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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)

Connected Transactions
Acquisition of 100% Equity Interest in
Xiangtan Yize Property Co Ltd*, Wulan Chabushi Yize Property Co Ltd*,
Ganzhou Yize Property Co Ltd* and Shangraoshi Yize Property Co Ltd*

The Board is pleased to announce that, on 20 May 2011, the Purchaser, an indirect wholly owned subsidiary of the Company, and the Vendor entered into the Share Transfer Agreements, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire equity interests in the Target Companies.

The consideration payable to the Vendor for the entire equity interest in the four Target Companies is approximately RMB40 million (equivalent to approximately HK\$47.6 million). The consideration will be payable by the Purchaser to the Vendor in cash within 10 days from the date of signing of each of the Share Transfer Agreements.

Mr. Wang Muqing, a controlling shareholder and a non-executive Director of the Company, as of the date of the announcement holds approximately 70.4% equity interest in the Vendor. Accordingly, the Vendor is a connected person of the Company, and therefore the acquisitions (“Acquisitions”) under the Share Transfer Agreements constitute connected transactions of the Company under the Listing Rules. Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Acquisitions exceed 0.1% but are below 5%, the Acquisitions are, pursuant to Rule 14A.32 of the Listing Rules, only subject to the reporting and announcement requirements and are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on 20 May 2011, the Purchaser, an indirect wholly owned subsidiary of the Company, and the Vendor entered into the Share Transfer Agreements, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire equity interests in the Target Companies.

SHARE TRANSFER AGREEMENTS

Share Transfer Agreement-1

Date

20 May 2011

Parties

- (i) the Purchaser (as purchaser); and
- (ii) the Vendor (as vendor)

Assets to be acquired

Pursuant to the Share Transfer Agreement-1, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the entire equity interest in Target Company-1.

Consideration

The consideration payable to the Vendor for the entire equity interest in Target Company-1 is RMB10 million (equivalent to approximately HK\$11.9 million). The consideration will be payable by the Purchaser to the Vendor in cash within 10 days from the date of signing of the Share Transfer Agreement-1.

The consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to, among other things, the valuation report on Target Company-1 dated 18 May 2011 prepared by the Valuer and the net asset value of Target Company-1 as at 30 April 2011. The consideration will be funded by the proceeds received from the Group's listing in December 2010.

Completion

The completion of the share transfer contemplated under the Share Transfer Agreement-1 shall take place upon completion of the relevant PRC registration procedures, which shall be completed within 10 days from the date of payment of the consideration from the Purchaser to the Vendor. The date of completion shall be the date of completion of the relevant PRC registration procedures.

Upon completion, Target Company-1 will become an indirect wholly-owned subsidiary of the Company whose results will be consolidated into the accounts of the Group.

Share Transfer Agreement-2

Date

20 May 2011

Parties

(iii) the Purchaser (as purchaser); and

(iv) the Vendor (as vendor)

Assets to be acquired

Pursuant to the Share Transfer Agreement-2, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the entire equity interest in Target Company-2.

Consideration

The consideration payable to the Vendor for the entire equity interest in Target Company-2 is RMB10 million (equivalent to approximately HK\$11.9 million). The consideration will be payable by the Purchaser to the Vendor in cash within 10 days from the date of signing of the Share Transfer Agreement-2.

The consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to, among other things, the valuation report on Target Company-2 dated 18 May 2011 prepared by the Valuer and the net asset value of Target Company-2 as at 30 April 2011. The consideration will be funded by the proceeds received from the Group's listing in December 2010.

Completion

The completion of the share transfer contemplated under the Share Transfer Agreement-2 shall take place upon completion of the relevant PRC registration procedures, which shall be completed within 10 days from the date of payment of the consideration from the Purchaser to the Vendor. The date of completion shall be the date of completion of the relevant PRC registration procedures.

Upon completion, Target Company-2 will become an indirect wholly-owned subsidiary of the Company whose results will be consolidated into the accounts of the Group.

Share Transfer Agreement-3

Date

20 May 2011

Parties

(v) the Purchaser (as purchaser); and

(vi) the Vendor (as vendor)

Assets to be acquired

Pursuant to the Share Transfer Agreement-3, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the entire equity interest in Target Company-3.

Consideration

The consideration payable to the Vendor for the entire equity interest in Target Company-3 is RMB10 million (equivalent to approximately HK\$11.9 million). The consideration will be payable by the Purchaser to the Vendor in cash within 10 days from the date of signing of the Share Transfer Agreement-3.

The consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to, among other things, the valuation report on Target Company-3 dated 18 May 2011 prepared by the Valuer and the net asset value of Target Company-3 as at 30 April 2011. The consideration will be funded by the proceeds received from the Group's listing in December 2010.

Completion

The completion of the share transfer contemplated under the Share Transfer Agreement-3 shall take place upon completion of the relevant PRC registration procedures, which shall be completed within 10 days from the date of payment of the consideration from the Purchaser to the Vendor. The date of completion shall be the date of completion of the relevant PRC registration procedures.

Upon completion, Target Company-3 will become an indirect wholly-owned subsidiary of the Company whose results will be consolidated into the accounts of the Group.

Share Transfer Agreement-4

Date

20 May 2011

Parties

(vii) the Purchaser (as purchaser); and

(viii) the Vendor (as vendor)

Assets to be acquired

Pursuant to the Share Transfer Agreement-4, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the entire equity interest in Target Company-4.

Consideration

The consideration payable to the Vendor for the entire equity interest in Target Company-4 is approximately RMB10.0 million (equivalent to approximately HK\$11.9 million). The consideration will be payable by the Purchaser to the Vendor in cash within 10 days from the date of signing of the Share Transfer Agreement-4.

The consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to, among other things, the valuation report on Target Company-4 dated 18 May 2011 prepared by the Valuer and the net asset value of Target Company-4 as at 30 April 2011. The consideration will be funded by the proceeds received from the Group's listing in December 2010.

Completion

The completion of the share transfer contemplated under the Share Transfer Agreement-4 shall take place upon completion of the relevant PRC registration procedures, which shall be completed within 10 days from the date of payment of the consideration from the Purchaser to the Vendor. The date of completion shall be the date of completion of the relevant PRC registration procedures.

Upon completion, Target Company-4 will become an indirect wholly-owned subsidiary of the Company whose results will be consolidated into the accounts of the Group.

INFORMATION ON THE VENDOR

Hubei Shengze is a limited liability company established under the PRC laws. As at the date of this announcement, Mr. Wang Muqing (registered in the name of two other members of Mr. Wang Muqing's family), the controlling shareholder and non-executive Director of the Company, owed as to approximately 70.4% equity interest in Hubei Shengze, where the remaining equity interest in Hubei Shengze is owned by an independent third party to the Company. Hubei Shengze directly and indirectly holds the entirety or a majority of the equity interests in the PRC Operating Entities under the Contractual Arrangements (as defined below) entered into with the Group.

INFORMATION ON THE TARGET COMPANIES

Each of the Target Companies is a limited liability company incorporated under the laws of the PRC with registered capital of RMB10 million (equivalent to approximately HK\$11.9 million). Each of the Target Companies is entirely owned by the Vendor. Based on the financial statements of each of the Target Companies prepared in accordance with PRC accounting standards, the unaudited net asset values of Target Company-1, Target Company-2, Target Company-3 and Target Company-4 as at 30 April 2011 are approximately RMB10 million, RMB10 million, RMB10 million and RMB10 million respectively. According to the valuation reports dated 18 May 2011 prepared by the Valuer, the assessed value of each of the Target Companies is approximately RMB10 million.

Target Company-1, having a land area of approximately 6,800 square meters, is located at Lot No. FF-08-04 of Xicheng District, Ganzhou, and to the east of Jintan Avenue and north of Jinlingxi Road.

Target Company-2, having a land area of approximately 6,700 square meters, is located in Yueliangwan Auto City, Shangrao City, an auto city of the local area.

Target Company-3 is located in Chayouqianqi Industrial Park, Wulan Chabu City, and to the west of National Highway No. 208, within the auto trading area of Wulan Chabu City, having a site area of approximately 5,600 square meters.

Target Company-4, having a land area of approximately 13,600 square meters and an usable area of approximately 12,000 square meters, is located in Jiu Hua Economic Zone (national level), Xiangtan City, adjacent to the Xiangtan exit of Western Changtan Expressway.

INFORMATION ON THE GROUP

The Group is a major 4S dealership group in China focused on premium brands such as BMW, MINI and Audi, with 25 4S dealerships being operated in cities with increasingly affluent populations in the Yangtze River Delta, Pearl River Delta Region, Bohai Economic Circle as well as selected inland areas of China as at the date of this announcement.

REASONS FOR AND BENEFIT OF THE ACQUISITIONS

As disclosed in the Listing Prospectus, a series of contracts were entered into between the Group and Hubei Shengze which serves the purpose of providing the Group with effective control over certain PRC Operating Entities to which the Group does not have direct shareholding, and to effectively transfer the economic benefits and pass the risks associated therewith of such PRC Operating Entities (the “**Contractual Arrangements**”).

Under the Contractual Arrangements, the Group can request Hubei Shengze to acquire and construct 4S dealership stores for the Group’s operating, but Hubei Shengze has no obligation to do so or to purchase land for the Group’s 4S dealership business. The Group is responsible for all operating costs for the establishment and operation of any new 4S dealership stores, unless Hubei Shengze agree to a request from the Group for assistance with such costs. Although the Group has already entered into several lease agreements with Hubei Shengze in respect of a few 4S dealership stores of the Group, the Group has no intention to rely on Hubei Shengze for any significant number of floor areas of operating premises.

Since Hubei Shengze’s construction of the buildings of Target Companies fell behind the schedule, the Company resolved to acquire the entire equity interest in the aforesaid four Target Companies, and to take over the construction on its own, so as to accelerate the construction, and, in return, satisfy the demand of the market and the requirements of auto makers.

Since the land owned by each of the Target Companies will be developed as premises for the Group’s new 4S dealership stores, the Directors consider that if the Group leases such land from Hubei Shengze under the Contractual Arrangements instead of having the ownership of such land through the acquisitions of the Target Companies, this will create additional continuing connected transactions and is potentially more complicated than if the acquisitions take place at the outset.

In addition, taking into account of the factors that (i) the rentals of the land is likely to increase; and (ii) it is commercially advantageous to have the ownership of the land on which the stores will be located rather than to rent it, the Directors consider that the Group will be better off with the acquisitions of the Target Companies under the Share Transfer Agreements.

After having careful consideration, the Directors (including the independent non-executive Directors) are of the view that the terms of the Share Transfer Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Mr. Wang Muqing, a controlling shareholder and a non-executive Director of the Company, as of the date of the announcement holds approximately 70.4% equity interest in the Vendor. Accordingly, the Vendor is a connected person of the Company, and therefore the acquisitions under the Share Transfer Agreements constitute connected transactions of the Company under the Listing Rules.

Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Acquisitions exceed 0.1% but are below 5%, the acquisition under the Share Transfer Agreements are, pursuant to Rule 14A.32 of the Listing Rules, only subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Group does not have any other prior transactions or relationship with the Vendor and its ultimate beneficial owners and associates, other than those have been disclosed in the Listing Prospectus, which required aggregation with the transactions contemplated under the Share Transfer Agreement pursuant to Rule 14A.25 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, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1728)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Prospectus”	the listing prospectus dated 29 November 2010 in respect of the Company's listing on the Main Board of The Stock Exchange of Hong Kong Limited in December 2010
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Operating Group”	the group of companies which comprise the PRC Operating Entities the financial results of which have been combined and accounted for as the subsidiaries of our Company by virtue of the contractual arrangements
“PRC” or “China”	the People's Republic of China but excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC Operating Entities”	the companies which are members of the Operating Group

“Purchaser”	武漢升通投資管理有限公司 (Wuhan Zhengtong Investment Management Co Ltd*), a limited liability company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company
“Shareholder(s)”	the registered holder(s) of the Share(s) from time to time
“Share Transfer Agreement-1”	the conditional share transfer agreement dated 20 May 2011, entered into between the Purchaser (as purchaser) and the Vendor (as vendor) in relation to the acquisition of the entire equity interest in Target Company-1 by the Purchaser from the Vendor
“Share Transfer Agreement-2”	the conditional share transfer agreement dated 20 May 2011, entered into between the Purchaser (as purchaser) and the Vendor (as vendor) in relation to the acquisition of the entire equity interest in Target Company-2 by the Purchaser from the Vendor
“Share Transfer Agreement-3”	the conditional share transfer agreement dated 20 May 2011, entered into between the Purchaser (as purchaser) and the Vendor (as vendor) in relation to the acquisition of the entire equity interest in Target Company-3 by the Purchaser from the Vendor
“Share Transfer Agreement-4”	the conditional share transfer agreement dated 20 May 2011, entered into between the Purchaser (as purchaser) and the Vendor (as vendor) in relation to the acquisition of the entire equity interest in Target Company-4 by the Purchaser from the Vendor
“Share Transfer Agreements”	Share Transfer Agreement-1, Share Transfer Agreement-2, Share Transfer Agreement-3 and Share Transfer Agreement-4
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	Target Company-1, Target Company-2, Target Company-3 and Target Company-4
“Target Company-1”	贛州益澤置業有限公司 (Ganzhou Yize Property Co Ltd*), a limited liability company incorporated under the laws of the PRC
“Target Company-2”	上饒市益澤置業有限公司 (Shangraoshi Yize Property Co Ltd*), a limited liability company incorporated under the laws of the PRC

“Target Company-3”	烏蘭察布市益澤置業有限公司 (Wulan Chabushi Yize Property Co Ltd*), a limited liability company incorporated under the laws of the PRC
“Target Company-4”	湘潭益澤置業有限公司 (Xiangtan Yize Property Co Ltd*), a limited liability company incorporated under the laws of the PRC
“Valuer”	湖北中瑞恒信資產評估有限公司 (Hubei Zhongrui Hengxin Assets Valuation Co. Ltd.*), a PRC valuer engaged by the Group to prepare the valuation reports on the value of the respective Target Companies
“Vendor” or “Hubei Shengze”	湖北聖澤實業有限公司 (Hubei Shengze Industry Co Ltd*), a limited liability company established under the laws of the PRC, which holds the entirely equity interests in the Target Companies
“%”	per cent.
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“4S dealership(s)”	a dealership authorized to sell the products of a single brand of automobiles. Such dealership integrates four standard automobile related business: sales, spare parts, service and survey

* For identification purpose only

For the purpose of this announcement, the exchange rate used for conversion between HK\$ and RMB is HK\$1.00 = RMB0.84.

For and on behalf of the Board of Directors of
China ZhengTong Auto Services Holdings Limited
中國正通汽車服務控股有限公司
WANG Kunpeng
Executive Director

20 May 2011

As at the date of this announcement, the Board comprises Mr. WANG Kunpeng (Chief Executive Officer), Mr. LI Zhubo, Mr. CAO Limin, Mr. LIU Dongli and Mr. CHEN Tao as Executive Directors; Mr. WANG Muqing as Non-Executive Director; and Dr. WONG Tin Yau, Kelvin, Mr. TAN Xiangyong and Mr. ZHANG Yansheng as Independent Non-Executive Directors.

This announcement is also available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and on the website of the Company at www.zhengtongaoto.com.