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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)**

**US DENOMINATED SENIOR NOTES DUE 2022**

**(Stock Code: 40132)**

### **INSIDE INFORMATION UPDATE ON LEGAL PROCEEDINGS**

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).

Reference is made to the announcement of the Company dated 22 December 2021 (the “**Announcement**”) in relation to (among other things) a legal proceeding (the “**Proceeding**”). Wuhan Zhengtong has filed an appeal against the judgement of the Proceeding. Unless the context otherwise requires, the terms used herein shall have the same meanings as those defined in the Announcement.

On the afternoon of 28 December 2021, the Company was notified that a court judgement for the Other Proceeding had been granted in favour of the Plaintiff and against (among others) Beijing Guangze, Beijing Zunbaocheng, Beijing Baoze and Wuhan Zhengtong by the Yangzhou Intermediate People's Court (江蘇省揚州市中級人民法院).

Pursuant to the first instance judgement for the Other Proceeding, Beijing Guangze shall pay to the Plaintiff approximately RMB1.411 billion (comprising the loan principal, accrued interest, default interest and compound interest) and late payment interest calculated at 16.2% per annum of RMB1.35 billion, the actual amount of which will increase with time and relevant costs. Wuhan Zhengtong, having entered into an undertaking in favour of the Plaintiff in March 2016 and a shortfall agreement (差額補足協議) with the lender in March 2020 for outstanding amounts owed by Beijing Guangze, was held jointly and severally liable for the same amount. The amount due to the Plaintiff is also secured over real estate owned by Beijing Zunbaocheng and Beijing Baoze. Beijing Zunbaocheng and Beijing Baoze were also held jointly and severally liable for the above amount. The real estate also serves as security for amounts owed by Beijing Guangze to the Plaintiff which are the subject of the Proceeding, further details of which are set out in the Announcement. 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 undertaking in March 2016 and shortfall agreement and other documents in 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 is making enquiries into the entry of the undertaking and shortfall agreement and whether the relevant compliance requirements under the Listing Rules were complied with at that time.

The first instance judgement for the Other Proceeding is not yet effective and Wuhan Zhengtong intends to appeal the decision.

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

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

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

Hong Kong, 31 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.*