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## **China ZhengTong Auto Services Holdings Limited** **中國正通汽車服務控股有限公司**

*(Incorporated under the laws of the Cayman Islands with limited liability)*

**(Stock Code: 1728)**

### **INSIDE INFORMATION**

This announcement is made by China ZhengTong Auto Services Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

On the evening of 17 December 2021, the Company was notified that a court judgement (the “**First Instance Judgement**”) had been granted by the Ningbo Intermediate People’s Court (浙江省寧波市中級人民法院) in favour of Ningbo Yuchen Fengze Equity Investment Partnership (Limited Partnership)\* 寧波禹宸豐澤股權投資合夥企業(有限合夥) (the “**Plaintiff**”) and against (among others) Beijing Guangze Real Estate Development Co., Ltd.\* 北京廣澤房地產開發有限公司 (“**Beijing Guangze**”), Beijing Zunbaocheng Real Estate Co., Ltd.\* 北京尊寶成置業有限公司 (“**Beijing Zunbaocheng**”), Beijing Baoze Automobile Technology Development Co., Ltd.\* 北京寶澤汽車科技發展有限公司 (“**Beijing Baoze**”) and Wuhan Zhengtong United Industrial Investment Group Co., Ltd.\* (武漢正通聯合實業投資集團有限公司) (“**Wuhan Zhengtong**”). There are also proceedings (the “**Other Proceeding**”) by an affiliate of the Plaintiff in mainland China for a non repayment of a loan in the principal amount of RMB1.35 billion and in respect of which it is also alleged that Wuhan Zhengtong is jointly and severally liable. The Other Proceeding is still subject to court determination. Beijing Guangze is a majority-controlled company held indirectly by a family member of Mr. WANG Muqing, an executive director of the Company. Accordingly, Beijing

Guangze is a connected person of the Company under the Listing Rules. Beijing Guangze holds 8.6758% and 4.3478% equity interest in Beijing Zunbaocheng and Beijing Baoze, respectively. Wuhan Zhengtong is an indirect wholly-owned subsidiary of the Company.

Pursuant to the First Instance Judgement, Beijing Guangze shall pay to the Plaintiff a principal amount of RMB420 million together with interest (the amount of which has not yet been finalised), comprising, among others, the redemption price for the equity investment made by the Plaintiff in Beijing Zunbaocheng and Beijing Baoze. Wuhan Zhengtong, having entered into a shortfall agreement (差額補足協議) and certain other related documents in favour of the Plaintiff in March 2016 (first execution) and March 2020 (extension) for outstanding amounts owed by Beijing Guangze to the Plaintiff, was held jointly and severally liable for the same amount. The amount due to the Plaintiff is also secured over, among other things, real estate belonging to Beijing Zunbaocheng and Beijing Baoze (which also serves as security for the loan the subject of the Other Proceeding). According to a valuation by Duming United Real Estate Appraisal (Beijing) Co., Ltd. (杜鳴聯合房地產評估(北京)有限公司) on 4 March 2020, the value of such security as at 30 December 2019 was approximately RMB3.218 billion. It is unclear at this time whether or when such security can be realized.

The current board of directors of the Company comprises directors who were appointed in September 2021 following the acquisition of 29.90% of the shares in the Company by Xiamen ITG Holding Group Co., Ltd. (廈門國貿控股集團有限公司). The entry into of the shortfall agreement and other related documents in March 2016 (first execution) and March 2020 (extension) may have constituted non exempt financial assistance to one of the Company's directors and/or his associates at the relevant time and, therefore, may have constituted undisclosed connected transactions of the Company at the relevant time. The Company's currently constituted board of directors would need additional time to make its own enquiries about the shortfall agreement and related documents and whether the relevant compliance requirements under the Listing Rules were complied with at that time.

The First Instance Judgement is not yet effective and Wuhan Zhengtong intends to appeal the decision.

As the case has not been finally adjudicated, there exists considerable uncertainty. The Company will monitor the legal proceedings and continue their assessment of the impact of such proceedings on the Group.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

*\* English translation or transliteration of Chinese name for identification purpose only*

By order of the Board  
**China ZhengTong Auto Services Holdings Limited**  
**WANG Ming Cheng**  
*Chairman*

Hong Kong, 22 December 2021

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