strengthen the Group's core business and better equip it to meet such market challenges. Whilst the Company is reviewing its plans for its non-core businesses, the Company expects to focus more on M&A opportunities in this industry, be it upstream or downstream, and to increase its international presence as it expects market consolidation opportunities to present themselves.

Prior to conducting the Connected Subscription, the Company had considered alternative fundraising methods, including debt financing and equity financing (e.g. share placement to independent third parties, rights issue or open offer).

If the Group were to pursue debt financing, it would incur additional finance costs and further increase its net gearing ratio¹ (which was at approximately 1,089.1% as at 30 June 2024). This is not a profile which a typical bank would lend further monies to. A consequential impact of the application of part of the net proceeds from the Connected Subscription towards repayment of existing debts is precisely to lower the Company's net gearing ratio. As such, the Company did not consider debt financing to be an optimal financing method.

In terms of equity financing, the Company did complete two relatively smaller placings to independent third parties in June 2023 and August 2024 (details of which are set out in the announcements of the Company dated 8 June 2023 and 25 July 2024), but as is evident from the Company's level of debt and current capital market conditions (where the Company has had difficulty identifying any independent third parties interested in participating in a larger placement in the near term), equity funding from third parties in this or a similar amount do not appear to be readily available. As regards rights issues and open offers, such fundraising activities would require underwriting if the Company is to be certain of receiving a certain level of proceeds. Leaving aside additional costs, including but not limited to underwriting commission and other professional fees, given the Group's loss-making position for the two years ended 31 December 2023 and six months ended 30 June 2024, the Company may have difficulties seeking a third party underwriter. As such, the Company did not consider such equity financing methods to be optimal.

¹ Net gearing ratio as at 30 June 2024 was calculated as loans and borrowings and lease liabilities less cash and cash equivalents, time deposits and pledged bank deposits divided by total equity.

LETTER FROM THE BOARD

The Directors (including the members of the Independent Board Committee, whose views are set out in the letter from the Independent Board Committee) consider that the terms and conditions of the Subscription Agreement (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.

Future Intentions of the Subscriber regarding the Group

Upon the Connected Subscription Completion, the Subscriber will become a controlling shareholder of the Company. The Subscriber considers and confirms that:

- (a) it is intended that the Group will continue its existing business and will maintain the listing status of the Company on the Stock Exchange following the Connected Subscription Completion;
- (b) it shares the view of the Company that the Connected Subscription is in the interests of the Group, as disclosed in the section headed “Reasons for and Benefits of the Connected Subscription and Use of Proceeds” above; and
- (c) there is no intention to introduce any major changes to the existing business of the Group or the continued employment of the Group’s employees, and there is no intention to redeploy the fixed assets of the Group other than in its ordinary course of business.

Equity Fund-raising Activities of the Company during the Past Twelve Months

Save as mentioned below, the Company has not raised any fund on any issue of equity securities in the 12 months immediately preceding the Latest Practicable Date:

Date	Event	Net proceeds (HK\$ million)	Intended usage of the proceeds	Actual usage as at the Latest Practicable Date for repayment of bank loans	Unutilised net proceeds as of the Latest Practicable Date
				(HK\$ million)	(HK\$ million)
2 August 2024	Subscription of an aggregate of 479,888,000 new Shares under general mandate at the subscription price of HK\$0.125 per subscription share by two independent individual subscribers, namely, Mr. Yang Ligu (楊利國) (as to 319,888,000 Shares) and Ms. Li Xiao Feng (李小豐) (as to 160,000,000 Shares)	59.33	Repayment of bank loans	59.33	0

LETTER FROM THE BOARD

Effects on the Shareholding Structure of the Company

The shareholding structure of the Company (a) as at the Latest Practicable Date; and (b) immediately after the Connected Subscription Completion, assuming that there is no other change to the share capital and shareholding structure of the Company from the Latest Practicable Date up to the Connected Subscription Completion Date, is set out below:

	As at the Latest Practicable Date		Immediately after the Connected Subscription Completion	
	Number of Shares	% of issued Shares	Number of Shares	% of issued Shares
The Subscriber	820,618,184	24.52	7,489,678,708	74.78
Hong Kong Sindanol	22,359,500	0.67	22,359,500	0.22
The Subscriber and parties acting in concert with it⁽¹⁾	842,977,684	25.19	7,512,038,208	75.00
Non-public Shareholders				
Cheung Mui ⁽²⁾	369,127,500	11.03	—	—
Public Shareholders				
Cheung Mui ⁽²⁾	—	—	369,127,500	3.69
Other public Shareholders	<u>2,134,885,236</u>	<u>63.78</u>	<u>2,134,885,236</u>	<u>21.31</u>
Total	<u><u>3,346,990,420</u></u>	<u><u>100.00</u></u>	<u><u>10,016,050,944</u></u>	<u><u>100.00</u></u>

Notes:

- (1) ITG Holding is deemed to be interested in 22,359,500 Shares held by Hong Kong Sindanol, as ITG Holding was beneficially interested in approximately 39.93% of the issued share capital of Xiamen Xindeco according to the 2024 third quarterly report of Xiamen Xindeco, and Xiamen Xindeco was beneficially interested in the entire issued share capital of Hong Kong Sindanol. ITG Holding is also deemed to be interested in 820,618,184 Shares held by the Subscriber as the Subscriber is an indirectly wholly owned subsidiary of ITG Holding. Therefore, ITG Holding was indirectly interested in 842,977,684 Shares.
- (2) Cheung Mui is not considered a public shareholder given her more than 10% shareholding at the Company as at the Latest Practicable Date. Immediately after the Connected Subscription Completion, she will be considered a public shareholder.
- (3) The percentage figures as set out above are subject to rounding adjustments.
- (4) As at the Latest Practicable Date, none of the Directors held any Shares in the Company.

LETTER FROM THE BOARD

As at the Latest Practicable Date, other than the 3,346,990,420 Shares in issue, the Company has no other convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

Application for Listing

An application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Listing Rules Implications

As described in the section headed “Information of the Subscriber” above, the Subscriber is indirectly wholly owned by ITG Holding, a substantial shareholder of the Company, and is therefore a connected person of the Company. Accordingly, the Connected Subscription constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and will be subject to announcement, reporting and the Independent Shareholders’ approval requirements.

III. THE APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, the Subscriber and the parties acting in concert with it hold 842,977,684 Shares, representing approximately 25.19% of the issued share capital of the Company. Upon the Connected Subscription Completion, the shareholding of the Subscriber and the parties acting in concert with it will increase to approximately, and not more than, 75.00% of the issued share capital of the Company.

As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of the Subscription Shares under the Subscription Agreement to the Subscriber will give rise to an obligation on the part of the Subscriber to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it), unless the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders.

The Subscriber has made an application to the Executive for the Whitewash Waiver from compliance with the obligations to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it) under Rule 26.1 of the Takeovers Code as a result of the allotment and issuance of the Subscription Shares to the Subscriber. The Executive has indicated that it is minded to grant the Whitewash Waiver subject to, amongst others, the approval by at least 75% of the votes cast by the Independent Shareholders by way of poll in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders by way of poll in respect of the Connected Subscription, respectively, at the EGM. If the Whitewash Waiver is granted by the Executive and both the Whitewash Waiver and the Connected Subscription are approved by the Independent Shareholders, the Subscriber and the parties acting in concert with it may increase their aggregate shareholding in the Company subsequent to the completion of the Connected Subscription without triggering any obligation under Rule 26 of the Takeovers Code to make a general offer.

LETTER FROM THE BOARD

The Subscriber, its associates, and any parties acting in concert with it, and the Shareholders who are involved in or interested in the Connected Subscription and/or the Whitewash Waiver, will be required to abstain from voting in respect of the resolution(s) to approve the Connected Subscription and the Whitewash Waiver at the EGM.

The Executive may or may not grant the Whitewash Waiver. Where the Connected Subscription is approved by the Independent Shareholders but the Whitewash Waiver is not granted by the Executive and/or is not approved by the Independent Shareholders, the Subscriber reserves the right to waive the condition precedent relating to the Whitewash Waiver. If the Subscriber proceeds to waive such condition precedent, then the Company and the Subscriber will proceed with the completion of the Connected Subscription in accordance with the terms of the Subscription Agreement. If the Subscriber does not waive the condition precedent in these circumstances, then the Connected Subscription will not proceed. Where the Whitewash Waiver is not granted by the Executive and/or is not approved by the Independent Shareholders and the Connected Subscription Completion takes place, immediately following the Connected Subscription Completion, the Subscriber and the parties acting in concert with it will increase its shareholding in the Company to approximately, and not more than, 75.00% of the issued share capital of the Company. Consequently, the Subscriber will, in those circumstances, comply with Rule 26.1 of the Takeovers Code and make an unconditional mandatory cash offer to acquire all the issued Shares (other than those Shares agreed to be acquired by the Subscriber and the parties acting in concert with it). Further announcements in compliance with the Takeovers Code and the Listing Rules (see section headed “The Possible Unconditional Mandatory Offer” below) will be made.

Where both the Connected Subscription and the Whitewash Waiver are approved by the Independent Shareholders, the Subscriber will proceed with the Connected Subscription without undertaking a mandatory general offer under the Takeovers Code.

As at the Latest Practicable Date, the Company does not believe that the Connected Subscription gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Connected Subscription does not comply with other applicable rules and regulations.

Possible Unconditional Mandatory Offer

Under the Subscription Agreement, the grant of Whitewash Waiver by the Executive and the approval of the Whitewash Waiver by the Independent Shareholders is a condition precedent of the Connected Subscription which the Subscriber reserved the right to waive. Accordingly, the offer period has commenced as at the date of the Announcement. The results of the EGM will be announced in accordance with the Listing Rules and the Takeovers Code following the conclusion of the EGM. If the Whitewash Waiver is not granted by the Executive and/or not approved by the Independent Shareholders at the EGM, the Subscriber may decide whether or not to waive the condition precedent relating to the Whitewash Waiver and proceed with the Connected Subscription and make a general offer, which will be solely in cash, for all

LETTER FROM THE BOARD

the issued Shares in accordance with Rule 26.1 of the Takeovers Code, and the offer period will continue until such offer completes or lapses. If the Subscriber decides not to waive the condition precedent relating to the Whitewash Waiver in such circumstances, the offer period will end when such an announcement is made. If the Independent Shareholders approve the Whitewash Waiver at the EGM, the offer period will end when an announcement is made that the mandatory general offer will not proceed.

In compliance with Rule 3.8 of the Takeovers Code, as at the Latest Practicable Date, the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company comprise 3,346,990,420 Shares in issue. Save as aforesaid, the Company has no other outstanding relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

IV. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Company has appointed Huatai as its financial adviser. The Subscriber has appointed CITICS HK as its financial adviser.

Pursuant to the Listing Rules and Rule 2.8 of the Takeovers Code, the Independent Board Committee (comprising all the independent non-executive Directors who have no direct or indirect interest in the Connected Subscription, the Whitewash Waiver and the Offer, namely Dr. TSUI Wai Ling Carlye, Mr. SHEN Jinjun and Ms. YU Jianrong) has been formed to advise the Independent Shareholders on the terms of the Connected Subscription and the Whitewash Waiver.

Gram Capital, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders on the terms of the Connected Subscription and the Whitewash Waiver and to make recommendation as to voting.

V. GENERAL

The EGM will be convened to consider and, if thought fit, pass the requisite resolutions to approve, among other things, the Subscription Agreement (including the transactions contemplated thereunder and the Specific Mandate to allot and issue the Subscription Shares) and the Whitewash Waiver.

Resolutions approving the Connected Subscription (including the Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate to allot and issue the Subscription Shares) and the Whitewash Waiver will be proposed at the EGM to be approved by the Independent Shareholders. The Whitewash Waiver will be proposed by way of a resolution to be passed by at least 75%, and the Connected Subscription (including the Subscription Agreement, the transactions contemplated thereunder and the

LETTER FROM THE BOARD

related Specific Mandate) will be proposed by way of resolution(s) to be passed by more than 50%, of the votes cast by the Independent Shareholders that are cast either in person or by proxy, respectively, at the EGM.

The voting at the EGM will be conducted by way of poll. The Subscriber, its associates, and any parties acting in concert with it, and the Shareholders who are involved in or interested in the Connected Subscription and/or the Whitewash Waiver, will be required to abstain from voting in respect of the resolution(s) to approve the Connected Subscription and the Whitewash Waiver at the EGM.

As at the Latest Practicable Date, as Hong Kong Sindanol and the Subscriber are both subsidiaries of ITG Holding, Hong Kong Sindanol (which held 22,359,500 Shares as at the Latest Practicable Date, representing approximately 0.67% of the issued share capital of the Company) and the Subscriber (which held 820,618,184 Shares as at the Latest Practicable Date, representing approximately 24.52% of the issued share capital of the Company) will abstain from voting on the resolutions approving the Connected Subscription and the Whitewash Waiver at the EGM.

Save as disclosed above and in the section headed “Effects on Shareholding Structure of the Company”, as at the Latest Practicable Date, no other Shareholder had any material interest in the Connected Subscription and the Whitewash Waiver, and no other Shareholder was required to abstain from voting at the EGM on the resolutions approving the Connected Subscription and the Whitewash Waiver.

A notice convening the EGM to be held at Large Conference Room, 4th Floor, Wuhan Baoze, No. 6 Huangpu Science Park, Tazihu Street, Jiangnan District, Wuhan, Hubei Province, the PRC on Wednesday, 23 April 2025 at 11:00 a.m. is set out on pages 64 to 66 of this circular.

A proxy form for use in connection with the EGM is accompanied with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon to the Hong Kong branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 16 April 2025 to Wednesday, 23 April 2025, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of Shares should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company in Hong Kong,

LETTER FROM THE BOARD

Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 15 April 2025.

VI. RECOMMENDATION

Your attention is drawn to: (i) the letter from the Independent Board Committee set out on pages 22 to 23 of this circular, containing its recommendation to the Independent Shareholders in respect of the Connected Subscription (including the Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate to allot and issue the Subscription Shares) and the Whitewash Waiver and (ii) the letter from Gram Capital set out on pages 24 to 48 of this circular, containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Connected Subscription (including the Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate to allot and issue the Subscription Shares) and the Whitewash Waiver.

The Directors (including the members of the Independent Board Committee, whose views are set out in the letter from the Independent Board Committee) consider that the terms and conditions of the Subscription Agreement (including the Subscription Price) as well as the Whitewash Waiver are fair and reasonable, on normal commercial terms, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Independent Shareholders to vote in favour of all resolutions to be proposed at the EGM.

As each of Mr. WANG Mingcheng and Mr. SU Yi held certain roles within the ITG Group, each of them has abstained from voting on the Board resolutions of the Company for approving the Connected Subscription and the Whitewash Waiver to avoid the perception of a conflict of interest. Save as disclosed above, none of the Directors had a material interest in the Connected Subscription and the Whitewash Waiver and no Director has abstained from voting on the relevant resolutions of the Board.

Independent Shareholders are reminded to review the letter from the Independent Board Committee and the letter from the Independent Financial Adviser which are included in this circular.

VII. ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

Since the Connected Subscription Completion is subject to the fulfilment or waiver (as applicable) of the conditions precedent as set out in the Subscription Agreement, the Connected Subscription may or may not proceed.

LETTER FROM THE BOARD

The Whitewash Waiver may or may not be granted by the Executive and if granted, will, among others things, be subject to the approval by at least 75% of the votes cast by the Independent Shareholders by way of poll in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders by way of poll in respect of the Connected Subscription, respectively, at the EGM.

The making of the Offer is subject to the Whitewash Waiver not being granted by the Executive and/or not being approved by the Independent Shareholders, the Subscriber waiving the condition precedent of the Connected Subscription relating to the Whitewash Waiver and the Connected Subscription Completion having taken place. Accordingly, the Offer may or may not proceed.

Shareholders and potential investors are reminded to exercise caution when dealing in the Shares, and are recommended to consult their stockbroker, bank manager, solicitor or other professional adviser if they are in any doubt about their position and as to actions that they should take.

Yours faithfully,
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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of a letter from the Independent Board Committee setting out its recommendation for the purpose of inclusion in this circular.



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)

31 March 2025

To the Independent Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE AND (2) APPLICATION FOR WHITEWASH WAIVER

We refer to the circular dated 31 March 2025 of the Company (the “**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular have the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the Connected Subscription and the transactions contemplated thereunder and the Whitewash Waiver (collectively, the “**Proposed Transactions**”) and to advise the Independent Shareholders as to whether, in our opinion, the Proposed Transactions are fair and reasonable so far as the Independent Shareholders are concerned.

Gram Capital has been appointed as the independent financial adviser with the Independent Board Committee’s approval to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Transactions.

We wish to draw your attention to the letter from the Board set out on pages 6 to 21 of the Circular which contains, among others, information on the Proposed Transactions as well as the letter from Gram Capital set out on pages 24 to 48 of the Circular which contains its advice in respect of the Proposed Transactions.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the principal factors and reasons and the advice of Gram Capital as set out in the letter from Gram Capital, we consider that (i) the terms of the Connected Subscription are on normal commercial terms; and (ii) although the Connected Subscription is not in the ordinary and usual course of business of the Group, the Proposed Transactions are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in respect of the Connected Subscription and the special resolution to be proposed at the EGM in respect of the Whitewash Waiver.

Yours faithfully
For and on behalf of
the Independent Board Committee of
China ZhengTong Auto Services Holdings Limited

Dr. TSUI Wai Ling Carlye

Mr. SHEN Jinjun

Ms. YU Jianrong

Independent Non-Executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Connected Subscription and the Whitewash Waiver for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

31 March 2025

*To: The independent board committee and the independent shareholders
of China ZhengTong Auto Services Holdings Limited*

Dear Sir/Madam,

**(1) CONNECTED TRANSACTION
IN RELATION TO THE SUBSCRIPTION OF SHARES
UNDER SPECIFIC MANDATE
AND
(2) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Connected Subscription and the Whitewash Waiver, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 31 March 2025 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 25 January 2025, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 6,669,060,524 Subscription Shares at the Subscription Price of HK\$0.15 per Subscription Share for a total consideration of HK\$1,000,359,078.60 in cash.

With reference to the Board Letter, as at the Latest Practicable Date, the Subscriber and the parties acting in concert with it hold 842,977,684 Shares, representing approximately 25.19% of the issued share capital of the Company. Upon the Connected Subscription Completion, the shareholding of the Subscriber and the parties acting in concert with it will increase to approximately, and not more than, 75.00% of the issued share capital of the Company.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the Connected Subscription constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is therefore subject to announcement, reporting and the Independent Shareholders' approval requirements.

With reference to the Board Letter, under Rule 26.1 of the Takeovers Code, the allotment and issuance of the Subscription Shares under the Subscription Agreement to the Subscriber will give rise to an obligation on the part of the Subscriber to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it), unless the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders. The Subscriber has made an application to the Executive for the Whitewash Waiver from compliance with the obligations to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it) under Rule 26.1 of the Takeovers Code as a result of the allotment and issuance of the Subscription Shares to the Subscriber. The Executive has indicated that it is minded to grant the Whitewash Waiver subject to, amongst others, the approval by at least 75% of the votes cast by the Independent Shareholders by way of poll in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders by way of poll in respect of the Connected Subscription, respectively, at the EGM. As such, the Whitewash Waiver, if granted, will be subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders by way of poll in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders by way of poll in respect of the Connected Subscription, respectively, at the EGM.

The Independent Board Committee comprising of Dr. TSUI Wai Ling Carlye, Mr. SHEN Jinjun and Ms. YU Jianrong (being all the independent non-executive Directors) has been established to advise the Independent Shareholders on the terms of the Connected Subscription and the Whitewash Waiver. We, Gram Capital Limited, have been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

Gram Capital was engaged as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to major and connected transaction of the Company, details of which are set out in the Company's circular dated 22 January 2024. Notwithstanding the aforesaid past engagement, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Connected Subscription and the Whitewash Waiver. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

Your attention is drawn to the responsibility statements as set out in the section headed "1. RESPONSIBILITY STATEMENT" of Appendix II to the Circular. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Subscriber or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Connected Subscription and the Whitewash Waiver. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. The Shareholders will be notified of any material changes as soon as possible in accordance with Rule 9.1 of the Takeovers Code. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

LETTER FROM GRAM CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Connected Subscription and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

I. Connected Subscription

1. Information on the Group

With reference to the Board Letter, the Group is principally engaged in 4S (sales, spare parts, service and survey) dealership business, automotive supply chain business and comprehensive properties business in the PRC.

Set out below are the consolidated financial information of the Group for the three years ended 31 December 2024 as extracted from the Company's annual results announcement for the year ended 31 December 2024 (the "**2024 AR Announcement**") and the Company's annual report for the year ended 31 December 2023 (the "**2023 Annual Report**"):

	For the year ended 31 December 2024 ("FY2024") (audited) RMB'000	For the year ended 31 December 2023 ("FY2023") (audited) RMB'000	For the year ended 31 December 2022 ("FY2022") (audited) RMB'000	Change from FY2023 to FY2024 %	Change from FY2022 to FY2023 %
Revenue	20,746,774	24,131,975	22,606,790	(14.03)	6.75
— 4S dealership business	20,342,814	23,464,573	21,927,113	(13.30)	7.01
— Supply chain business	378,393	667,402	679,677	(43.30)	(1.81)
— Comprehensive properties business (Note)	25,567	—	—	N/A	N/A
Gross profit	779,069	1,008,593	1,586,878	(22.76)	(36.44)
Other income	737,723	1,327,026	1,506,316	(44.41)	(11.90)
Selling and distribution expenses	(967,410)	(1,082,892)	(1,211,482)	(10.66)	(10.61)
Administrative expenses	(981,633)	(1,084,526)	(1,280,537)	(9.49)	(15.31)
(Impairment losses)/Reversal of impairment losses on goodwill and/or intangible assets	(116,702)	—	232,426	N/A	(100.00)
(Loss)/Profit from operations	(548,953)	168,201	833,601	N/A	(79.82)
Finance costs	(936,721)	(1,054,301)	(1,006,998)	(11.15)	4.70
Share of (loss)/profit of associates and a joint venture	3,666	(500)	43,055	N/A	N/A
Loss before taxation	(1,482,008)	(886,600)	(130,342)	67.16	580.21
Income tax	(47,078)	66,120	(167,079)	N/A	N/A
Loss for the year	(1,529,086)	(820,480)	(297,421)	86.36	175.86
Loss for the year attributable to ordinary shareholders of the Company	(1,708,506)	(890,990)	(296,285)	91.75	200.72

Note: Mainly includes development and sales of properties in the PRC.

LETTER FROM GRAM CAPITAL

	As at 31 December 2024 (audited) RMB'000	As at 31 December 2023 (audited) RMB'000	As at 31 December 2022 (audited) RMB'000	Change from 31 December 2023 to 31 December 2024 %	Change from 31 December 2022 to 31 December 2023 %
Non-current assets	13,896,931	15,088,521	13,902,668	(7.90)	8.53
Current assets	15,321,305	14,426,280	13,830,091	6.20	4.31
— Cash and cash equivalents	573,088	744,855	734,086	(23.06)	1.47
Non-current liabilities	4,494,295	5,583,349	8,596,839	(19.51)	(35.05)
— Loans and borrowings	2,419,911	3,488,141	6,439,857	(30.62)	(45.84)
Current liabilities	23,654,203	22,644,392	18,911,476	4.46	19.74
— Loans and borrowings	17,550,020	16,272,920	12,234,030	7.85	33.01
Net-current liabilities	(8,332,898)	(8,218,112)	(5,081,385)	1.40	61.73
Total (deficit)/equity attributable to equity shareholders of the Company	(356,683)	361,830	193,389	N/A	87.10

FY2023

According to the table above, the Group recorded revenue of approximately RMB24.13 billion for FY2023, representing an increase of approximately 6.75% as compared to that for FY2022. With reference to the 2023 Annual Report, such increase was mainly due to the increase in the sales of new automobiles for FY2023. Nevertheless, according to the table above, (i) the Group's gross profit for FY2023 decreased by approximately 36.44% as compared to that for FY2022; and (ii) the loss attributable to ordinary shareholders of the Company for FY2023 increased by approximately 200.72% as compared to that for FY2022. With reference to the 2023 Annual Report, (i) the aforesaid decrease in the Group's gross profit was caused by decrease in the Group's gross profit margin from approximately 7.0% for FY2022 to approximately 4.2% for FY2023, mainly attributable to decrease in the average unit sales price of new automobiles; and (ii) the aforesaid increase in the Group's loss for the year attributable to ordinary shareholders of the Company was mainly due to decrease in the Group's gross profit.

LETTER FROM GRAM CAPITAL

According to the table above, (i) the total equity attributable to equity shareholders of the Company increased by approximately 87.10% from approximately RMB193 million as at 31 December 2022 to approximately RMB362 million as at 31 December 2023; (ii) the Group's net current liabilities increased by approximately 61.73% from approximately RMB5,081 million as at 31 December 2022 to approximately RMB8,218 million as at 31 December 2023; (iii) the Group's cash and cash equivalents increased by approximately 1.47% from approximately RMB734 million as at 31 December 2022 to approximately RMB745 million as at 31 December 2023; and (iv) the Group's total loans and borrowings increased by approximately 5.82% from approximately RMB18.67 billion as at 31 December 2022 to approximately RMB19.76 billion as at 31 December 2023.

FY2024

According to the table above, the Group recorded revenue of approximately RMB20.75 billion for FY2024, representing a decrease of approximately 14.03% as compared to that for FY2023. With reference to the 2024 AR Announcement, such decrease was mainly due to the decrease in sales volume and the selling price of new automobiles for FY2024. In addition, according to the table above, (i) the Group's gross profit for FY2024 decreased by approximately 22.76% as compared to that for FY2023; and (ii) the loss attributable to ordinary shareholders of the Company for FY2024 increased by approximately 91.75% as compared to that for FY2023. With reference to the 2024 AR Announcement, (i) the aforesaid decrease in the Group's gross profit was caused by decrease in the Group's revenue and gross profit margin (from approximately 4.2% for FY2023 to approximately 3.8% for FY2024, mainly attributable to decrease in the average selling price of new automobiles); and (ii) the aforesaid increase in the Group's loss for the year attributable to ordinary shareholders of the Company was mainly due to (a) the decrease in the Group's gross profit and other income; and (b) the impairment losses on goodwill and intangible assets recognised for the Group's 4S dealership business for FY2024 (FY2023: nil).

According to the table above, (i) the total deficit attributable to equity shareholders of the Company was approximately RMB357 million as at 31 December 2024 (in contrast to total equity attributable to equity shareholders of the Company of approximately RMB362 million as at 31 December 2023); (ii) the Group's net current liabilities increased by approximately 1.40% from approximately RMB8,218 million as at 31 December 2023 to approximately RMB8,333 million as at 31 December 2024; (iii) the Group's cash and cash equivalents decreased by approximately 23.06% from approximately RMB745 million as at 31 December 2023 to approximately RMB573 million as at 31 December 2024; and (iv) the

Group's total loans and borrowings increased by approximately 1.06% from approximately RMB19.76 billion as at 31 December 2023 to approximately RMB19.97 billion as at 31 December 2024.

2. *Information on the Subscriber*

With reference to the Board Letter, the Subscriber is a company incorporated in Hong Kong with limited liability, and is principally engaged in investment holding. As at the Latest Practicable Date, the Subscriber is indirectly wholly owned by ITG Holding, a substantial shareholder of the Company, and is therefore a connected person of the Company.

ITG Holding is a Fortune Global 500 Company with operations in commodity trading, circulation automobile trading, logistics business, commodity retail business and other businesses. ITG Holding is a state-owned enterprise directly controlled by Xiamen State-owned Assets Supervision and Administration Commission.

3. *Reasons for and benefits of the Connected Subscription and use of proceeds*

With reference to the Board Letter, with the advent of electric vehicles, which has heralded a paradigm shift towards sustainability and environmental consciousness, away from traditional internal combustion engine (ICE) vehicles, the 4S dealership businesses in the PRC are at a crossroads in market development and subject to intense market competition. The Connected Subscription will supplement the Company's working capital requirements, enable to the Company to better meet its operational cash flow needs during such time of market transition, support its plans to optimise its distribution footprint, adjust its brand portfolio, increase its inventory turnover and overall operational efficiency. All these factors will strengthen the Group's core business and better equip it to meet such market challenges. Whilst the Company is reviewing its plans for its non-core businesses, the Company expects to focus more on mergers and acquisitions ("M&A") opportunities in this industry, be it upstream or downstream, and to increase its international presence as it expects market consolidation opportunities to present themselves.

Financing alternatives

As advised by the Directors, in light of the prevailing financial conditions of the Group, the Board considers that the Connected Subscription to be a suitable financial option as compared to other means of financing as it enables the Group to raise capital without increasing interest burden on the Group. The Directors further advised that they also considered other forms of fund-raising methods for the Group, such as other equity financing (i.e. rights issue or open offer) and debt financing, before conducting the Connected Subscription.

LETTER FROM GRAM CAPITAL

In respect of the debt financing, it will incur additional finance costs and increase gearing level of the Group and may be subject to lengthy due diligence and negotiations with lenders. With reference to the 2024 AR Announcement, as at 31 December 2024, the net gearing ratio of the Group was approximately 1,387.8% (calculated as loans and borrowings and lease liabilities less cash and cash equivalents, time deposits and pledged bank deposits divided by total equity). Having also taken into account that the Company intends to apply part of the net proceeds from the Connected Subscription for repayment of existing debts to lower finance costs, the Directors considered that debt financing is not an optimal financing method.

In respect of other equity financing (such as rights issue or open offer), the Directors considered that (i) such fund-raising activities may incur additional costs, including but not limited to underwriting commission (i.e. usually a percentage to the aggregated subscription price of underwritten shares) and other professional fees; (ii) given the Group's loss-making position for FY2022, FY2023 and FY2024, the Group's net current liabilities as at 31 December 2022, 31 December 2023 and 31 December 2024 and high net gearing ratio as at 31 December 2024 as stated above, the Company may have difficulties in seeking underwriter; (iii) if the rights issue or open offer is not underwritten, its results will be uncertain.

In addition, the Connected Subscription demonstrates the Subscriber's confidence in the prospects of the Group. Given (i) the solid background of the Subscriber's holding company, namely ITG Holding which is a Fortune Global 500 Company with operations in various field and a state-owned enterprise directly controlled by Xiamen State-owned Assets Supervision and Administration Commission; and (ii) that the Subscriber is the largest substantial Shareholder, the Subscriber's confidence in the prospects of the Group as demonstrated by the Connected Subscription will promote corporate image of the Group.

Given the above limitations of other financing alternatives, we consider that the Connected Subscription is an appropriate fund-raising method currently available to the Group.

Use of proceeds

With reference to the Board Letter, the gross proceeds from the Connected Subscription will be HK\$1,000,359,078.60. The net proceeds (after deducting relevant costs and expenses) from the Connected Subscription are expected to be approximately HK\$997.5 million (the "**Net Proceeds**"). As advised by the Company, the Group's cash and cash equivalents are expected to increase by the same amount of the Net Proceeds immediately upon Connected Subscription Completion.

LETTER FROM GRAM CAPITAL

The Net Proceeds are intended to be used for the following purposes (i) approximately 30% (approximately HK\$299.25 million) to be applied towards increasing working capital and supporting the Group's business operation (the “**Net Proceeds for WC**”), (ii) approximately 20% (approximately HK\$199.50 million) to be applied towards capitalising on market opportunities for strategic investments or M&A as and when they arise (the “**Net Proceeds for Investments**”); and (iii) approximately 50% (approximately HK\$498.75 million) to be applied towards repayment of existing debts to lower finance costs and to facilitate the development of the Company's core business (the “**Net Proceeds for Repayment**”). If no suitable investment targets or M&A opportunities are subsequently identified, subject to compliance with applicable PRC regulations and the Listing Rules, the Company may consider reallocating the Net Proceeds for Investment in whole or in part towards repayment of its existing debts in order to reduce its finance costs and improve its debt profile.

Upon our enquiry, the Directors advised us that Net Proceeds for Repayment will improve the Group's financial position. As illustrated in the section headed “1. Information on the Group” above:

- (i) the Group's net current liabilities increased by approximately 61.73% from approximately RMB5,081 million as at 31 December 2022 to approximately RMB8,218 million as at 31 December 2023, and increased by approximately 1.40% to approximately RMB8,333 million as at 31 December 2024;
- (ii) the Group's total loans and borrowings increased by approximately 5.82% from approximately RMB18.67 billion as at 31 December 2022 to approximately RMB19.76 billion as at 31 December 2023, and increased by approximately 1.06% to approximately RMB19.97 billion as at 31 December 2024;
- (iii) the Group's cash and cash equivalents increased by approximately 1.47% from approximately RMB734 million as at 31 December 2022 to approximately RMB745 million as at 31 December 2023, and decreased by approximately 23.06% to approximately RMB573 million as at 31 December 2024;

LETTER FROM GRAM CAPITAL

- (iv) the Group's profit from operations was approximately RMB834 million for FY2022 and approximately RMB168 million for FY2023 while the Group's loss before taxation was approximately RMB130 million for FY2022 and approximately RMB887 million for FY2023. Such loss before taxation was mainly caused by substantial finance cost of approximately RMB1,007 million for FY2022 and approximately RMB1,054 million for FY2023; and
- (v) the Group's loss from operations was approximately RMB549 million while the Group's loss before taxation was approximately RMB1,482 million for FY2024. Such loss before taxation was mainly caused by substantial finance cost of approximately RMB937 million for FY2024.

With reference to the 2024 AR Announcement, as at 31 December 2024, the net gearing ratio of the Group was approximately 1,387.8% (calculated as loans and borrowings and lease liabilities less cash and cash equivalents, time deposits and pledged bank deposits divided by total equity). The Group will actively improve its operating efficiency and consider various methods to improve its existing financial position and reduce the degree of leverage of the Group.

The above financial conditions of the Group demonstrated its needs to seek for funding to improve its existing financial position. Accordingly, we consider that it is reasonable for the Group to apply the Net Proceeds for Repayment in order to reduce the Group's liabilities and its finance costs.

We understood from the Company that the Net Proceeds for WC may be applied for the Group's daily operation needs, such as administrative expenses, selling and distribution expenses. Given the above financial conditions of the Group (in particular, (i) the Group's net current liabilities as at 31 December 2022, 31 December 2023 and 31 December 2024; and (ii) the Group's cash and cash equivalents decreased substantially from approximately RMB745 million as at 31 December 2023 to approximately RMB573 million as at 31 December 2024), we consider that it is necessary for the Group to apply the Net Proceeds for WC to support the Group's business operation.

Upon our enquiry, the Directors also advised us that the Net Proceeds for Investments is primarily intended for potential M&A opportunities in the automobile industry in the PRC (including upstream or downstream businesses which may have synergy effect with the Group's core business).

LETTER FROM GRAM CAPITAL

To further understand the market conditions of the automobile industry in the PRC, we searched for relevant market statistics as follows:

Set out below are the statistics of domestic retail sales of automobiles in the PRC during the five years ended 31 December 2024, being the latest five full-year statistics published by the National Bureau of Statistics of the PRC:

	2020	2021	2022	2023	2024
Domestic retail sales of automobiles in the PRC					
(RMB' billion)	3,941.4	4,378.7	4,577.2	4,861.4	5,031.4
<i>Year-on-year change (%)</i>	0.1	11.1	4.5	6.2	3.5

As shown in the above table, the domestic retail sales of automobiles in the PRC increased continuously from approximately RMB3,941.4 billion in 2020 to approximately RMB5,031.4 billion in 2024, representing a compound annual growth rate of approximately 6.3%.

Despite such positive market statistics, the Group's gross profit decreased and loss increased from FY2022 to FY2024. As discussed under the section headed "1. Information on the Group" above, such financial deterioration was mainly caused by decrease in the Group's gross profit margin (which was mainly attributable to decrease in the average unit sales price of new automobiles). As aforementioned, the 4S dealership businesses in the PRC are at a crossroads in market development and subject to intense market competition. As advised by the company, in view of such intense market competition and the decrease in the Group's gross profit margin, the Group needs to seek for strategic investments or M&A opportunities that may arise in the future to improve economies of scale (as at the Latest Practicable Date, the Company has not identified any specific investment target). Accordingly, we consider that the application of the Net Proceeds for Investments is in the interest of the Company as it can support the Group's business development and expansion which may improve economies of scale of the Group and allow the Group to respond to the market trend and development (in particular, the advent of electric vehicles, which has heralded a paradigm shift towards sustainability and environmental consciousness, away from traditional ICE vehicles).

LETTER FROM GRAM CAPITAL

Having considered (i) reasons for and benefits of the Connected Subscription as mentioned above; (ii) that the Connected Subscription is a suitable financing option as compared to other means of financing; and (iii) that the proposed use of the Net Proceeds will improve the Group's financial position and support the Group's business operation, development and expansion (hence, benefit the Group in long term), we are of the view that although the Connected Subscription is not conducted in the ordinary and usual course of business of the Group, it is in the interest of the Company and the Independent Shareholders as a whole.

4. Principal terms of the Connected Subscription

Set out below is a summary of the principal terms of the Connected Subscription under the Subscription Agreement, details of which are set out in the section headed "II. THE CONNECTED SUBSCRIPTION" of the Board letter.

Date

25 January 2025 (the "**Agreement Date**")

Parties involved

- (i) the Company (as issuer)
- (ii) the Subscriber (as subscriber)

Total subscription consideration

HK\$1,000,359,078.60

Subscription Price per Subscription Share

HK\$0.15

The Subscription Shares

6,669,060,524 Shares will be issued at the Subscription Price per Subscription Share under the Connected Subscription.

The Subscription Price

The Subscription Price of HK\$0.15 per Subscription Share represents:

- (a) a premium of approximately 45.63% over the closing price of HK\$0.103 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

LETTER FROM GRAM CAPITAL

- (b) a premium of approximately 36.36% over the closing price of HK\$0.1100 per Share as quoted on the Stock Exchange on the Last Trading Day (the “**LTD Premium**”);
- (c) a premium of approximately 42.59% over the average closing price of HK\$0.1052 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement (the “**5 Days Premium**”);
- (d) a premium of approximately 83.60% over the average closing price of HK\$0.0817 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to the date of the Subscription Agreement (the “**30 Days Premium**”);
- (e) a premium of approximately 44.65% over the average closing price of HK\$0.1037 per Share as quoted on the Stock Exchange for the last sixty consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (f) a premium of approximately HK\$0.2646 over the audited net liabilities per Share as at 31 December 2024 of approximately RMB0.1066 (equivalent to approximately HK\$0.1146(*Note*)) (“**Premium Over Net Liabilities**”) calculated based on the audited total deficit attributable to the equity Shareholders as at 31 December 2024 of approximately RMB356,683,000 and 3,346,990,420 Shares in issue as at the Latest Practicable Date.

Note: based on an exchange rate of RMB1 = HK\$1.0756 as at 24 January 2025 (being the Last Trading Day) extracted from Bloomberg.

Analysis on the Subscription Price

In order to assess the fairness and reasonableness of the Subscription Price, we conducted the following analysis:

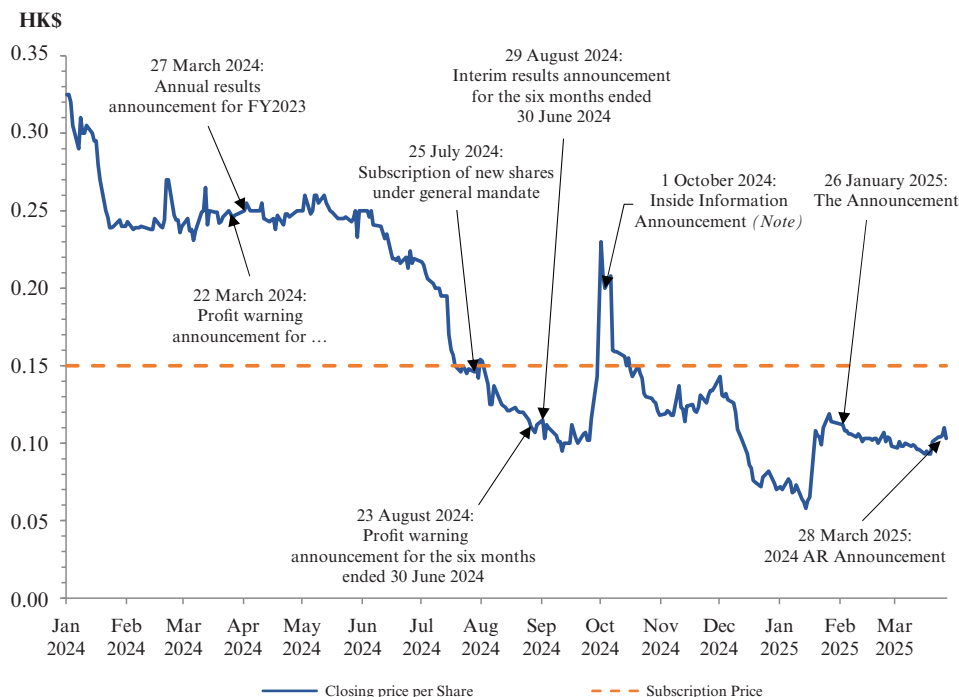
a) Share price performance

Set out below is a chart showing the movement of the closing prices of the Shares during the period from 2 January 2024 to the Latest Practicable Date, being approximate one year up to and including the Latest Practicable Date (the “**Share Review Period**”), which is commonly adopted for analysis, and the number of trading days during the Share Review Period is sufficient for us to perform a thorough analysis on the historical closing prices of Shares with the Subscription Price. Hence, we

LETTER FROM GRAM CAPITAL

consider the duration of the Share Review Period is adequate and appropriate. The comparison of daily closing prices of the Shares and the Subscription Price is illustrated as follows:

Historical daily closing price per Share



Source: the Stock Exchange's website

Note: According to the Company's announcement dated 1 October 2024 (the "Inside Information Announcement"), the Company noted the increases in the price and trading volume of the shares of the Company. Having made such enquiry with respect to the Company as is reasonable in the circumstances, the Company confirms that, save as the matters mentioned in the Inside Information Announcement regarding a potential disposal that did not proceed, it was not aware of any reasons for those price or volume movements or of any information which must be announced to avoid a false market in the Company's securities or of any inside information that needs to be disclosed under Part XIVA of the SFO.

During the Share Review Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.325 per Share recorded on 2 January 2024 and 3 January 2024 and HK\$0.058 per Share recorded on 15 January 2025 respectively. The Subscription Price of HK\$0.15 per Subscription Share falls within the closing price range of the Shares during the Share Review Period. In addition, the Subscription Price of HK\$0.15 per Subscription Share is above the daily closing prices of the Shares (i) for 155 trading days out of total 305 trading days during the Share Review Period; and (ii) for 108 consecutive trading days prior to and including the Latest Practicable Date.

As depicted from the above chart, at the beginning of the Share Review Period, the closing price of the Shares decreased sharply from HK\$0.325 per Share on 2 January 2024 to HK\$0.239 per Share on 25 January 2024. As confirmed by the Directors, the Company did not identify any specific reason which caused the aforesaid decrease in the closing price of the Shares. Subsequently, the closing price of the Shares fluctuated up to 6 June 2024 and formed a general downward trend thereafter, decreasing from HK\$0.250 per Share on 6 June 2024 to HK\$0.095 per Share on 12 September 2024. Since then, the closing price of the Shares rebounded and reached HK\$0.230 per Share on 2 October 2024. Thereafter, the closing price of the Shares followed a downward trend and hit the lowest of HK\$0.058 per Share on 15 January 2025. Subsequently, the closing price of the Shares recovered and reached HK\$0.110 on the Last Trading Day. From the Agreement Date and up to the Latest Practicable Date, the closing price of the Shares fluctuated between HK\$0.093 per Share and HK\$0.119 per Share.

b) Comparables

As part of our analysis, we also identified subscription transactions of new ordinary shares under specific mandate for cash consideration (excluding transactions involving restructuring, loan capitalisation and set-off of debt in whole or in part) during the period from 2 October 2024 up to the Last Trading Day (being a period of approximately four months prior to Last Trading Day that demonstrates market practices during a period proximate to Last Trading Day and allows us to identify sufficient samples of comparable transactions for analysis), with the following criteria: (i) the subscription transactions were not lapsed or terminated up to the Latest Practicable Date; (ii) the subscription transactions do not involve the issuance of A shares or domestic shares, as announced by companies listed on the Stock Exchange; and (iii) the trading of shares of the listed issuers were not halted/suspended for over one month prior to the entering into of the subscription agreement (the “Comparable Transactions”). We found nine transactions which met the said criteria and they are exhaustive. Shareholders should note that although the businesses, operations, market capitalisation and prospects of the Company are not the same as the subject companies of the Comparable Transactions and the fund-raising size of the Connected Subscription is different from those of the Comparable Transactions, the Comparable Transactions can demonstrate the recent market practices of subscription transactions under specific mandate conducted by Hong Kong listed companies and thus they are fair and representative for our analysis.

LETTER FROM GRAM CAPITAL

Company name (stock code)	Date of announcement	Principal businesses	Premium/ (discount) of the subscription price over/(to) the average closing price per share for the last five consecutive full trading days immediately prior to the date of agreement in relation to the respective subscription transactions	Premium/ (discount) of the subscription price over/(to) the average closing price per share for the last 30 consecutive full trading days immediately prior to the date of agreement in relation to the respective subscription transactions	Premium/ (discount) of the subscription price over/(to) the average closing price per share for the last 30 consecutive full trading days immediately prior to the date of agreement in relation to the respective subscription transactions	Premium/ (discount) of subscription price over/to the respective then net asset value attributable to owners of the company per share	Amount of funds raised (gross proceeds)	Theoretical dilution effect of the issue (Note 4)
			Approximate %	Approximate %	Approximate %	Approximate %	Approximate HK' million	Approximate %
CircuTech International Holdings Limited (8051)	4 October 2024	(i) The sales and distribution of information technology products; and (ii) the provision of repairs and other service support of information technology products	(4.15) (Note 1,3)	0.27 (Note 1,3)	8.81 (Note 1,3)	(55.27)	8	(0.26)
CircuTech International Holdings Limited (8051)	4 October 2024	(i) The sales and distribution of information technology products; and (ii) the provision of repairs and other service support of information technology products	24.60 (Note 2,3)	30.35 (Note 2,3)	41.46 (Note 2,3)	(41.85)	20	No effect
Virtual Mind Holding Company Limited (1520)	10 October 2024	(i) Design, manufacturing and trading of apparels; (ii) provision of money lending business; and (iii) sale of trendy and cultural products business	17.65	38.89	61.29	61.25	10	No effect
Honbridge Holdings Limited (8137)	17 October 2024	(i) Research and development and production of lithium-ion power batteries for new energy vehicles; (ii) provision of online car-hailing services in Europe; and (iii) investment in the field of resources such as iron ore resources and resources exploration and exploitation	(75.00)	(77.01)	(65.81)	(81.63)	376	(24.87)
Zhi Sheng Group Holdings Limited (8370)	21 October 2024	(i) Manufacture and sale of furniture products and sells its products to the domestic PRC market; and (ii) data centre business in the PRC	(60.53)	(60.63)	(60.11)	25.67	14	(20.10)
China Resources Power Holdings Company Limited (836)	23 October 2024	Investment, development, operation and management of power plants in PRC	(5.06)	(3.48)	(2.37)	9.07	3,312	(0.16)
DevGreat Group Limited (755)	3 December 2024	Property development, property rental, and property management and operation businesses by leveraging on its experience in the real estate market in the PRC	(13.33)	(17.72)	(35.64)	(59.10)	39	(3.12)

LETTER FROM GRAM CAPITAL

Company name (stock code)	Date of announcement	Principal businesses	Premium/ (discount) of the subscription price over/(to) the average closing price per share for the last five consecutive full trading days immediately prior to the date of agreement in relation to the respective subscription transactions <i>Approximate</i> %	Premium/ (discount) of the subscription price over/(to) the average closing price per share for the last 30 consecutive full trading days immediately prior to the date of agreement in relation to the respective subscription transactions <i>Approximate</i> %	Premium/ (discount) of the subscription price over/(to) the average closing price per share for the last 30 consecutive full trading days immediately prior to the date of agreement in relation to the respective subscription transactions <i>Approximate</i> %	Premium/ (discount) of subscription price over/to the respective then net asset value attributable to owners of the company per share <i>Approximate</i> %	Amount of funds raised (gross proceeds) <i>Approximate</i> HK' million	Theoretical dilution effect of the issue (Note 4) <i>Approximate</i> %
MOG Digitech Holdings Limited (1942)	11 December 2024	(i) Digital payment solutions-related business; (ii) sales of optical products; and (iii) franchise and license management	(13.16)	(15.09)	(19.32)	25.13	210	(2.85)
CM Energy Tech Co., Ltd. (206)	30 December 2024	Investment holding with focuses on areas of (i) hydrogen-based fuel equipment production and application; (ii) ocean energy equipment; and (iii) electric power drive and control	29.03	25.79	16.28	(52.83)	324	No effect
	Maximum		29.03	38.89	61.29	61.25	3,312	(0.16)
	Minimum		(75.00)	(77.01)	(65.81)	(81.63)	8	(24.87)
	Average		(11.11)	(8.74)	(6.16)	(18.84)	479	(8.56)
Connected Subscription			36.36	42.59	83.60	The Premium Over Net Liabilities was approximately HK\$0.2646	1,000	No effect

Source: the Stock Exchange's website

Notes:

1. The relevant premium/discount was represented by the subscription price for first subscription of the relevant transaction.
2. The relevant premium was represented by the subscription price for second subscription of the relevant transaction.
3. With reference to the relevant announcement, the relevant transaction entailed two tranches of shares with different subscription prices. The first subscription and second subscription were treated as two separate data samples to form our data analysis.
4. Calculated based on Note 1 to Rule 7.27B of the Listing Rules/Rule 10.44A of the rules governing the listing of securities on GEM operated by the Stock Exchange.

LETTER FROM GRAM CAPITAL

According to the above table:

- (i) The subscription prices of the Comparable Transactions ranged from a discount of approximately 75.00% to a premium of approximately 29.03% to/over the respective closing prices of shares on the last full trading day prior to the date of agreement in relation to the respective subscription transactions.
- (ii) The subscription prices of the Comparable Transactions ranged from a discount of approximately 77.01% to a premium of approximately 38.89% to/over the respective average closing prices of shares for the last five consecutive full trading days immediately prior to the date of agreement in relation to the respective subscription transactions.
- (iii) The subscription prices of the Comparable Transactions ranged from a discount of approximately 65.81% to a premium of approximately 61.29% to/over the respective average closing prices of shares for the last 30 consecutive full trading days immediately prior to the date of agreement in relation to the respective subscription transactions.
- (iv) The subscription prices of the Comparable Transactions ranged from a discount of approximately 81.63% to a premium of approximately 61.25% to/over respective then net asset value attributable to owners of the company per share.

Therefore, the LTD Premium, the 5 Days Premium and the 30 Days Premium are all above the respective range of the Comparable Transactions.

In light of that (i) the LTD Premium, the 5 Days Premium and the 30 Days Premium are all above the respective range of the Comparable Transactions, indicating that the Subscription Price is more favourable than the subscription prices of the Comparable Transactions; (ii) the Subscription Price represented the Premium Over Net Liabilities, while the subscription prices of the Comparable Transactions represented discounts to/premiums over respective then net asset value attributable to owners of the company per share, indicating that the Subscription Price is no less favourable than the subscription prices of the Comparable Transactions; and (iii) the Subscription Price of HK\$0.15 per Subscription Share falls within the closing price range of the Shares during the Share Review Period, we consider the Subscription Price to be fair and reasonable.

LETTER FROM GRAM CAPITAL

Conditions precedent

The Connected Subscription Completion is conditional upon satisfaction or (if applicable) waiver of the following conditions:

- (a) the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Subscription Shares for the Connected Subscription and such approval and permission remaining in full force and effect;
- (b) the approval by more than 50% of the votes cast by the Independent Shareholders at the EGM in respect of the Subscription Agreement and the transactions contemplated thereunder and the related specific mandate to allot and issue Subscription Shares;
- (c) the Subscriber having obtained all necessary approval, consents, filings or registration from applicable regulatory authorities in respect of the Connected Subscription, including the approval, consents, filings or registration from the National Development and Reform Commission, Ministry of Commerce, and State Administration of Foreign Exchange or the respective competent local authorities (as applicable) in the PRC, and such approval, consents, filings or registration remaining in full force and effect;
- (d) there having been no breach of any terms of the Subscription Agreement by the Company in any material respects;
- (e) the representations and warranties given by the Company under the Subscription Agreement remaining true, complete and accurate in all material respects and not misleading as at the Connected Subscription Completion;
- (f) the representations and warranties given by the Subscriber under the Subscription Agreement remaining true, complete and accurate in all material respects and not misleading as at the Connected Subscription Completion;
- (g) there having been no event which may lead to material adverse change to the business, assets, financial conditions and profits of any member of the Group since the date the Subscription Agreement was entered into;

LETTER FROM GRAM CAPITAL

- (h) no regulatory authority having implemented or enacted any legislation, regulations or decrees to prohibit the Connected Subscription, and no courts with competent jurisdiction having issued any order or injunction prohibiting or preventing the Connected Subscription;
- (i) no dividend or other distribution (whether in cash or in kind) having been declared, made or paid by the Company to the Shareholders between the date of the Subscription Agreement and the Connected Subscription Completion Date without prior written consent of the Subscriber; and
- (j) the Whitewash Waiver being granted by the Executive and approved by at least 75% of the votes cast by the Independent Shareholders at the EGM.

The Subscriber shall be entitled to waive any of the conditions as set out in paragraphs (d), (e), (g), (i) and (j) above. The Company shall be entitled to waive the condition as set out in paragraph (f) above. The conditions as set out in paragraphs (a), (b), (c) and (h) are non-waivable.

In the event the Connected Subscription Completion does not take place on or before the Long Stop Date (or such other time and date as may be agreed by the Company and the Subscriber in writing), the Company and the Subscriber shall discuss with a view to agree on a subsequent date for the Connected Subscription Completion. If the Company and the Subscriber are unable to agree on a subsequent date for the Connected Subscription Completion within 30 days after the Long Stop Date, either the Company or the Subscriber shall be entitled to terminate the Subscription Agreement by written notice to the other party, upon which all rights and obligations of the parties to the Subscription Agreement shall terminate, save for any rights and obligations accrued prior to such termination.

Completion of the Connected Subscription

The Connected Subscription Completion shall take place within 10 Business Days (or such other date and time as may be agreed by the Company and the Subscriber) upon the satisfaction or (if applicable) waiver of the conditions under the Subscription Agreement, upon which the Company shall allot and issue the Subscription Shares to the Subscriber and the Subscriber shall pay to the Company the total consideration for the Subscription Shares.

LETTER FROM GRAM CAPITAL

Termination of the Subscription Agreement

The Subscription Agreement may be terminated:

- (a) by any party upon the material breach of the Subscription Agreement by the other party;
- (b) by the Subscriber, if:
 - (i) the trading in the Shares on the Stock Exchange is suspended by any competent regulatory authorities for 10 trading days or more (except for any trading halt or suspension pending the approval of the joint announcement or the circular of the Company in respect of the Subscription Agreement and the Whitewash Waiver) or for any period which extends to the Connected Subscription Completion Date, or the listing status of the Company on the Stock Exchange is revoked;
 - (ii) there exists any material adverse effect on the financial position or operational results of the Group as a result of sanctions imposed by any applicable regulatory authorities on the Company or any senior management members of the Group (other than any senior management members of the Group which were sanctioned prior to the date of the Subscription Agreement), as a result of any material fraudulent or inappropriate behaviour conducted by any member of the Group being discovered or alleged and proven by any applicable regulatory authorities; or
 - (iii) there exists any material adverse effect on the financial position or operational results of the Group as a result of any change in applicable laws since the date of the Subscription Agreement; and
- (c) if the conditions precedent to the Subscription Agreement are not fulfilled or (if applicable) waived as the case may be on or before the Long Stop Date (or such other date as the parties agree).

Having considered the principal terms of the Connected Subscription as set out above (in particular, the Subscription Price is fair and reasonable as concluded above and no abnormal term was observed in the conditions precedent and clauses of completion and termination as set out above), we are of the view that the terms of the Connected Subscription are on normal commercial terms and are fair and reasonable.

Potential dilution effect

With reference to the shareholding table in the section headed “Effects on the Shareholding Structure of the Company” of the Board Letter, the shareholding interests of the other public Shareholders (i.e. public Shareholders other than Cheung Mui, who is not considered as a public Shareholder of the Company as at the Latest Practicable Date and will be considered as a public Shareholder of the Company immediately after the Connected Subscription Completion) would be diluted by approximately 42.47 percentage points (the “**Dilution Effect**”) from approximately 63.78% as at the Latest Practicable Date to approximately 21.31% immediately after the Connected Subscription Completion (assuming no other change in the issued share capital of the Company from the Latest Practicable Date to the Connected Subscription Completion Date). Nevertheless, based on Note 1 to Rule 7.27B of the Listing Rules and that the Subscription Price represented the LTD Premium and the 5 Days Premium, there will be no theoretical dilution effect associated with the Connected Subscription (as compared with the nine Comparable Transactions, three of them had no theoretical dilution effect and theoretical dilution effect associated with the remaining six Comparable Transactions ranged from approximately 0.16% to approximately 24.87%). Taking into account (i) the aforementioned reasons for and benefits of the Connected Subscription; (ii) the proposed use of the Net Proceeds will improve the Group’s financial position and facilitate the Group’s business operation, development and expansion (hence, benefit the Group in long term), whereas the other public Shareholders are not required to further invest into the Company; (iii) the Connected Subscription is in the interest of the Company and the Independent Shareholders as a whole; (iv) the terms of the Connected Subscription are on normal commercial terms and fair and reasonable; and (v) there will be no theoretical dilution effect associated with the Connected Subscription based on Note 1 to Rule 7.27B of the Listing Rules, we are of the view that the aforesaid Dilution Effect is acceptable.

RECOMMENDATION ON THE CONNECTED SUBSCRIPTION

Having taken into consideration of the factors and reasons as stated above, in particular:

- (i) the Connected Subscription is an appropriate fund-raising method currently available to the Group as concluded under the sub-section headed “Financing alternatives” above;
- (ii) the proposed use of the Net Proceeds will improve the Group’s financial position and support the Group’s business operation, development and expansion (hence, benefit the Group in long term) as concluded under the section headed “3. Reasons for and benefits of the Connected Subscription and use of proceeds” above;
- (iii) the Subscription Price of HK\$0.15 per Subscription Share falls within the closing price range of the Shares during the Share Review Period;

LETTER FROM GRAM CAPITAL

- (iv) the Subscription Price of HK\$0.15 per Subscription Share is above the daily closing prices of the Shares (a) for 155 trading days out of total 305 trading days during the Share Review Period; and (b) for 108 consecutive trading days prior to and including the Latest Practicable Date;
- (v) the LTD Premium, the 5 Days Premium and the 30 Days Premium are all above the respective range of the Comparable Transactions and the Subscription Price represented the Premium Over Net Liabilities, while the subscription prices of the Comparable Transactions represented discounts to/premiums over respective then net asset value attributable to owners of the company per share; and
- (vi) the Dilution Effect is acceptable as concluded under the section headed “Potential dilution effect” above,

we are of the opinion that (i) the terms of the Connected Subscription are on normal commercial terms and are fair and reasonable; and (ii) although the Connected Subscription is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Connected Subscription, and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

II. Whitewash Waiver

With reference to the Board Letter, as at the Latest Practicable Date, the Subscriber and the parties acting in concert with it hold 842,977,684 Shares, representing approximately 25.19% of the issued share capital of the Company. Upon the Connected Subscription Completion, the shareholding of the Subscriber and the parties acting in concert with it will increase to approximately, and not more than, 75.00% of the issued share capital of the Company.

With reference to the Board Letter, under Rule 26.1 of the Takeovers Code, the allotment and issuance of the Subscription Shares under the Subscription Agreement to the Subscriber will give rise to an obligation on the part of the Subscriber to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it), unless the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders. The Subscriber has made an application to the Executive for the Whitewash Waiver from compliance with the obligations to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it) under Rule 26.1 of the Takeovers Code as a result of the allotment and issuance of the Subscription Shares to the Subscriber.

LETTER FROM GRAM CAPITAL

Where the Connected Subscription is approved by the Independent Shareholders but the Whitewash Waiver is not granted by the Executive and/or is not approved by the Independent Shareholders, the Subscriber reserves the right to waive the condition precedent relating to the Whitewash Waiver. If the Subscriber proceeds to waive such condition precedent, then the Company and the Subscriber will proceed with the completion of the Connected Subscription in accordance with the terms of the Subscription Agreement. If the Subscriber does not waive the condition precedent in these circumstances, then the Connected Subscription will not proceed.

Where (i) the Whitewash Waiver is not granted by the Executive and/or is not approved by the Independent Shareholders; (ii) the Subscriber proceeds to waive the condition precedent relating to the Whitewash Waiver; and (iii) the Connected Subscription Completion takes place, immediately following the Connected Subscription Completion, the Subscriber and the parties acting in concert with it will increase its shareholding in the Company to approximately, and not more than, 75.00% of the issued share capital of the Company. Consequently, the Subscriber will, in those circumstances, comply with Rule 26.1 of the Takeovers Code and make an unconditional mandatory cash offer to acquire all the issued Shares (other than those Shares agreed to be acquired by the Subscriber and the parties acting in concert with it). Under this circumstance, the Independent Shareholders may have an opportunity to realise its Shares at a price which is no less than the Subscription Price (which is above the daily closing prices of the Shares for 108 consecutive trading days prior to and including the Latest Practicable Date). Nevertheless, if the Subscriber does not waive the condition precedent relating to the Whitewash Waiver, then the Connected Subscription will not proceed (under this circumstance, no unconditional mandatory cash offer obligation triggered and the Group will not be able to obtain the benefits brought by the Connected Subscription).

Where both the Connected Subscription and the Whitewash Waiver are approved by the Independent Shareholders, the Subscriber will proceed with the Connected Subscription without undertaking a mandatory general offer under the Takeovers Code.

In view of (i) the aforesaid reasons for and benefits of the Connected Subscription; (ii) that the Connected Subscription is in the interests of the Company and the Independent Shareholders as a whole; (iii) that the terms of the Connected Subscription are on normal commercial terms and fair and reasonable; and (iv) that the Connected Subscription will not proceed if the Whitewash Waiver is not granted by the Executive and/or is not approved by the Independent Shareholders, and the Subscriber does not waive the condition precedent relating to the Whitewash Waiver, we are of the opinion that the approval of the Whitewash Waiver is in the interests of the Company and the Independent Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Connected Subscription.

LETTER FROM GRAM CAPITAL

RECOMMENDATION ON THE WHITEWASH WAIVER

Having taken into consideration (i) the aforesaid reasons for and benefits of the Connected Subscription; (ii) that the Connected Subscription is in the interests of the Company and the Independent Shareholders as a whole; (iii) that the terms of the Connected Subscription are on normal commercial terms and fair and reasonable; and (iv) that the Connected Subscription will not proceed if the Whitewash Waiver is not granted by the Executive and/or is not approved by the Independent Shareholders, and the Subscriber does not waive the condition precedent relating to the Whitewash Waiver, we consider that the Whitewash Waiver is fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Whitewash Waiver and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Notes: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has around 30 years of experience in investment banking industry.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the financial results of the Group for each of the three years ended 31 December 2024 as extracted from the audited financial statements set out in the 2024 annual results announcement of the Company dated 28 March 2025 and the 2023 and 2022 annual reports of the Company.

	Financial year ended		
	31 December 2022	31 December 2023	31 December 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)
Revenue	22,606,790	24,131,975	20,746,774
Cost of Sales	<u>(21,019,912)</u>	<u>(23,123,382)</u>	<u>(19,967,705)</u>
Gross profit	1,586,878	1,008,593	779,069
Other income	1,506,316	1,327,026	737,723
Selling and distribution expenses	(1,211,482)	(1,082,892)	(967,410)
Administrative expenses	(1,280,537)	(1,084,526)	(981,633)
Reversal of impairment losses on intangible assets/(impairment losses on goodwill and intangible assets)	<u>232,426</u>	<u>—</u>	<u>(116,702)</u>
Profit/(loss) from operations	833,601	168,201	(548,953)
Finance costs	(1,006,998)	(1,054,301)	(936,721)
Share of profit/(loss) of associates and a joint venture	<u>43,055</u>	<u>(500)</u>	<u>3,666</u>
Loss before taxation	(130,342)	(886,600)	(1,482,008)
Income tax	<u>(167,079)</u>	<u>66,120</u>	<u>(47,078)</u>
Loss for the year	<u>(297,421)</u>	<u>(820,480)</u>	<u>(1,529,086)</u>
Loss for the year attributable to:			
Ordinary shareholders of the Company	(296,285)	(890,990)	(1,708,506)
Perpetual bond holders of the Company	—	41,708	107,127
Non-controlling interests	<u>(1,136)</u>	<u>28,802</u>	<u>72,293</u>

	Financial year ended		
	31 December 2022	31 December 2023	31 December 2024
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Other comprehensive income for the year (after tax)			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of:			
Financial statements of entities outside the Mainland China	<u>(20,623)</u>	<u>(3,638)</u>	<u>838</u>
Total comprehensive income for the year	<u>(318,044)</u>	<u>(824,118)</u>	<u>(1,528,248)</u>
Attributable to:			
Ordinary shareholders of the Company	(316,908)	(894,628)	(1,707,668)
Perpetual bond holders of the Company	—	41,708	107,127
Non-controlling interests	<u>(1,136)</u>	<u>28,802</u>	<u>72,293</u>
Basic and diluted loss per share (RMB cents)	<u>(10.9)</u>	<u>(31.9)</u>	<u>(56.0)</u>

Save as disclosed above, there were no items of any income or expense or non-controlling interests which were material in respect of the consolidated financial results of the Group for each of the three years ended 31 December 2024.

No dividend was paid or proposed by the Company during the three years ended 31 December 2024.

The auditors' reports issued by KPMG in respect of the consolidated financial statements of the Group for each of the three years ended 31 December 2024 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

2. CONSOLIDATED FINANCIAL STATEMENTS

The audited consolidated financial information of the Group for each of the three years ended 31 December 2024 have been disclosed in the following documents which have been published on the website of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.zhengtongauto.com>) and can be accessed at the website addresses below:

- (i) for the year ended 31 December 2022, on pages 77 to 195 of the 2022 annual report of the Company released on 18 April 2023 at <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0418/2023041800229.pdf>;

- (ii) for the year ended 31 December 2023, on pages 53 to 163 of the 2023 annual report of the Company released on 26 April 2024 at <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0426/2024042600934.pdf>; and
- (iii) for the year ended 31 December 2024, on pages 3 to 35 of the annual results announcement of the Company released on 28 March 2025 at <https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0328/2025032800428.pdf>.

3. INDEBTEDNESS STATEMENT

As at the close of business on 31 December 2024, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group's indebtedness is set out below:

Bank loans and other borrowings

The Group had outstanding borrowings as follows:

	<i>RMB'000</i>
Guaranteed secured borrowings	6,298,230
Guaranteed unsecured borrowings	11,506,013
Unguaranteed unsecured borrowings	<u>2,165,688</u>
	<u><u>19,969,931</u></u>

Lease liabilities

The Group had lease liabilities of approximately RMB1,344 million.

Save as disclosed above and in "Note 21 Contingent Liabilities" on pages 34 to 35 of the annual results announcement of the Company for the financial year ended 31 December 2024, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business on 31 December 2024, the Group did not have any material outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance (other than normal trade bills) or acceptance credits, debt securities, guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

The Directors confirm that there was no material change in the financial or trading position or outlook of the Group since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than that relating to the Subscriber and parties acting in concert with it), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by each of the directors of the Subscriber and ITG Holding in his capacity as such) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any of the statements in this circular misleading.

Each of the directors of the Subscriber and ITG Holding jointly and severally accepts full responsibility for the accuracy of the information contained in this circular (other than that relating to the Group), and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this circular (other than those expressed by the Directors in their capacity as such) have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) assuming completion of the Subscription Agreement will be as follows:

(i) As at the Latest Practicable Date

<i>Authorised</i>		<i>HK\$</i>
<u>20,000,000,000</u>	Shares of HK\$0.10 each	<u>2,000,000,000</u>
<i>Issued and fully paid</i>		
<u>3,346,990,420</u>	Shares of HK\$0.10 each	<u>334,699,042</u>

(ii) Assuming completion of the Subscription Agreement

<i>Authorised</i>		<i>HK\$</i>
<u>20,000,000,000</u>	Shares of HK\$0.10 each	<u>2,000,000,000</u>
<i>Issued and fully paid</i>		
3,346,990,420	Shares of HK\$0.10 each	334,699,042
6,669,060,524	new Shares to be allotted and issued pursuant to the Subscription Agreement	666,906,052.40
<u>10,016,050,944</u>	Shares	<u>1,001,605,094.40</u>

All issued Shares rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and return of capital.

The Subscription Shares to be allotted and issued will, when issued, rank *pari passu* in all respects with the Shares then in issue. The Subscriber will be entitled to receive all dividends and distributions which may be declared, made or paid on or after the date of issue of Subscription Shares. As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

No Share has been issued since 31 December 2024 (being the date on which the latest audited financial statements of the Group were made up) and up to the Latest Practicable Date.

The issued Shares are listed on the Stock Exchange. None of the securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought on any other stock exchange.

As at the Latest Practicable Date, save as disclosed above, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

3. MARKET PRICES

The table below sets out the closing prices per Share as quoted on the Stock Exchange (i) on the last trading day of each of the calendar months during the Relevant Period; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date.

Date	Closing price per Share HK\$
31 July 2024	0.142
30 August 2024	0.112
30 September 2024	0.143
31 October 2024	0.121
29 November 2024	0.136
31 December 2024	0.07
24 January 2025 (being the Last Trading Day)	0.11
28 January 2025	0.114
28 February 2025	0.098
28 March 2025 (being the Latest Practicable Date)	0.103

The highest and lowest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK\$0.23 on 2 October 2024 and HK\$0.058 on 15 January 2025, respectively.

4. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or were deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO, which (a) have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO; (b) are required to be and are recorded in the register required to be kept under Section 352 of the SFO; (c) are otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules; or (d) are required to be disclosed pursuant to the Takeovers Code.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, the following persons (other than the Directors or chief executive of the Company) had or were deemed or taken to have an interest or short position in the Shares, the underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions Divisions 2 and 3 of Part XV of the SFO, or, who which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of Shares ⁽²⁾	Approximate percentage of the issued share capital ⁽³⁾
ITG Holding	Interests of controlled corporation	7,512,038,208	224.44%
ITG Holding Investment (HK) Limited ⁽¹⁾	Interests of controlled corporation	7,489,678,708	223.77%
The Subscriber ⁽¹⁾	Beneficial Owner	7,489,678,708	223.77%
Cheung Mui	Beneficial Owner	369,127,500	11.03%
Xingtai Capital Management Limited	Investment manager	181,001,500	5.41%
Yang Liguao	Beneficial Owner	319,888,000	9.56%

Notes:

- (1) ITG Holding is deemed to be interested in the 22,359,500 Shares held by Hong Kong Sindanol, as Hong Kong Sindanol is a direct wholly owned subsidiary of Xiamen Xindeco, and ITG Holding was beneficially interested in approximately 39.93% of the issued share capital of Xiamen Xindeco according to the 2024 third quarterly report of Xiamen Xindeco. The Subscriber held 820,618,184 Shares as at the Latest Practicable Date and has entered into the Subscription Agreement with the Company on 25 January 2025 in relation to the subscription of 6,669,060,524 Shares. Therefore, by virtue of the SFO, in addition to the 820,618,184 Shares held by it, the Subscriber is interested in the 6,669,060,524 Shares to be issued upon and subject to the Connected Subscription Completion. ITG Holding is also deemed to be interested in the Shares in which the Subscriber has an interest as the Subscriber is a direct wholly owned subsidiary of ITG Holding Investment (HK) Limited which in turn is a direct wholly owned subsidiary of ITG Holding. Therefore, ITG Holding was indirectly interested in an aggregate of 7,512,038,208 Shares. Mr. WANG Mingcheng, an executive Director, is the sole director of the Subscriber. Mr. SU Yi, an executive Director, is also a director of ITG Holding Investment (HK) Limited.
- (2) All the above shares were held in long position (as defined under Part XV of the SFO).
- (3) The calculation is based on the number of Shares as a percentage of the total number of issued Shares as at the Latest Practicable Date (being 3,346,990,420 Shares).

**5. ADDITIONAL DISCLOSURE OF SHAREHOLDING AND DEALINGS
PURSUANT TO THE TAKEOVERS CODE**

As at the Latest Practicable Date, the Subscriber confirms that:

- (a) save for the Subscription Agreement, none of the Subscriber or parties acting in concert with it has dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Shares or had acquired or entered into any agreement or arrangement to acquire any voting rights in the Company within the Relevant Period;
- (b) other than the Connected Subscription, none of the Subscriber or parties acting in concert with it has dealt in any Shares, acquired or entered into any agreement or arrangement to acquire any voting rights in the Company within the Relevant Period, which is subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors (including informal discussions) in relation to the proposed issue of new securities;
- (c) other than the Connected Subscription, none of the Subscriber or parties acting in concert with it will make any acquisitions or disposals of voting rights in the Company which constitute disqualifying transactions (within the meaning of the Takeovers Code) in the period between the Latest Practicable Date and the Connected Subscription Completion;
- (d) the sole director of the Subscriber was not interested in any Shares, convertible securities, warrants, options or derivatives of the Shares; and had not dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Shares;
- (e) save as disclosed in the section headed “Effects on the Shareholding Structure of the Company” in this circular and the paragraph headed “DISCLOSURE OF INTERESTS” in this Appendix, there is no holding of voting rights in the Company or rights over any Shares which are owned, controlled or directed by the Subscriber or parties acting in concert with it;
- (f) none of the Subscriber or parties acting in concert with it holds any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (g) there is no outstanding derivative in respect of the securities of the Company which has been entered into by the Subscriber or parties acting in concert with it;
- (h) there is no agreement, arrangement or understanding pursuant to which the Subscription Shares would be transferred, charged or pledged to any other persons;

- (i) save for the Subscription Agreement, none of the Subscriber or parties acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of the Subscriber which might be material to the transactions contemplated under the Subscription Agreement and/or the Whitewash Waiver;
- (j) none of the Subscriber or parties acting in concert with it has received any irrevocable commitment from any person as to whether they will vote for or against the resolution approving the Subscription Agreement and the transactions contemplated thereunder, including the Specific Mandate and/or the Whitewash Waiver;
- (k) save for the Subscription Agreement, there are no agreements or arrangements to which the Subscriber is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Connected Subscription or the Whitewash Waiver;
- (l) none of the Subscriber or parties acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (m) save for the Subscription Price for the Subscription Shares payable under the Subscription Agreement, none of the Subscriber or parties acting in concert with it has paid or will pay any other consideration, compensation or benefit in whatever form to the Company or any of the parties acting in concert with it in relation to the Connected Subscription;
- (n) there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Subscriber or parties acting in concert with it on the one hand and the Company or any parties acting in concert with it on the other hand; and
- (o) there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Subscriber or parties acting in concert with it on the one hand and any of the Shareholders on the other hand.

Save for the Subscription Agreement, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Company, its subsidiaries or associated companies on the one hand and any of the Shareholders on the other.

As at the Latest Practicable Date:

- (a) the Company had no shareholding interest or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Subscriber, nor had the Company dealt for value in any shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Subscriber during the Relevant Period;

- (b) none of the Directors was interested in any Shares or relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company and in any shares or other securities of the Subscriber. During the Relevant Period, none of the Directors had dealt for value in any shares or relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company or the Subscriber;
- (c) no shareholding in the Company was owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” in the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” in the Takeovers Code but excluding exempt principal traders and exempt fund managers;
- (d) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” in the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” in the Takeovers Code;
- (e) no shareholding in the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;
- (f) other than the Subscriber and Hong Kong Sindanol, there were no other Shareholders who are involved in or interested in the Subscription Agreement and the transactions contemplated thereunder (including the Connected Subscription), the Specific Mandate and the Whitewash Waiver or are required, or indicated to the Company of his/her/its intention, to abstain from voting in the relevant resolutions at the EGM;
- (g) neither the Company nor any of the Directors has borrowed or lent any shares and/or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (h) no benefit will be given to any Director as compensation for loss of office in any members of the Group or otherwise in connection with the Subscription Agreement and the transactions contemplated thereunder (including the Connected Subscription), the Specific Mandate and/or the Whitewash Waiver;
- (i) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Subscription Agreement and the transactions contemplated thereunder (including the Connected Subscription), the Specific Mandate and/or the Whitewash Waiver or otherwise connected with any of them;

- (j) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Subscriber or any person acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependent upon the outcome of the Subscription Agreement and the transactions contemplated thereunder (including the Connected Subscription), the Specific Mandate and/or the Whitewash Waiver or otherwise connected with any of them; and
- (k) there were no material contracts entered into by the Subscriber in which any Director had a material personal interest.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors had any service contract with the Company or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) have been entered into or amended within 6 months preceding the date of the Announcement; (b) are continuous contracts with a notice period of 12 months or more; (c) are fixed term contracts with more than 12 months to run irrespective of the notice period; or (d) not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Director	Date of signing of the service contract or letter of appointment	Term of service contract or letter of appointment	Emolument
Mr. SU Yi	24 December 2024	An initial term of three years with effect from 24 December 2024	Mr. SU Yi does not receive any remuneration as an executive Director.
Dr. TSUI Wai Ling Carlye	14 December 2024	An initial term of three years with effect from 24 December 2024	HK\$330,000 per annum
Mr. SHEN Jinjun	24 December 2024	An initial term of three years with effect from 24 December 2024	HK\$330,000 per annum

Mr. SU Yi, Dr. TSUI Wai Ling Carlye and Mr. SHEN Jinjun are not entitled to any variable remuneration under their respective service contracts or letters of appointment.

7. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2024 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

8. INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined under the Listing Rules) had any interest in other business which competes or is likely to compete with the business of the Group.

9. MATERIAL LITIGATION

Save as disclosed “Note 21 Contingent Liabilities” on pages 34 to 35 of the annual results announcement of the Company for the financial year ended 31 December 2024, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

10. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) have been entered into by the members of the Group within the two years immediately preceding the date of the Announcement and up to and including the Latest Practicable Date of this circular and are or may be material:

- (a) the Subscription Agreement;
- (b) the placing agreement dated 7 June 2023 entered into between the Company and Huatai Financial Holdings (Hong Kong) Limited relating to the placing of 122,560,000 new Shares at HK\$0.48 per placing share;
- (c) the share transfer agreement dated 18 December 2023 entered into between the Shengze Jietong Supply Chain Co., Limited* (聖澤捷通供應鏈有限公司) (“**Shengze Jietong**”), and Xiamen Xindeco in relation to the disposal by Shengze Jietong of 5.77% of the equity interest in Dongfeng Logistics Group Co., Limited* (東風物流集團股份有限公司) to Xiamen Xindeco at a total consideration of RMB331,496,300;
- (d) the subscription agreement dated 25 July 2024 entered into between the Company and Mr. Yang Liguang for the issue and subscription of 319,888,000 new Shares at the subscription price of HK\$0.125 per subscription share; and
- (e) the subscription agreement dated 25 July 2024 entered into between the Company and Ms. Li Xiao Feng for the issue and subscription of 160,000,000 new Shares at the subscription price of HK\$0.125 per subscription share.

* For identification purpose only

11. EXPERT AND CONSENTS

The following is the name and qualification of the expert who has given opinion or advice contained in this circular:

Name	Qualification
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Gram Capital has given and has not withdrawn its written consent to the issue of this circular, with the inclusion therein of its letter(s), report(s), advice(s) and/or opinion (as the case may be) as set out in this circular and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Gram Capital did not have any direct or indirect shareholding in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, disposed of by or leased to any member of the Group, since 31 December 2024, being the date to which the latest published audited financial statements of the Group were made up.

Each of Huatai, the financial adviser to the Company, and CITICS HK, the financial adviser to the Subscriber, has given and has not withdrawn its written consent to the publication of its name in this circular in the form and context in which it appears.

12. MISCELLANEOUS INFORMATION

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The headquarters of the Company is at 4/F, Wuhan Baoze, No. 6 Huangpu Technological Park, Jiangnan District, Wuhan, China. The principal place of business in Hong Kong is at Flat C, 32/F, Lippo Centre Tower 1, 89 Queensway, Hong Kong.
- (b) The registered office of the Subscriber is at 6/F., Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.
- (c) The registered office of Hong Kong Sindanol is at Room C, 32/F, Lippo Centre, Tower 1, 89 Queensway, Admiralty, Hong Kong.
- (d) The registered office of ITG Holding is at 29–30F, ITG Center, No. 4688 Xianyu Road, Huli District, Xiamen, China.
- (e) The registered office of each of (i) CLSA Limited, the agent making the Offer on behalf of the Subscriber; and (ii) CITICS HK, is at 18/F One Pacific Place, 88 Queensway, Hong Kong.

- (f) The registered office of Gram Capital is at Room 1209, 12/F. Nan Fung Tower, 173 Des Voeux Road Central, Hong Kong.
- (g) As at the Latest Practicable Date, the sole director of the Subscriber is Mr. WANG Mingcheng. As at the Latest Practicable Date, the ultimate parent company of the Subscriber is ITG Holding, also the single largest Shareholder of the Company, and the directors of ITG Holding are Mr. XU Xiaoxi, Mr. GAO Shaoyong, Mr. MA Chenhua, Mr. CHEN Dingyu, Mr. CHEN Fang, Mr. YANG Qingrong, Mr. WU Shinong, Mr. CHEN Cangxing and CAI Yingbin.
- (h) The company secretary of the Company is Ms. Fung Wai Sum. She is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- (i) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited located at 17M Floor, Hopewell Centre, 183 Queens Road East, Wan Chai, Hong Kong.

13. DOCUMENTS ON DISPLAY

Copies of the following document will be published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.zhengtongauto.com>) for a period not less than 14 days from the date of this circular up to and including the date of EGM:

- (a) this circular;
- (b) the Memorandum and Articles of Association of the Company;
- (c) the articles of association of the Subscriber;
- (d) the annual reports of the Company for the financial years ended 31 December 2022 and 31 December 2023 and the annual results announcement of the Company for the financial year ended 31 December 2024;
- (e) the letter from the Board, the text of which is set out in the section headed “Letter from the Board” in this circular;
- (f) the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
- (g) the letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from Gram Capital” in this circular;
- (h) the written consents referred to in the paragraph headed “EXPERT AND CONSENTS” in this Appendix;

- (i) the material contracts referred to in the paragraph headed “MATERIAL CONTRACTS” in this Appendix; and
- (j) the service contracts referred to in the paragraph headed “DIRECTORS’ SERVICE CONTRACTS” in this Appendix.



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of China ZhengTong Auto Services Holdings Limited 中國正通汽車服務控股有限公司 (the “**Company**”) will be held at Large Conference Room, 4th Floor, Wuhan Baoze, No. 6 Huangpu Science Park, Tazihu Street, Jiangnan District, Wuhan, Hubei Province, the PRC on Wednesday, 23 April 2025 at 11:00 a.m. for the following purposes:

ORDINARY RESOLUTION

1. To consider and, if thought fit, pass with or without modifications, the following resolution as an ordinary resolution:

“THAT

- (a) the terms and conditions of the subscription agreement dated 25 January 2025 (the “**Subscription Agreement**”) entered into between the Company and Xinda Motors Co., Limited (信達汽車(香港)有限公司) (the “**Subscriber**”), a copy of which has been produced to the Meeting and marked “A” and initialled by the chairman of the Meeting for the purpose of identification, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the 6,669,060,524 new Shares (the “**Subscription Shares**”) at the price of HK\$0.15 per Share (the “**Subscription Price**”) and all transactions contemplated thereunder (the “**Connected Subscription**”), be and are hereby approved, confirmed and ratified;
- (b) all the transactions contemplated under the Subscription Agreement, including but not limited to the specific mandate to allot and issue the Subscription Shares by the Company to the Subscriber pursuant to the Subscription Agreement (the “**Specific Mandate**”), be and are hereby approved and any two executive directors of the Company be and are hereby authorised to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement; and

- (c) any two executive directors of the Company be and are authorized to do all such further acts and things and, subject to their approval, to singly sign and execute all such documents and to take all such steps which in their absolute opinion may be necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any matter relating to or incidental to the Connected Subscription.”

SPECIAL RESOLUTION

2. To consider and, if thought fit, pass with or without modifications, the following resolution as a special resolution:

“**THAT** subject to the passing of the resolution numbered 1 above and to the granting of the Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s) and any conditions that may be imposed thereon, the waiver (the “**Whitewash Waiver**”) of the obligation on the part of the Subscriber and parties acting in concert with it to make a mandatory general offer for all the issued shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it) which might otherwise arise as a result of the Subscriber subscribing for the Subscription Shares (as defined in resolution 1 above) under the Subscription Agreement (as defined in resolution 1 above) pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers be and is hereby approved, and that any two executive directors of the Company be and are hereby authorised to do all such acts and things and, subject to their approval, to singly sign and execute all such documents and to take all such steps which in their absolute opinion may be necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any matter relating to or incidental to the Whitewash Waiver.”

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, 31 March 2025

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

Principal place of business

in Hong Kong:

Flat C, 32/F

Lippo Centre Tower 1

89 Queensway

Hong Kong

Notes:

1. All resolutions at the Meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
2. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more (if it/he/she holds more than one share) proxies to attend and vote instead of it/him/her. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
3. In the case of joint holders of shares, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if it/he/she were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such shares shall alone be entitled to vote in respect thereof.
4. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the holding of the Meeting (i.e. not later than 11:00 a.m. on Monday, 21 April 2025) or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the Meeting and, in such event, the said form of proxy shall be deemed to be revoked.
5. The transfer books and register of members of the Company will be closed from Wednesday, 16 April 2025 to Wednesday, 23 April 2025, both days inclusive, to determine the entitlement of members of the Company to attend and vote at the Meeting, during which period no share transfers can be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 15 April 2025.
6. As at the date of this notice, the Board comprises Mr. HUANG Junfeng (Chairman), Mr. WANG Mingcheng, Mr. CHEN Hong and Mr. SU Yi as executive Directors, and Dr. TSUI Wai Ling Carlye, Mr. SHEN Jinjun and Ms. YU Jianrong as independent non-executive Directors.
7. References to time and dates in this notice are to Hong Kong time and dates.