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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 RENEWAL OF LEASE AGREEMENT

On 31 May 2013, Beijing Baozhang, one of the PRC Operating Entities entered into the New Baozhang Lease Agreement, as the lessee, with Beijing Development, as the lessor, for renewal of the Existing Baozhang Lease Agreement for a term of one year commencing on 1 June 2013 and ending on 31 May 2014.

As Beijing Development is a company held as to 90% by Hubei Shengze and 10% by Beijing Guangze which is wholly owned by Hubei Shengze, thus a connected person of the Company under Rule 14A.11(4) of the Listing Rules. The transactions contemplated between the Group and Beijing Development would therefore constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Based on the proposed annual cap under the Existing Lease Agreements and the New Baozhang Lease Agreement for the year ending 31 December 2013, one or more of the applicable Percentage Ratios are more than 0.1% but less than 5%. In accordance with Rule 14A.34 of the Listing Rules, the Continuing Connected Transactions are only subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules but are exempt from the independent shareholders' approval requirements. The Continuing Connected Transactions are subject to the annual review requirement under Rules 14A.37 to 14A.38 of the Listing Rules.

INTRODUCTION

Reference is made to the prospectus of the Company dated 29 November 2010, in which the Group had entered into various Existing Lease Agreements with relevant Connected Persons to the Company. Pursuant to the Existing Lease Agreements, the relevant Connected Persons were the lessors and some of the PRC Operating Entities (as set out in the table under the section headed “Existing Lease Agreements” below) or Wuhan Jietong were the lessees, with an initial term of three years starting from the period between May and September in 2010 and option to renew on similar terms up to 2020 or for successive terms of no more than three years each up to 2020.

The Existing Lease Agreements will soon be expired during the period between May and September 2013. On 31 May 2013, Beijing Baozehang, being one of the PRC Operating Entities, entered into the New Baozehang Lease Agreement, as the lessee, with Beijing Development, as the lessor, for renewal of the Existing Baozehang Lease Agreement for a term of one year commencing on 1 June 2013 and ending on 31 May 2014.

EXISTING LEASE AGREEMENTS

Date of Agreement	Location	Gross Floor Area (sq. m.)	Use	Lessor	Lessee	Monthly Rental	Term
1. 1 August 2010	4S Shop, No. Te 6 Huangpu Technological Park, Jiangan District, Wuhan City, Hubei Province, the PRC	4,661.59	Operation of 4S businesses	Hubei Shengze	Hubei Bocheng Automobile Sales Services Co., Ltd.	RMB126,000	From 1 August 2010 to 31 July 2013 (Note 1)
2. 1 August 2010	4S Shop, No. Te 6 Huangpu Technological Park, Jiangan District, Wuhan City, Hubei Province, the PRC	6,541.52	Operation of 4S businesses	Hubei Shengze	Wuhan Kaitai Automobile Sales Services Co., Ltd.	RMB176,000	From 1 August 2010 to 31 July 2013 (Note 1)
3. 30 September 2010	4S Shop, No. 40 Xingan North Road, Xincheng District, Huhhot City, Inner Mongolia Autonomous Region (Note 2)	4,662 (site area – see Note 2)	Operation of 4S businesses	Inner Mongolia Dingjie Automobile Trading Co., Ltd.	Huhhot Qibao Automobile Sales Services Co., Ltd.	RMB13,000	From 30 September 2010 to 29 September 2013 (Note 3)
4. 30 September 2010	4S Shop, No. 688 Changsha Avenue, Yuhua District, Changsha City, Hunan Province, the PRC	4,498.26	Operation of 4S businesses	Changsha Shengze Ruibao Electronics Trading Co., Ltd.	Changsha Ruibao Automobile Sales Services Co., Ltd.	RMB175,000	From 30 September 2010 to 29 September 2013 (Note 1)
5. 30 September 2010	4S Shop, No. 42 Xingan North Road, Xincheng District, Huhhot City, Inner Mongolia Autonomous Region, the PRC	4,615.29	Operation of 4S businesses	Inner Mongolia Shengze Dingjie Automobile Trading Co., Ltd.	Inner Mongolia Dingjie Automobile Trading Co., Ltd.	RMB78,000	From 30 September 2010 to 29 September 2013 (Note 1)

Date of Agreement	Location	Gross Floor Area (sq. m.)	Use	Lessor	Lessee	Monthly Rental	Term
6. 1 August 2010	Lot 6C2 Wuhan Economic and Technological Development Zone, Wuhan City, Hubei Province, the PRC	58,051.22	Operation of logistics and storage businesses	Wuhan Shengze Jieyun Trading Co., Ltd.	Wuhan Shengze Jietong Logistics Co., Ltd.	RMB525,000	From 1 August 2010 to 31 July 2013 (Note 1)
7. 1 August 2010	Lot 5C2 Wuhan Economic and Technological Development Zone, Wuhan City, Hubei Province, the PRC	10,422.59	Operation of logistics and storage businesses	Wuhan Shengze Jiezhong Logistics Co., Ltd.	Wuhan Shengze Jietong Logistics Co., Ltd.	RMB125,000	From 1 August 2010 to 31 July 2013 (Note 1)
8. 1 June 2010	4S Shop, No. 59 West Third Ring South Road, Feng Tai District, Beijing City, the PRC	8,919.7	Operation of 4S businesses	Beijing Baoze Automobile Technology Development Co., Ltd.	Beijing Baozehang	RMB545,175	From 1 June 2010 to 31 May 2013 (Note 1)

Notes:

- Option granted to renew for successive terms of no more than three years each up to 2020.
- Pursuant to this lease agreement, the piece of land located at No. 40 Xingan North Road, Xincheng District, Huhhot City, Inner Mongolia Autonomous Region, instead of the premises thereon, is leased to Huhhot Qibao as lessee. Huhhot Qibao is the owner of the premises located on the said piece of land.
- Option granted to renew on similar terms of the agreement up to 2020.

NEW BAOZEHANG LEASE AGREEMENT

Date of Agreement	Location	Gross Floor Area (sq. m.)	Use	Lessor	Lessee	Monthly Rental	Term
31 May 2013	4S Shop, No. 59 West Third Ring South Road, Feng Tai District, Beijing City, the PRC	8,919.7	Operation of 4S businesses	Beijing Baoze Automobile Technology Development Co., Ltd.	Beijing Baozehang	RMB545,175	From 1 June 2013 to 31 May 2014

HISTORICAL ANNUAL CAPS AND TRANSACTION AMOUNTS

The aggregate consideration paid by the Group under the Existing Lease Agreements, together with the relevant annual caps, are as follows:

For the year ended 31 December	Annual Cap	Consideration paid
2010	RMB11.5 million	Approximately RMB10.9 million
2011	RMB21.2 million	Approximately RMB20.2 million
2012	RMB21.2 million	Approximately RMB20.2 million

PROPOSED ANNUAL CAP

The aggregate consideration in connection with the Existing Lease Agreements for the five months ending 31 May 2013 was amounted to approximately RMB8.8 million. And the aggregate consideration in connection with the Existing Lease Agreements and the New Baozehang Lease Agreement for the year ending 31 December 2013 is expected to be approximately RMB16 million.

The proposed annual cap under the Existing Lease Agreements and the New Baozehang Lease Agreement for the year ending 31 December 2013 is RMB16 million. It is determined with reference to the historical figures of the monthly consideration paid under the Existing Lease Agreements, together with the consideration to be paid under the New Baozehang Lease Agreement.

The Directors (including the independent non-executive Directors) are of the view that the proposed annual cap for the transactions under the Existing Lease Agreements and New Baozehang Lease Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE NEW BAOZEHANG LEASE AGREEMENT

The land and properties leased by Beijing Development are for the purpose of the Group's operation of 4S businesses and the Group's operation of logistics and storage businesses. The Existing Baozehang Lease Agreement will be expired on 31 May 2013. The Directors consider it is beneficial to the Group to renew the Existing Baozehang Lease Agreement so that the Group is able to continue to use the land and properties to avoid any disruption to operations which relocation may entail and also save the relocation costs.

The terms of the New Baozehang Lease Agreement were negotiated by the parties on an arm's length basis. The rental was determined with reference to the historical figures. The Directors (including the independent non-executive Directors) are of the view that the New Baozehang Lease Agreement has been entered into the ordinary and usual course of business of the Group, on normal commercial terms which are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Since the Existing Lease Agreements (other than Existing Baozehang Lease Agreement) will be expired from July 2013 to September 2013, the Company will disclose the status of the renewal of such agreements according to the requirements under the Listing Rules.

IMPLICATIONS UNDER LISTING RULES

The Group is a major 4S dealership group in China focused on premium and ultra premium brands such as BMW, MINI, Audi, Jaguar, Land Rover, Volvo, Imported Volkswagen, Infiniti and Acura, 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.

Beijing Development is principally engaged in real estate holding and property management.

Beijing Guangze is principally engaged in the business of real estate development, consultancy and investment management.

As Beijing Development is a company held as to 90% by Hubei Shengze and 10% by Beijing Guangze which is wholly owned by Hubei Shengze, thus a Connected Person to the Company under Rule 14A.11(4) of the Listing Rules. The transactions contemplated between the Group and Beijing Development would therefore constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As the lessors under the Existing Lease Agreements are also Connected Persons to the Company, the transactions under the Existing Lease Agreements would also constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Based on the proposed annual cap under the Existing Lease Agreements and the New Baozhang Lease Agreement for the year ending 31 December 2013, one or more of the applicable Percentage Ratios are more than 0.1% but less than 5%. In accordance with Rule 14A.34 of the Listing Rules, the Continuing connected transactions are only subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules but are exempt from the independent shareholders' approval requirements. The Continuing Connected Transactions are subject to the annual review requirement under Rules 14A.37 to 14A.38 of the Listing Rules.

Mr. Wang, being the non-executive Director and one of the controlling Shareholders of the Group, has material interests in the transactions contemplated under the Existing Lease Agreements and New Baozhang Lease Agreement and has abstained from voting on the relevant Board resolutions. Save as disclosed above, none of the other Directors has a material interest in the transactions contemplated under the Existing Lease Agreements and New Baozhang Lease Agreements.

DEFINITIONS

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

“Beijing Baozhang”	北京寶澤行汽車銷售服務有限公司 (Beijing Baozhang Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the Company's PRC Operating Entities
“Beijing Development”	北京寶澤汽車科技發展有限公司 (Beijing Baoze Automobile Technology Development Co., Ltd.*), being a company held as to 90% by Hubei Shengze and 10% by Beijing Guangze which is wholly owned by Hubei Shengze, thus a Connected Person of the Company under Rule 14A.11(4) of the Listing Rules

“Beijing Guangze”	北京廣澤房地產開發有限公司 (Beijing Guangze Real Estate Development Co., Ltd.*), a company wholly owned by Hubei Shengze, thus a Connected Person to the Company under Rule 14A.11(4) of the Listing Rules
“Board”	the board of Directors
“Company”	China ZhengTong Auto Services Holdings Limited (中國正通汽車服務控股有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed and traded on the Stock Exchange
“Connected Person(s)”	has the meaning ascribed thereto under the Listing Rules
“Continuing Connected Transactions”	the transactions contemplated under the New Baozhang Lease Agreement
“Director(s)”	the director(s) of the Company
“Existing Baozhang Lease Agreement”	the lease agreement entered into between Beijing Development as the lessor and Beijing Baozhang as the lessee on 1 June 2010 with a 3-year term for the lease of a premise located at 4S Shop on Levels 1 to 3 and Basement 1 No. 59 West Third Ring South Road, Feng Tai District, Beijing City, the PRC, for a monthly rental fee at RMB545,175
“Existing Lease Agreements”	the lease agreements entered into between the relevant Connected Persons with some of the PRC Operating Entities or Wuhan Jietong during the period from May to September in 2010
“Group”	collectively, the Company and its subsidiaries from time to time
“Hubei Shengze”	Hubei Shengze Industry Co., Ltd., which is held as to 70.4% by Mr. Wang thus a Connected Person of the Company under Rule 14A.11(4) of the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wang”	Mr. Wang Muqing (王木清), the non-executive Director and one of the controlling Shareholders of the Group
“New Baozhang Lease Agreement”	the new lease agreement following the renewal of Existing Baozhang Lease Agreement for a term of one year from 1 June 2013 to 31 May 2014

“Percentage Ratios”	shall have the meaning as ascribed to it under Chapter 14 of the Listing Rules
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC Operating Entities”	the Company’s subsidiaries which operate 4S businesses in PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holder(s) of the share(s) of the Company
“sq. m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wuhan Jietong”	武漢聖澤捷通物流有限公司 (Wuhan Shengze Jietong Logistics Co., Ltd.*), an indirect wholly foreign owned enterprise established in the PRC under the control of the Group
“4S”	sales, spare parts, service and survey
“%”	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
Chief Executive Officer and Executive Director

31 May 2013

As at the date of this announcement, the Board comprises Mr. WANG Kunpeng (Chief Executive Officer), Mr. LI Zhubo, Mr. CHEN Tao and Mr. SHAO Yong Jun, as executive Directors; Mr. WANG Muqing as a non-executive Director; and Dr. WONG Tin Yau, Kelvin, Mr. TAN Xiangyong and Mr. ZHANG Yansheng as independent non-executive Directors.

* For identification purposes only