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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 Acquisition of 100% Equity Interest in Acme Joy Group Limited**

The Board is pleased to announce that, on 26 June 2011, the Purchaser and the Vendor entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares.

The Consideration payable to the Vendor for the Sale Shares is approximately RMB327.4 million (equivalent to approximately HK\$389.8 million), which is subject to adjustment. The Consideration will be payable by the Purchaser to the Vendor in cash in three installments.

The ultimate beneficial owner of the Vendor is also the ultimate beneficial owner of the vendor in the transaction regarding the acquisition of Lasa Hong Jin Auto Trading Company Limited (“**Lasa Auto**”) as mentioned in the Company’s announcement dated 25 April 2011. The aggregate purchase prices of the two transactions are approximately RMB494.6 million (equivalent to approximately HK\$545.4 million). Based on the aggregate financial figures of the Target Company and Lasa Auto, the applicable percentage ratios for the two transactions taken together are more than 5% but less than 25% as at the date of the Acquisition Agreement. Accordingly, the Acquisition is subject to notification and announcement requirements but exempt from the Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

The Board is pleased to announce that, on 26 June 2011, the Purchaser and the Vendor entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares.

## **THE ACQUISITION AGREEMENT**

### **Date**

26 June 2011

## Parties

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

## Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares. The Sale Shares represent the entire equity interest of the Target Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its respective ultimate beneficial owners are independent of the Company and its connected persons.

## Consideration

The Consideration payable to the Vendor for the Sale Shares is approximately RMB327.4 million (equivalent to approximately HK\$393.8 million), which is subject to adjustment according to the adjustment mechanism of the Third Installment (as defined below). The Consideration will be payable by the Purchaser to the Vendor in cash in three installments, comprising the following sums:

- (i) Approximately RMB196.4 million (equivalent to approximately HK\$236.2 million), being the first installment (the "**First Installment**");
- (ii) Approximately RMB98.2 million (equivalent to approximately HK\$118.1 million), being the second installment (the "**Second Installment**"); and
- (iii) The remaining sum of the Consideration (the "**Third Installment**") will be ascertained based on the adjustment mechanism under the Acquisition Agreement, which is being explained below.

The abovementioned installment arrangement of the Consideration is set out below:

1. The First Installment shall be payable by the Purchaser to the Vendor's designated bank account in cash within 10 business days from the signing date of the Acquisition Agreement, subject to the condition that the Vendor has provided to the Purchaser the following documents:
  - (i) copies of valid and effective documents in respect of the Contractual Arrangements; and
  - (ii) a legal opinion on that the Vendor is validly existed and is capable to enter into and perform the Acquisition Agreement.

Immediately after receiving the First Installment from the Purchaser, the Vendor shall surrender all the power in respect of the Target Group's operation, management, control as well as the relevant financial information and information and files in relation to the management and operation to the Purchaser.

Within 3 business days from the payment date of the First Installment, the Vendor shall complete the appointment of the members of the respective boards of directors of the Target Group in accordance with the written instruction from the Purchaser.

Within 10 business days from the payment date of the First Installment, the Vendor shall complete the relevant registration and procedures in respect of the transfer of the equity interest in the Target Company from the Vendor to the Purchaser or its nominee to make the Purchaser, or its nominee, the sole shareholder of the Target Company.

2. The Second Installment shall be payable by the Purchaser to the Vendor's designated bank account in cash within 10 business days from the date where the Purchaser confirms, and the Vendor acknowledges, that the following conditions, which have to be completed within two months from the signing date of the Acquisition Agreement, are completed or satisfied:
  - (i) The Vendor has lawfully obtained all necessary approvals and consents from the relevant third parties (including but not limited to the banks, automobile suppliers and any relevant financial institutions in relation to the Target Group) with regard to the Acquisition. If the Vendor, other than their own causes, fails to timely obtain any of the above approvals or consents, the Purchaser shall be entitled to waive such approvals and consents if this is mutually agreed between the Purchaser and the Vendor;
  - (ii) Charges, pledges, warranties or other guarantees provided by Target Group for the Vendor, other corporations (i.e. other entities or their related parties in which the Purchaser, directly or indirectly, own equity, partnership interests or any other economic benefits, or which directly or indirectly own equity or any other economic benefits in the Vendor), individuals and companies entrusted for holding the shares should be released or any appropriate reverse guarantee was provided by the Vendor, other corporations, individuals and companies entrusted for holding the shares to the satisfaction of the Purchaser;
  - (iii) All current balances between the Target Group and the Vendor and their respective connected persons (if any) shall be settled and cleared;
  - (iv) The Target Group has cleared, collected and provided its taxation payable in accordance with applicable laws;
  - (v) The Vendor has provided to the Purchaser a copy of its shareholders' resolutions which approve the performance of their respective obligations under the Acquisition Agreement; and the copies of such resolutions shall be signed by the legal representatives of the respective Vendor to confirm that they are true and complete, and remain valid till the date of presentation without any cancellation or revision; and
  - (vi) After completion of the above conditions (i) to (v), the Vendor shall deliver a confirmation (the "**Confirmation**") to the Purchaser or its nominee, within 10 business days from the date of the Confirmation, to confirm that the Vendor shall be obligated to accompany the representatives of the Purchaser or its nominee to execute the relevant business registration documents and undertakes the relevant expenses in relation to transfer of the equity interest in the Target Subsidiary to the Purchaser.

3. The Third Installment shall be payable to the Purchase to the Vendor's designated bank account in cash within three months from the completion of relevant audit. The Third Installment shall be the difference between approximately RMB32.7 million (equivalent to approximately HK\$39.3 million) and the sum of the following items:
  - (i) After being audited by the Purchaser or the auditors engaged by the Purchaser under the international accounting standards, the debts and contingent liabilities of the Target Company, if any;
  - (ii) After being audited by the Purchaser or the auditors engaged by the Purchaser under the international accounting standards, if the paid-up capital of the Target Subsidiary as at 31 May 2011 is less than RMB20 million, the difference between such paid-up capital and RMB20 million plus the debts and contingent liabilities of the Target Subsidiary, if any; and
  - (iii) the fees and expenses responsible by the Vendor as agreed by the parties and under the applicable laws and terms and conditions of the Acquisition Agreement.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to, among other things, (i) the financial results of the Target Group for the year ended 31 December 2010; (ii) the geographical span and size of the business operation carried out by the Target Group; and (iii) the readiness of revenue generating capacity of the Target Group. The Consideration will be funded by the proceeds received from the Group's listing in December 2010.

### **Completion**

Completion shall take place when the Purchaser has obtained the control over the board of directors of the Target company, which is within 3 business days from the payment date of the First Installment.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

### **INFORMATION ON THE TARGET GROUP**

The Target Group comprised of the Target Company and Target Subsidiary. The Target Company is a company incorporated as an investment holding company under the laws of the BVI and controls the Target Subsidiary through Contractual Arrangements.

The Target Group is principally engaged in the business of automobile dealership and after-sales services. It owns one 4S dealership with Audi, which is an authorized dealer of Audi in Qingdao.

Set out below is the financial information of the Target Group for the two financial years ended 31 December 2010:

	<b>For the year ended 31 December 2009 <i>RMB'000</i></b>	For the year ended 31 December 2010 <i>RMB'000</i>
Profit Before Taxation	<b>20,864</b>	31,987
Profit After Taxation	<b>15,648</b>	23,979
Net Asset Value	<b>18,500</b>	34,000

### **Contractual Arrangements**

Similar to the contractual arrangements adopted by the Group in relation to its operating entities in the PRC, the Contractual Arrangements between the Target Company and the Target Subsidiary will enable the Company to exert control over the Target Subsidiary both financially and in terms of management and can confer the Company the following upon completion of the Acquisition:

- (a) the right to enjoy all the economic benefit of the Target Subsidiary, to exercise management control over the operation of the Target Subsidiary, and to prevent leakages of assets and values to the registered equity holders of the Target Subsidiary;
- (b) the right to consolidate the financial results of the Target Subsidiary as if they were wholly-owned subsidiaries of the Group under prevailing accounting principles;
- (c) the right to acquire, if any and when permitted by the PRC laws, the equity interests in and/or assets of the Target Subsidiary at nil consideration or such other minimum amount as required by the applicable PRC laws; and
- (d) a first priority security interest in equity interest of the Target Subsidiary as security for the due performance of the Contractual Arrangements.

Under the legal opinion issued by the PRC legal advisers of the Group, it confirms that:

- i. on the basis of the applicable PRC laws and regulations, it is appropriate for the Group's PRC legal advisers to give legal opinion as to the legality of the agreements constituting the Contractual Arrangements;
- ii. each of the agreements, constituting the Contractual Arrangements, constitutes legal, valid and binding obligations of the parties thereto under the PRC laws; and the Contractual Arrangements as constituted by all the agreements mentioned above, individually and collectively as a whole, are in full compliance with all existing PRC laws and regulations and the provisions of the respective articles of association of the relevant companies that are incorporated in the PRC; and
- iii. the Contractual Arrangements are narrowly tailored to minimise any potential conflict with relevant PRC laws and regulations.

## REASONS FOR AND BENEFIT OF THE ACQUISITION

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. This Acquisition constitutes part of strategic investments of the Group as proposed during its listing exercise. The Audi 4S dealership store owned by the Target Group is located in the coastal region, and the Directors consider that the market potential of luxury cars in such region is considerable. The completion of the Acquisition of the Target Group will help the Group in expanding the network for dealing in premium vehicle brands, and contribute to the dealership share of the Group in Audi. Upon the completion of the Acquisition, the number of 4S dealerships operated by the Group will reach 26.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## GENERAL

The ultimate beneficial owner of the Vendor is also the ultimate beneficial owner of the vendor in the transaction regarding the acquisition of Lasa Hong Jin Auto Trading Company Limited (“**Lasa Auto**”) as mentioned in the Company’s announcement dated 25 April 2011. The aggregate purchase prices of the two transactions are approximately RMB494.6 million (equivalent to approximately HK\$545.4 million). Based on the aggregate financial figures of the Target Company and Lasa Auto, the applicable percentage ratios for the two transactions taken together are more than 5% but less than 25% as at the date of the Acquisition Agreement. Accordingly, the Acquisition is subject to notification and announcement requirements but exempt from the Shareholders’ approval requirement 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:

“Acquisition”	the conditional acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms of the Acquisition Agreement
“Acquisition Agreement”	the conditional acquisition agreement dated 15 June 2011, entered into between the Purchaser (as purchaser) and the Vendor (as Vendor) in relation to the Acquisition
“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)

“Completion”	the Vendor changes the composition of the Board of the Target Group, upon the written instruction of the Purchaser, proceeding the third business day from the date of the Purchaser’s payment of the First Installment for the equity transfer, so that the Purchaser can obtain the control over the Target Group
“Completion Date”	the date on which the Vendor completes the changes in the composition of the Board of the Target Group, upon the written instruction of the Purchaser, so that the Purchaser can obtain the control over the Target Group
“Consideration”	the consideration payable to the Vendor for the Sale Shares is approximately RMB327.4 million (equivalent to approximately HK\$393.8 million), which is subject to adjustment and will be payable by the Purchaser to the Vendor in cash in three installments
“Contractual Arrangements”	a series of contracts, including an exclusive business operation agreement, exclusive option agreement, exclusive management and consultation services agreement and proxy agreement, were entered into among the Target Company, the Target Subsidiary and its shareholders which serves the purpose of providing the Target Company with effective control over the Target Subsidiary to which the Target Company does not have direct shareholding, and to effectively transfer the economic benefits and pass the risks associated therewith of the Target Subsidiary
“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 Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“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
“Purchaser”	the Company
“Sale Shares”	the entire issued and paid-up share capital of the Target Company
“Shareholder(s)”	the registered holder(s) of the Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Acme Joy Group Limited, a company incorporated in the BVI which controls the Target Subsidiary through the Contractual Arrangements
“Target Group”	Target Company and Target Subsidiary
“Target Subsidiary”	the subsidiary, controlled through Contractual Arrangements, of the Target Company
“Vendor”	Ally Unity Limited, a company incorporated in the BVI which holds the entire equity interest in the Target Company
“%”	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 intergrates four standard automobile related business: sales, spare parts, service and survey

For the purpose of this announcement, the exchange rate used for conversion between HK\$ and RMB is HK\$1.00 = RMB0.83.

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**  
*Chief Executive Officer, Executive Director*

26 June 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](http://www.hkex.com.hk) and on the website of the Company at [www.zhengtongaoto.com](http://www.zhengtongaoto.com).*