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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)

Framework Agreement Regarding Potential Acquisition

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

The Board is pleased to announce that, on 6 August 2011, the Company and BTHT entered into the Framework Agreement in relation to the Potential Acquisition.

The Board would like to remind Shareholders and investors of the Company that the Framework Agreement only represents the basic principles and a framework of mutual intention to cooperate of its parties, and there may be changes during the progress and implementation of the Framework Agreement. As at the date of this announcement, no legally binding agreement in relation to the Potential Acquisition has been entered into. As such, the Potential Acquisition may or may not proceed. If the Potential Acquisition is materialized, it may or may not constitute a notifiable transaction on the part of the Company under the Listing Rules. Shareholders and investors of the Company are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Potential Acquisition will be made by the Company in compliance with the requirements under the Listing Rules in the event any Definitive Agreement has been signed.

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

FRAMEWORK AGREEMENT

The Board is pleased to announce that, on 6 August 2011, the Company and BTHT entered into the Framework Agreement in relation to the Potential Acquisition.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, BTHT and its ultimate beneficial owner are not connected persons of the Company and are independent third party not connected with the Company and its connected persons.

Material terms of the Framework Agreement

Under the Framework Agreement, it is proposed that the Company or its subsidiary will acquire the entire equity interest in the Target Company if the Potential Acquisition is materialized. Upon completion of the Potential Acquisition, the Company will own the entire equity interest of the Target Company.

The Consideration will be determined based on the value of the assets held by the Target Company and subject to further agreement between the parties.

Under the Framework Agreement, the Company and BTHT will proceed to the negotiation for the legally-binding Definitive Agreement upon the execution of the Framework Agreement.

Pursuant to the Framework Agreement, the Deposit shall be payable by the Company to BTHT within 10 business days from the completion of the following conditions:

- (i) The Company is satisfied that BTHT has provided sufficient proof to show that BTHT has the legal ownership of the Target Company and its subsidiaries;
- (ii) BTHT has pledged its 51% equity interest in a 4S dealership store (the “**Pledge**”) to the Company and completed the relevant business registrations;
- (iii) BTHT has provided the written consent from, other than BTHT, the shareholders of the respective subsidiaries of the Target Company to confirm their unconditional consent to the Potential Acquisition and they will not exercise their pre-emptive rights attached to the shares of the respective subsidiaries of the Target Company;
- (iv) BTHT has provided to the Company the relevant resolutions which approve its entering into the Framework Agreement; and
- (v) The Company has obtained all relevant approvals and consents according to the Listing Rules, if applicable.

The Deposit will form part of the Consideration if the Potential Acquisition materializes. If the parties are unable to sign the Definitive Agreement on or before 6 November 2011 or the Framework Agreement is terminated by either party due to whatsoever reason, BTHT shall, after receiving a notice (the “**Notice**”) from the Company, return the full amount of the Deposit together with interests as agreed by the parties and/or other amount paid by the Company to BTHT, if any (altogether the “**Returned Deposit**”), to the Company within 10 business days from the date of the Notice. The Company shall assist BTHT in the cancellation of the Pledge within 30 business days from the date of receiving the Returned Deposit from BTHT.

Other than the provisions including the Deposit, exclusivity and confidentiality which bind the parties, the Framework Agreement does not constitute any legally-binding commitment for both the Company and BTHT to materialize the Potential Acquisition.

If the Definitive Agreement is entered into, the Potential Acquisition may or may not constitute a notifiable transaction on the part of the Company pursuant to the Listing Rules. In this regard, the Company will comply with the applicable reporting, disclosure and/or Shareholders’ approval requirements under the Listing Rules.

REASONS FOR AND BENEFIT OF THE ACQUISITION

The Target Company is an investment holding company incorporated in the PRC, whose subsidiaries are principally engaged in automobile dealership business in the PRC. The Target Group is a automobile dealership group, with principal business of premium vehicle brands dealership and 12 automobile dealership outlets in Inner Mongolia.

The Group is a major 4S dealership group in China focused on premium brands such as BMW, MINI and Audi, with a dealership network covering those 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. The Potential Acquisition constitutes part of strategic investments of the Group as proposed during its listing exercise. The completion of the Potential Acquisition will help the Group in expanding the network for dealing in premium vehicle brands.

The Board would like to remind Shareholders and investors of the Company that the Framework Agreement only represents the basic principles and a framework of mutual intention to cooperate of its parties, and there may be changes during the progress and implementation of the Framework Agreement. As at the date of this announcement, no legally binding agreement in relation to the Potential Acquisition has been entered into. As such, the Potential Acquisition may or may not proceed. If the Potential Acquisition is materialized, it may or may not constitute a notifiable transaction on the part of the Company under the Listing Rules. Shareholders and investors of the Company are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Potential Acquisition will be made by the Company in compliance with the requirements under the Listing Rules in the event any Definitive Agreement has been signed.

DEFINITIONS

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

“Board”	the board of Directors
“BTHT”	包頭市恒泰創業投資有限公司(Baotou City Hengtai Enterprise Investment Co Ltd*), a company incorporated in the PRC
“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)
“Consideration”	the consideration for the Potential Acquisition
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Definitive Agreement”	the legally binding agreement in relation to the Potential Acquisition

“Deposit”	a deposit of RMB90 million (equivalent to approximately HK\$108.4 million) payable by the Company to BTHT pursuant to the Framework Agreement
“Director(s)”	director(s) of the Company
“Framework Agreement”	the non-legally binding framework agreement dated 6 August 2011 entered into between the Company and BTHT setting out the cooperation framework in relation to the Potential Acquisition
“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
“Potential Acquisition”	the potential acquisition by the Group of the entire equity interest in the Target Company
“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
“Shares”	the ordinary share(s) of HK\$0.1 each in the issued share capital of the 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”	包頭市奧博投資諮詢有限公司(Baotou City Aobo Investment Consultancy Co Ltd*), a company incorporated in the PRC
“Target Group”	the Target Company and its subsidiaries
“%”	per cent.
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“Vehicle dealership outlet”	Outlets of vehicle dealership business, including 4S dealerships, urban sales exhibition halls and professional maintenance service stations
“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 = RMB0.83.

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 and
Executive Director*

7 August 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.zhengtongauto.com.