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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)

CONTINUING CONNECTED TRANSACTIONS

Financial adviser to China ZhengTong Auto Services Holdings Limited



**Independent financial adviser to the independent board committee of
China ZhengTong Auto Services Holdings Limited**



On 30 May 2014, five New Renewed Lease Agreements were entered into between some of the PRC Operating Entities, as lessees, and some of the Connected Counterparties, as lessors, for the renewal of five Renewed Lease Agreements expiring on 31 May 2014.

The counterparties of the five New Renewed Lease Agreements, being the associates of Mr. Wang, are connected persons of the Company and thus, the transactions contemplated under the New Renewed Lease Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios (other than the profits ratio), as defined under the Listing Rules, in aggregate for the transactions under the New Renewed Lease Agreements, the Renewed Lease Agreements, the September Lease Agreements and the Property Management Agreement are expected to be more than 0.1% but less than 5% on an annual basis, the New Renewed Lease Agreements (together with the relevant proposed annual caps) are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the Prospectus, May Announcement, August Announcement and September Announcement in relation to, among other things, the Original Lease Agreements, the Renewed Lease Agreements, the September Lease Agreements and the Property Management Agreement.

As referred to in the Prospectus, the PRC Operating Entities or Wuhan Jietong, as lessees, had entered into eight Original Lease Agreements with the Connected Counterparties, as lessors, for the lease of certain premises or land by the Group for its operations. As set out in the May Announcement, August Announcement and September Announcement, eight Renewed Lease Agreements were entered into to renew the expired Original Lease Agreements. As disclosed in the September Announcement, the September Lease Agreements and the Property Management Agreement were entered on 30 September 2013.

On 30 May 2014, five New Renewed Lease Agreements were entered into to renew five Renewed Lease Agreements expiring on 31 May 2014. Details of the New Renewed Lease Agreements are set out in the section headed “New Renewed Lease Agreements” below.

NEW RENEWED LEASE AGREEMENTS

On 30 May 2014, five New Renewed Lease Agreements were entered into to renew five Renewed Lease Agreements expiring on 31 May 2014. The table below sets out the details of the New Renewed Lease Agreements:

	Date of agreement	Location	Gross floor area (sq.m.)	Use	Lessor	Lessee	Monthly rental (RMB)	Term (Note c)
1.	30 May 2014	No. Te 6 Huangpu Technological Park, Jianghan District, Wuhan City, Hubei Province, the PRC	4,661.59	Operation of 4S businesses	Hubei Shengze	Hubei Bocheng	176,688.76 (Note a)	From 1 June 2014 to 31 December 2015
2.	30 May 2014	No. Te 6 Huangpu Technological Park, Jianghan District, Wuhan City, Hubei Province, the PRC	6,541.52	Operation of 4S businesses	Hubei Shengze	Wuhan Kaitai	249,540.96 (Note a)	From 1 June 2014 to 31 December 2015
3.	30 May 2014	Lot 6C2 Wuhan Economic and Technological Development Zone, Wuhan City, Hubei Province, the PRC	58,051.22	Operation of logistics and storage businesses	Wuhan Shengze Jieyun	Wuhan Jietong	997,373.05 (Note a)	From 1 June 2014 to 31 December 2015

Date of agreement	Location	Gross floor area (sq.m.)	Use	Lessor	Lessee	Monthly rental (RMB)	Term (Note c)
4. 30 May 2014	Lot 5C2 Wuhan Economic and Technological Development Zone, Wuhan City, Hubei Province, the PRC	10,422.59	Operation of logistics and storage businesses	Wuhan Shengze Jiezhong	Wuhan Jietong	179,069.63 (Note a)	From 1 June 2014 to 31 December 2015
5. 30 May 2014	4S Shop, No. 59 West Third Ring South Road, Feng Tai District, Beijing City, the PRC	8,919.70	Operation of 4S businesses	Beijing Development	Beijing Baozhang	656,490.00 (Note b)	From 1 June 2014 to 31 December 2015

Notes:

- The rents for the relevant lease agreements are payable monthly.
- The rents for the relevant lease agreement are payable semi-annually.
- Pursuant to the relevant lease agreements, the lessee shall have the option to renew the successive term of the lease agreement up to year 2020.

HISTORICAL ANNUAL CAPS AND TRANSACTION AMOUNTS

The table below sets out the actual aggregate transaction amounts under the Original Lease Agreements, the Renewed Lease Agreements, the September Lease Agreements and the Property Management Agreement for the three years ended 31 December 2013 and the relevant annual caps:

For the year ended 31 December	Annual cap (RMB' million)	Actual aggregate transaction amounts (RMB' million, approximate)
2011	21.2	21.1
2012	21.2	21.1
2013	36.6	35.4

PROPOSED ANNUAL CAPS

As referred to in the September Announcement, the proposed annual cap for the transactions contemplated under the Renewed Lease Agreements, the September Lease Agreements and the Property Management Agreement for the years ending 31 December 2014 and 2015 are RMB63.4 million and RMB53.1 million respectively. The actual aggregate transaction amount under the Renewed Lease Agreements, the September Lease Agreements and the Property Management Agreement for the four months ended 30 April 2014 amounted to approximately RMB25.3 million. By virtue of the entering into of the New Renewed Lease Agreements, the revised proposed annual cap for the years ending 31 December 2014 and 2015 for the Continuing Connected Transactions are RMB79.2 million and RMB80.3 million respectively. The proposed annual caps are determined with reference to the amount payable pursuant to the New Renewed Lease Agreements, the Renewed Lease Agreements, the September Lease Agreements and the Property Management Agreement.

The Directors (including the independent non-executive Directors) are of the view that the proposed annual caps for the Continuing Connected Transactions for the two years ending 31 December 2015 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in the operation of 4S dealership business, motor-related logistics business and lubricant oil trading business.

The Group has leased premises and land under the Original Lease Agreements for the operations of its 4S businesses and logistics and storage operation since 2010. Five Renewed Lease Agreements will expire on 31 May 2014. Having considered that (i) three of the Group's 4S Shops located in the premises under three of the New Renewed Lease Agreements contributed satisfactory operating results to the Group; and (ii) one subsidiary operating logistics and storage businesses located in the premises in Wuhan under two of the New Renewed Lease Agreements is an important logistic centre of the Group's logistics business in the central China region, the Directors are of view that the entering into of the New Renewed Lease Agreement is beneficial to the Group's business development and thus, is in the interest of the Group.

The terms of the New Renewed Lease Agreements are determined after arm's length negotiations between the relevant operating entities of the Group and the relevant Connected Counterparties. The rental amounts under the New Renewed Lease Agreements are determined with reference to the prevailing market rental price of premises under the New Renewed Lease Agreements. The Directors (including the independent non-executive Directors who have taken into account the advice of the Independent Financial Adviser as set out in the section headed "Advice of the Independent Financial Adviser" below) are of the view that the New Renewed Lease Agreements are entered into in the ordinary and usual course of business of the Group, the terms are on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole.

LISTING RULES IMPLICATIONS

The counterparties under the New Renewed Lease Agreements are as follows:

Hubei Shengze, an investment holding company, is wholly-owned by Mr. Wang, the non-executive Director and the controlling Shareholder.

Wuhan Shengze Jieyun, a company principally engaged in real estate holding, is wholly-owned by Hubei Shengze.

Wuhan Shengze Jiezhong, a company principally engaged in real estate holding, is wholly-owned by Hubei Shengze.

Beijing Development, a company principally engaged in real estate holding and property management, is wholly-owned by Hubei Shengze.

The above counterparties, being the associates of Mr. Wang, are connected persons of the Company and thus, the transactions contemplated under the New Renewed Lease Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios (other than the profits ratio), as defined under the Listing Rules, in aggregate for the transactions under the New Renewed Lease Agreements, the Renewed Lease Agreements, the September Lease Agreements and the Property Management Agreement are expected to be more than 0.1% but less than 5% on an annual basis, the New Renewed Lease Agreements (together with the relevant proposed annual caps) are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Wang, a non-executive Director and the controlling Shareholder, has material interests in the transactions contemplated under the New Renewed Lease Agreements and has abstained from voting on the Board resolutions approving the New Renewed Lease Agreements and the transactions contemplated thereunder.

ADVICE OF THE INDEPENDENT FINANCIAL ADVISER

The Independent Financial Adviser has been appointed to advise the independent board committee comprising all the independent non-executive Directors in connection with the Continuing Connected Transactions. In forming its opinion, the Independent Financial Adviser has reviewed the valuation reports prepared by the relevant property valuers in the PRC on the market rental prices of the premises under the New Renewed Lease Agreements. The Independent Financial Adviser is of the view that (i) the basis and assumption of the valuation reports prepared by the relevant property valuers are reasonable; (ii) the New Renewed Lease Agreements, the Renewed Lease Agreements, the September Lease Agreements and the Property Management Agreement together with the proposed annual caps for the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole; (iii) the terms of the New Renewed Lease Agreements are on normal commercial terms and are fair and reasonable; and (iv) the proposed annual caps of the Continuing Connected

Transactions for the two years ending 31 December 2015 have been fairly and reasonably arrived at. Accordingly, the Independent Financial Adviser recommended the independent non-executive Directors to vote in favour of the Board resolutions approving the New Renewed Lease Agreements and the related proposed annual caps.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“4S”	sales, spare parts, service and survey
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“August Announcement”	the announcement of the Company dated 1 August 2013
“Beijing Baozehang”	北京寶澤行汽車銷售服務有限公司 (Beijing Baozehang Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“Beijing Development”	北京寶澤汽車科技發展有限公司 (Beijing Baoze Automobile Technology Development Co., Ltd.*), a company incorporated in the PRC and one of the Connected Counterparties
“Board”	the board of Directors
“Company”	China ZhengTong Auto Services Holdings Limited (中國正通汽車服務控股有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“Connected Counterparties”	collectively, Beijing Development, Hubei Shengze, Wuhan Shengze Jieyun, Wuhan Shengze Jiezhong, 長沙聖澤瑞寶電子產品貿易有限公司 (Changsha Shengze Ruibao Electronics Trading Co., Ltd.*) and 內蒙古聖澤鼎杰汽車貿易有限公司 (Inner Mongolia Shengze Dingjie Automobile Trading Co., Ltd.*)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the leases contemplated under the Renewed Lease Agreements and the New Renewed Lease Agreements and the September Lease Agreements, and the transactions contemplated under the Property Management Agreement
“Director(s)”	the director(s) of the Company

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hubei Bocheng”	湖北博誠汽車銷售服務有限公司 (Hubei Bocheng Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“Hubei Shengze”	湖北聖澤實業有限公司 (Hubei Shengze Industry Co., Ltd.*), a company incorporated in the PRC and one of the Connected Counterparties
“Independent Financial Adviser”	Messis Capital Limited, which is a corporation permitted under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities and the independent financial adviser to the independent board committee comprising all the independent non-executive Directors in relation to the Continuing Connected Transactions
“Leased Premises”	collectively the properties of 4S shop on No. 59 West Third Ring South Road, Feng Tai District, Beijing, the PRC with the gross floor area of 8,919.7 sq.m. and the basement and levels 1, 2 and 5 on No. 59 West Third Ring South Road, Feng Tai District, Beijing, the PRC with an aggregate gross floor area of 11,193.28 sq.m. leased by the Group from Beijing Development and Beijing Baozhang respectively
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“May Announcement”	the announcement of the Company dated 31 May 2013
“Mr. Wang”	Mr. Wang Muqing, the non-executive Director and the controlling Shareholder
“New Renewed Lease Agreements”	the lease agreements dated 30 May 2014 entered into between some of the PRC Operating Entities and some of the Connected Counterparties to renew the Renewed Lease Agreements expiring on 31 May 2014
“Original Lease Agreements”	the lease agreements, as referred to in the Prospectus, entered into between the PRC Operating Entities or Wuhan Jietong and the Connected Counterparties in 2010

“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Operating Entities”	collectively, Beijing Baozhang, Wuhan Kaitai, Hubei Bocheng, 呼和浩特市祺寶汽車銷售有限公司 (Huhhot Qibao Automobile Sales Services Co., Ltd.*), 長沙瑞寶汽車銷售服務有限公司 (Changsha Ruibao Automobile Sales Services Co., Ltd.*) and 內蒙古鼎杰汽車貿易有限公司 (Inner Mongolia Dingjie Automobile Trading Co., Ltd.*), all being the subsidiaries of the Company operating 4S businesses in the PRC
“Property Management Agreement”	the property management agreement dated 30 September 2013 entered into between Beijing Development and Beijing Baozhang in respect of the provision of property management services by Beijing Development for the Leased Premises (details of which are set out in the September Announcement)
“Prospectus”	the prospectus of the Company dated 29 November 2010
“Renewed Lease Agreements”	the lease agreements entered into between some of the PRC Operating Entities or Wuhan Jietong and some of the Connected Counterparties to renew the Original Lease Agreements expired on 31 May 2013, 31 July 2013 or 29 September 2013 (details of which are set out in the May Announcement, August Announcement and September Announcement)
“September Announcement”	the announcement of the Company dated 30 September 2013
“September Lease Agreements”	the lease agreements dated 30 September 2013 entered into between some operating subsidiaries of the Group and some Connected Counterparties or Wuhan Investment in respect of the leases of certain premises for the operations of the Group (details of which are set out in the September Announcement)
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wuhan Investment”	武漢江融投資有限公司 (Wuhan Investment Co., Ltd.*), a company incorporated in the PRC and one of the lessors under the September Lease Agreements

“Wuhan Jietong”	武漢聖澤捷通物流有限公司 (Wuhan Shengze Jietong Logistics Co., Ltd.*), an indirect wholly foreign owned enterprise established in the PRC under the control of the Group
“Wuhan Kaitai”	武漢開泰汽車銷售服務有限公司 (Wuhan Kaitai Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“Wuhan Shengze Jieyun”	武漢聖澤捷運貿易有限公司 (Wuhan Shengze Jieyun Trading Co., Ltd*), a company incorporated in the PRC and one of the Connected Counterparties
“Wuhan Shengze Jiezhong”	武漢聖澤捷眾物流有限公司 (Wuhan Shengze Jiezhong Logistics Co., Ltd*), a company incorporated in the PRC and one of the Connected Counterparties
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square metres
“%”	percent.

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
Wang Muqing
Chairman

Hong Kong, 30 May 2014

As at the date of this announcement, the Board comprises Mr. WANG Muqing (Chairman) as non-executive Director; Mr. WANG Kunpeng (Chief Executive Officer), Mr. LI Zhubo, Mr. CHEN Tao and Mr. SHAO Yong Jun as executive Directors; and Dr. WONG Tin Yau, Kelvin, Mr. ZHAO Chunjun and Mr. CHANG Xiuze as independent non-executive Directors.

* For identification purpose only