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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 TRANSACTION IN RELATION TO AGREEMENT ON CONTRACTED DEVELOPMENT AND MANAGEMENT OF 4S STORES AND COMMERCIAL COMPLEX PROJECTS

INTRODUCTION

In order to reduce project development costs, on 4 July 2019, the Company entered into the Agreement on Contracted Development and Management with Guangze Real Estate Development, pursuant to which the Company engages Guangze Real Estate Development to undertake the overall management and coordination services for the development, construction, renovation and expansion of certain 4S stores and the relevant commercial complex projects owned by the Group. The Directors believe that engaging Guangze Real Estate Development to provide services under Agreement on Contracted Development and Management is expected to effectively reduce the cost of and risks associated with the development and construction of the 4S stores and commercial complex, and further speed up the project construction, as well as to adopt a consistent and organized progress and quality monitoring and management procedure for its Project, hence promoting and stimulating achievement of the goal of network expansion for the Group's 4S stores.

LISTING RULES IMPLICATIONS

As the relevant percentage ratios (other than the profits ratio), as defined under the Listing Rules, for the transactions under the Agreement on Contracted Development and Management are more than 0.1% but less than 5%, the Agreement on Contracted Development and Management and the transactions thereunder are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, and does not constitute notifiable transaction under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 4 July 2019, the Company entered into the Agreement on Contracted Development and Management with Guangze Real Estate Development, pursuant to which the Company engages Guangze Real Estate Development to undertake the overall management and coordination services for the development, construction building, renovation and expansion of certain 4S stores and the relevant commercial complex projects owned by the Group.

AGREEMENT ON CONTRACTED DEVELOPMENT AND MANAGEMENT

The principal terms of the Agreement on Contracted Development and Management are set out below.

Date: 4 July 2019

Parties: (1) the Company
(2) Guangze Real Estate Development

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, Guangze Real Estate Development is wholly-owned by the family member of Mr. Wang Muqing, an executive Director, the chairman of the Board and a controlling Shareholder. Accordingly, Guangze Real Estate Development is the Company's connected person.

Term of Agreement: The term of the Agreement on Contracted Development and Management shall commence on its signing date and will expire on 31 December 2019.

Subject Matter

As the investor of the specific 4S stores and commercial complex development projects (“Projects”), the Company is responsible for raising required funds for the development projects and has the rights of decision-making, supervision, recommendation and information with respect to the investments and other major issues during the construction thereof.

Pursuant to the Agreement on Contracted Development and Management, Guangze Real Estate Development is engaged by the Company to exercise the overall management right and provide coordination and management services over the development and construction of the Projects, with the following major scope of services:

- 1) assessing land plots under consideration for the Projects and providing technical support services;
- 2) choosing and engaging for the Company various planners and designers of different stages based on the types of works for the Projects and the actual situation, monitoring design progress and quality of the results of the design;
- 3) handling the specific approval and permit procedures required for the development and construction of the Projects with the cooperation of the Company;
- 4) selecting constructors, suppliers of materials and equipment and supervisors and conducting co-ordinated management;
- 5) All contracts with external parties for contracting and subcontracting shall be signed by the Company. Guangze Real Estate Development shall manage comprehensively the quality, progress, schedule, safety of workplace and civilizational construction with respect to the contracts;
- 6) organizing various types of intermediate acceptance, completion acceptance, completing the completion acceptance record, organizing the implementation of collective delivery of the Project;
- 7) being responsible for the management of the quality warranty within the agreed period; and
- 8) recording important archives of the whole process of the development and construction of the Project on a timely basis according to the requirements of archives management.

For the avoidance of doubt, all contracting and subcontracting agreements for provision of the development, construction and other services to the Group at different stages of the Project development shall be signed by the Company with separate external parties.

Consideration

Contracted Management Service Fee

The Company shall pay Guangze Real Estate Development 5% of the estimated total project cost under the Agreement on Contracted Development and Management as the contracted management service fee. As the total project cost under the Agreement on Contracted Development and Management is estimated to be approximately RMB 848 million, the contracted management service fee payable by the Company to Guangze Real Estate Development is approximately RMB 42.40 million. The amount was determined after arm's length negotiations between Parties taking into account, among other factors, the project scale, investment amount for the Project, scope of design and technical standards and scope of services provided by Guangze Real Estate Development.

Early Completion Bonus

Under the Agreement on Contracted Development and Management, the Group agreed to incentivise Guangze Real Estate Development for an early completion of the Project based on prevailing industry practice. Guangze Real Estate Development may be entitled to a total bonus of no more than RMB0.5 million under the Agreement on Contracted Development and Management.

Annual Cap

Taking into consideration the amount of the contracted management service fee of RMB42.40 million and the maximum amount of early completion bonus of RMB0.5 million, the annual cap for the Agreement on Contracted Development and Management shall not exceed RMB45 million.

Payment of Consideration

The payment of the contracted management service fee will be made by the Company to Guangze Real Estate Development by instalments in accordance with the progress of the development and construction of the Projects. The early completion bonus, if any, shall be paid by the Company to Guangze Real Estate Development after completion of the Project.

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 GUANGZE REAL ESTATE DEVELOPMENT

The principal business of Guangze Real Estate Development is property development and management.

REASONS FOR AND BENEFITS OF THE AGREEMENT ON CONTRACTED DEVELOPMENT AND MANAGEMENT

The Board is of the view that Guangze Real Estate Development has extensive experience in managing the development and construction of commercial complexes, so the Group engages Guangze Real Estate Development to undertake the overall management and coordination services for the development, construction, renovation and expansion of the 4S stores and associated commercial complexes.

The Directors believe that engaging Guangze Real Estate Development to provide services under Agreement on Contracted Development and Management is expected to effectively reduce the cost of and risks associated with the development and construction of the 4S stores and commercial complexes, and further speed up the project construction, as well as to adopt a consistent and organized progress and quality monitoring and management procedure for its Project, hence promoting and stimulating achievement of the goal of network expansion for the Group's 4S stores.

In view of the above, the Board is of the view that engaging Guangze Real Estate Development to provide the said services under the Agreement on Contracted Development and Management is beneficial to the Group as a whole. The Directors (including the independent non-executive Directors) believe that the terms of the Agreement on Contracted Development and Management and the transactions thereunder are fair and reasonable, on normal commercial terms, and entered into in the ordinary and usual course of business of the Group and in the interests of the Group and Shareholders as a whole.

As Mr. Wang Muqing, an executive Director, the Chairman of the Board and a controlling Shareholder, has material interests in the transactions contemplated under the Agreement on Contracted Development and Management and has abstained from voting on the Board resolutions approving the Agreement on Contracted Development and Management and the transactions contemplated thereunder. Save as disclosed above, none of the other Directors have any material interest in the said agreement and the transactions contemplated thereunder and are required to abstain from voting on the relevant Board resolutions.

LISTING RULES IMPLICATIONS

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, Guangze Real Estate Development is wholly-owned by the family member of Mr. Wang Muqing, an executive Director, the chairman of the Board and a controlling Shareholder. Accordingly, Guangze Real Estate Development is the Company's connected person.

As the relevant percentage ratios (other than the profits ratio), as defined under the Listing Rules, for the transactions under the Agreement on Contracted Development and Management are more than 0.1% but less than 5%, the Agreement on Contracted Development and Management and the transactions thereunder are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, and does not constitute notifiable transaction 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:

“Agreement on Contracted Development and Management”	The Agreement on Contracted Development and Management entered into between the Company and Guangze Real Estate Development on 4 July 2019
“Board”	the board of Directors
“Company”	China ZhengTong Auto Services Holdings Limited, a company incorporated in the Cayman Islands with limited liability
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangze Real Estate Development”	Beijing Guangze Real Estate Development Co., Ltd., Wuhan Branch *, (北京廣澤房地產開發有限公司武漢分公司), a company established in accordance with the laws of the PRC with limited liability, and a connected person of the Company
“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”	The Company and Guangze Real Estate Development, being the parties to the Agreement on Contracted Development and Management
“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
“%”	“%” 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 Kunpeng
Executive Director

Hong Kong, 4 July 2019

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

* the English translation of the Chinese name is for identification purpose only.