



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:

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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;

- (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

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;

- (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;

- (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.

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

- (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

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.

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

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.

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.

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

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

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,

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.

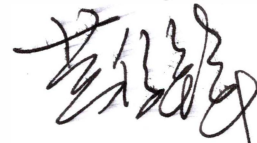
Since the Connected Subscription Completion is subject to the fulfilment or waiver (as applicable) of the conditions precedent as set out in the Subscription Agreement, the Connected Subscription may or may not proceed.

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

A handwritten signature in black ink, appearing to be '黃俊峰' (Huang Junfeng), written in a cursive style.

HUANG Junfeng

Chairman