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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)**

### **DISCLOSEABLE TRANSACTION**

### **COOPERATION AGREEMENT ON STRATEGIC OPERATION MANAGEMENT COOPERATION SCHEME (“SOMCS”)**

#### **INTRODUCTION**

Reference is made to the Framework Agreement Announcement of the Company dated 4 August 2017 in relation to, among other things, the Framework Agreement. As disclosed in the Framework Agreement Announcement, ZhengTong Auto (a wholly-owned subsidiary of the Company) and the Counterparty (Ms. Li Wangxing (李旺興) and Mr. Lin Yihao (林億豪), being natural persons) entered into the Framework Agreement regarding the SOMCS of BMW vehicles dealership, vehicles repair and other related business in China, and the Company shall enter into particular legally binding agreements with the Counterparty in respect of the strategic cooperation.

The Board is pleased to announce that on 23 December 2017, the Company, ZhengTong Auto and the Counterparty entered into the legally binding Cooperation Agreement in respect of the strategic cooperation.

#### **LISTING RULES IMPLICATIONS**

As the highest of all applicable percentages ratios in respect of the Cooperation Agreement and the transactions thereunder is more than 5% but less than 25%, the Cooperation Agreement and the transactions thereunder constitutes discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements as set out under Chapter 14 of the Listing Rules.

## INTRODUCTION

Reference is made to the Framework Agreement Announcement of the Company dated 4 August 2017 in relation to, among other things, the Framework Agreement. As disclosed in the Framework Agreement Announcement, ZhengTong Auto (a wholly-owned subsidiary of the Company) and the Counterparty (Ms. Li Wangxing (李旺興) and Mr. Lin Yihao (林億豪), being natural persons) entered into the Framework Agreement regarding the SOMCS of BMW vehicles dealership, vehicles repair and other related business in China, and the Company shall enter into particular legally binding agreements with the Counterparty in respect of the strategic cooperation.

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## THE COOPERATION AGREEMENT

The principal terms of the Cooperation Agreement are set out below.

- Date:** 23 December 2017
- Parties:**
- (1) ZhengTong Auto
  - (2) the Counterparty
  - (3) the Company

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, the Counterparty are third parties independent of the Company and its connected persons.

**Term of Cooperation:** From 1 January 2018 to 31 December 2027 (ten years)

### Subject Matter

The Target Companies (being companies actually controlled by the Counterparty) are companies in Shenzhen, Guangzhou, Foshan and Jieyang that engage in the businesses of retail sales of new vehicles and branded vehicle parts as well as original brand related services (including post-sales services and demonstration services) in relation to the BMW and/or MINI brands (the “**Target Services**”). The Target Companies are authorised to carry out the Target Services in relation to the BMW and/or MINI brands pursuant to arrangements with the producers (the “**Authorisation**”).

The Parties agree to cooperate with respect to the Target Companies, Target Services and Authorisation under terms and conditions of the Cooperation Agreement.

## **Transfer of Operational Management Rights**

The Counterparty shall transfer operational management rights in relation to the Target Companies (“**Operational Management Rights**”) to ZhengTong Auto during the term of cooperation.

During such period:

- (1) the gains and creditors’ rights occurring from the exercise of Operational Management Rights by ZhengTong Auto shall be enjoyed by ZhengTong Auto; and
- (2) ZhengTong Auto shall bear liabilities and responsibilities incurred from the exercise of Operational Management Rights.

## **Cooperation through the Operating Entities**

Pursuant to the Cooperation Agreement, ZhengTong Auto shall establish companies (the “**Operating Entities**”) in the respective places of registration of the Target Companies to carry out the Target Services. ZhengTong Auto shall procure approval from the producers to transfer certain qualifications of BMW brand distributors (寶馬經銷商資質) from the Target Companies to the Operating Entities, pursuant to which the Operating Entities would commence carrying out the Target Business.

During the period of cooperation, the assets, creditors’ rights, liabilities and gains occurring to the Operating Entities shall be allocated as follows:

- (1) gains and creditors’ rights shall be enjoyed by ZhengTong Auto;
- (2) new operating assets formed based on requirements and investments from the Producers shall belong to the Counterparty (the “**New Operating Assets**”);
- (3) operating assets obtained by the Operating Entities from the Target Companies shall belong to the Counterparty, though such operating assets may be used by the Target Companies and/or the Operating Entities in accordance with terms of the Cooperation Agreement; and
- (4) Assets of the Operating Entities other than the New Operating Assets belong to ZhengTong Auto. Liabilities and responsibilities incurred from the operation period of the Operating Entities shall be borne by ZhengTong Auto.

Within 60 days following the lapse of the term of cooperation, ZhengTong Auto shall transfer its equity interests in the Operating Entities at nil consideration to the Counterparty (or its designated transferee).

## **Consideration**

During the term of cooperation, a fixed annual amount (the “Fixed Annual Amount”) of RMB 71,000,000 is payable by ZhengTong Auto to the Counterparty. The aggregate Fixed Annual Amount payable under the Cooperation Agreement is expected to be around RMB 710,000,000. The Fixed Annual Amount was determined among the Parties after arm’s length negotiations, with reference to, among other things, due diligence report, prevailing market conditions and terms of the Cooperation Agreement.

## **Payment of Consideration**

The Fixed Annual Amount shall be payable by ZhengTong Auto in monthly instalments each month.

## **Guarantee from ZhengTong Auto**

ZhengTong Auto agreed to paid guarantee amounts (the “**Cooperation Guarantee Amounts**”) to the Counterparty with respect to obligations of ZhengTong Auto under the Cooperation Agreement, amounting to RMB 490,000,000 in aggregate.

The aforementioned Cooperation Guarantee Amounts shall be returned to ZhengTong Auto provided that certain terms and conditions set out in the Cooperation Agreement are satisfied.

## **Guarantee from the Company**

The Company agreed to guarantee the obligations of ZhengTong Auto under the Cooperation Agreement. Pursuant to the Cooperation Agreement, the Company agreed to execute a guarantee in favour of the Counterparty.

## **INFORMATION OF THE COMPANY**

The Group is a leading auto sales and services group of luxury conglomerates in China. Its principal businesses include the operation of automobile 4S stores, auto finance businesses and supply chain business.

## **INFORMATION OF THE COUNTERPARTY**

The Counterparty are Ms. Li Wangxing (李旺興) and Mr. Lin Yihao (林億豪), who control the Traget Companies, which carry out the business of retail sales of new vehicles and branded vehicle parts as well as other brand related services in relation to the BMW and/or MINI brands.

## **REASONS FOR AND BENEFITS OF THE COOPERATION AGREEMENT**

The Board is of the view that the Cooperation Agreement shall further enhance the Group’s market share and network on the BMW brand, escalate profitability on cooperated brand and our whole brand portfolio through leveraging on Group’s auto extended and integrated value-added platforms, initiate an industrial standard for future management outsourcing by the Group, and optimize our capital deployment and capital structure for sustainable and healthy growth in the long run, which are in the interests of the Company and its Shareholders as a whole.

The Directors believe that the terms of the Cooperation Agreement and the transactions thereunder are fair and reasonable and in the interests of the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the highest of all applicable percentages ratios in respect of the Cooperation Agreement and the transactions thereunder is more than 5% but less than 25%, the Cooperation Agreement and the transactions thereunder constitute discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements as set out under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

“Board”	the board of Directors
“Company”	China ZhengTong Auto Services Holdings Limited
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Cooperation Agreement”	the cooperation agreement on strategic operation management cooperation scheme dated 23 December 2017 entered into between ZhengTong Auto, the Company and the Counterparty
“Counterparty”	Ms. Li Wangxing (李旺興) and Mr. Lin Yihao (林億豪)
“Director(s)”	director(s) of the Company
“Framework Agreement”	the framework agreement dated 2 August 2017 entered into between ZhengTong Auto and the Counterparty, further details of which are described in the Framework Agreement Announcement
“Framework Agreement Announcement”	the announcement of the Company dated 4 August 2017 in relation to, among other things, the Framework Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Parties”	Zhengtong Auto, the Company and the Counterparty, as parties to the Cooperation Agreement
“percentage ratios”	has the meaning ascribed to it in the Listing Rules

“PRC” or “China”	the People’s Republic of China but excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of the Share(s) of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Target Companies”	Total 10 companies/branch companies established in Shenzhen, Guangzhou, Foshan and Jieyang, including Shenzhen Baojun Automobile Sales and Service Co., Ltd. (深圳市寶駿汽車銷售服務有限公司) and its three branch companies, Guangdong Baojun Automobile Sales and Service Co., Ltd. (廣東寶駿汽車銷售服務有限公司) and one of its branch company, Foshan Shengbaohang Automobile Sales and Service Co., Ltd. (佛山市盛寶行汽車銷售服務有限公司) and one of its branch company, Guangzhou Baojun Automobile Sales and Service Co., Ltd. (廣州市寶駿汽車銷售服務有限公司) and Jieyang Baojun Automobile Sales and Services Limited (揭陽市寶駿汽車銷售服務有限公司), being companies controlled by the Counterparty that carry out the business of retail sales of new vehicles and branded vehicle parts as well as other brand related services in relation to the BMW and/or MINI brands
“ZhengTong Auto”	ZhengTong Automobile Services Co. Ltd. (正通汽車服務有限公司), a company established in accordance with the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company
“%”	per cent

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, 23 December 2017

*As at the date of this announcement, the Board comprises Mr. WANG Muqing (Chairman), Mr. WANG Kunpeng, Mr. KOH Tee Choong, Ivan, Mr. LI Zubo, Mr. WAN To and Mr. SHAO Yong Jun as executive Directors; and Dr. WONG Tin Yau, Kelvin, Dr. CAO Tong and Ms. WONG Tan Tan as independent non-executive Directors.*