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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 TRANSACTIONS

Financial adviser to China ZhengTong Auto Services Holdings Limited



Independent financial adviser to China ZhengTong Auto Services Holdings Limited



On 30 September 2013, three New Renewed Lease Agreements were entered into between some PRC Operating Entities, as lessees, and some Connected Counterparties, as lessors, for the renewal of three Original Lease Agreements that expired on 29 September 2013.

On 30 September 2013, (i) four New Lease Agreements were entered into between certain operating subsidiaries of the Group, as lessees, and certain Connected Counterparties or Wuhan Investment, as lessors, for the leases of certain premises for the operations of the Group; and (ii) the Property Management Agreement was entered into between Beijing Development (being one of the Connected Counterparties) and Beijing Baozhang in relation to the provision of property management services by Beijing Development for the Leased Premises.

The Connected Counterparties and Wuhan Investment, being the associates of Mr. Wang, are connected persons of the Company and thus, the transactions contemplated under the New Renewed Lease Agreements, the New Lease Agreements and the Property Management Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios (other than the profits ratio), as defined under the Listing Rules, in aggregate for the transactions under the Original Lease Agreements, the Renewed Lease Agreements, the New Renewed Lease Agreements, the New Lease Agreements and the Property Management Agreement are expected to be more than 0.1% but less than 5% on an annual basis, the Original Lease Agreements, the Renewed Lease Agreements, the New Renewed Lease Agreements, the New Lease Agreements and the Property Management Agreement (together with the relevant proposed annual caps) are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the Prospectus, May Announcement and August Announcement in relation to, among other things, the Original Lease Agreements and the Renewed Lease Agreements.

As referred to in the Prospectus, the PRC Operating Entities or Wuhan Jietong, as lessees, had entered into eight Original Lease Agreements with the Connected Counterparties, as lessors, for the lease of certain premises or land by the Group for its operations. As set out in the May Announcement and August Announcement, five Renewed Lease Agreements were entered into to renew the Original Lease Agreements expired on 31 May 2013 or 31 July 2013.

On 30 September 2013, three New Renewed Lease Agreements were entered into to renew three Original Lease Agreements that expired on 29 September 2013. Details of the New Renewed Lease Agreements are set out in the section headed "New Renewed Lease Agreements" below.

On 30 September 2013, (i) four New Lease Agreements were entered into between certain operating subsidiaries of the Group, as lessees, and certain Connected Counterparties or Wuhan Investment, as lessors, for the lease of certain premises for the operations of the Group; and (ii) the Property Management Agreement was entered into between Beijing Development and Beijing Baozhang in relation to the provision of property management services by Beijing Development for the Leased Premises. Details of the New Lease Agreements and the Property Management Agreement are set out in the section headed "New Lease Agreements" and "Property Management Agreement" below respectively.

THE NEW RENEWED LEASE AGREEMENTS

On 30 September 2013, three New Renewed Lease Agreements were entered into to renew three Original Lease Agreements that expired on 29 September 2013. The table below sets out the details of the New Renewed Lease Agreements:

Date of agreement	Location	Gross floor area (sq.m.)	Use	Lessor	Lessee	Monthly rental (RMB, approximate) (Note c)	Term (Note a)
1. 30 September 2013	4S Shop, No. 40 Xingan North Road, Xincheng District, Huhhot City, Inner Mongolia Autonomous Region	4,662 (Note b)	Operation of 4S businesses	Inner Mongolia Dingjie Auto-trading	Huhhot Qibao	15,598	From 30 September 2013 to 31 December 2015
2. 30 September 2013	4S Shop, No. 688 Changsha Avenue, Yuhua District, Changsha City, Hunan Province, the PRC	4,498.26	Operation of 4S businesses	Changsha Shengze	Changsha Ruibao	191,526	From 30 September 2013 to 31 December 2015
3. 30 September 2013	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 Dingjie Auto-trading	Inner Mongolia Dingjie	126,344	From 30 September 2013 to 31 December 2015

Notes:

- Pursuant to the relevant lease agreement, the lessee shall have the option to renew the successive term of the lease agreement up to year 2020.
- 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. The site area of the land is 4,662 sq.m.. Huhhot Qibao is the owner of the premises located on the land.
- The rents for all the New Renewed Lease Agreements are payable semi-annually.

THE NEW LEASE AGREEMENTS

On 30 September 2013, four New Lease Agreements were entered into between certain operating subsidiaries of the Group, as lessees, and certain of the Connected Counterparties or Wuhan Investment, as lessors, for the leases of the certain premises for the operations of the Group. The table below sets out the details of the New Lease Agreements:

	Date of agreement	Location	Gross floor area (sq.m.)	Use	Lessor	Lessee	Monthly rental (RMB, approximate) (Note b)	Term (Note a)
1.	30 September 2013	Basement, Levels 1, 2 and 5, No. 59 West Third Ring South Road, Feng Tai District, Beijing, the PRC	11,193.28	Head office of the Group, maintenance workshop and garage	Beijing Development	Beijing Baozhang	651,169	From 30 September 2013 to 31 December 2015
2.	30 September 2013	No. 42 Xingan North Road, Xincheng District, Huhhot City, Inner Mongolia Autonomous Region	10,199	Operation of 4S businesses	Inner Mongolia Dingjie Auto-trading	Huhhot Qibao	775,549	From 30 September 2013 to 31 December 2015
3.	30 September 2013	No. 42 Xingan North Road, Xincheng District, Huhhot City, Inner Mongolia Autonomous Region	7,439	Operation of 4S businesses	Inner Mongolia Dingjie Auto-trading	呼和浩特市捷運行汽車銷售服務有限公司 (Huhhot Jieyun Automobile Sales Services Co., Ltd.*), an operating subsidiary of the Group	905,078	From 30 September 2013 to 31 December 2015
4.	30 September 2013	Shiqiao Village, Houhu County, Jiangan District, Wuhan City, Hubei Province, the PRC	21,156	Operation of 4S businesses, maintenance workshop and office	Wuhan Investment	湖北奧澤汽車銷售服務有限公司 (Hubei Auze Automobile Sales Services Co., Ltd.*), an operating subsidiary of the Group	1,261,341	From 30 September 2013 to 31 December 2015

Notes:

- Pursuant to the relevant lease agreement, the lessee shall have the option to renew the successive term of the lease agreement up to year 2020.
- The rents for all the New Lease Agreements are payable semi-annually.

THE PROPERTY MANAGEMENT AGREEMENT

As set out in the May Announcement, Beijing Development, as lessor, and Beijing Baozhang, as lessee, entered into the lease agreement for the lease of the 4S shop on No. 59 West Third Ring South Road, Feng Tai District, Beijing, the PRC with the gross floor area of 8,919.7 sq.m.. As set out in the table under the section headed “New Lease Agreements” above, Beijing Development, as lessor, and Beijing Baozhang, as lessee, entered into a lease agreement for the lease of the basement, levels 1, 2 and 5 on No. 59 West Third Ring South Road, Feng Tai District, Beijing, the PRC with an aggregate gross floor area of 11,193.28 sq.m. (all of the above premises collectively, the “**Leased Premises**”).

On 30 September 2013, Beijing Development and Beijing Baozhang entered into a property management agreement in respect of the provision of property management services by Beijing Development for the Leased Premises with an aggregate gross floor area of 20,113 sq.m. for a term from 30 September 2013 to 31 December 2015. Pursuant to the Property Management Agreement, a monthly property management fee of RMB222,651 is payable by Beijing Baozhang to Beijing Development commencing from 30 September 2013. In addition, pursuant to the Property Management Agreement, Beijing Development will charge Beijing Baozhang air-conditioning fee of RMB2,038,457.4 per annum payable semi-annually. Beijing Development may from time to time adjust the management fee and air-conditioning fee payable under the Property Management Agreement based on various factors, including inflation, regulatory requirements, the property management services to be provided and the costs of Beijing Development. The property management fee can only be adjusted once per year and the increment shall not be more than 15% each time. The increment in the air-conditioning fee shall not be more than 20% over the term of the Property Management Agreement. Notwithstanding, adjusted fees shall be determined based on the then prevailing market rates, and no less favourable to the Group than terms available from independent third parties, if applicable.

HISTORICAL ANNUAL CAPS AND TRANSACTION AMOUNTS

The table below sets out the actual aggregate rents paid by the Group under the Original Lease Agreements for the three years ended 31 December 2012 and the relevant annual caps:

For the year ended 31 December	Annual cap <i>(RMB' million)</i>	Actual aggregate rents paid <i>(RMB' million, approximate)</i>
2010	11.5	10.9
2011	21.2	20.2
2012	21.2	20.2

PROPOSED ANNUAL CAPS

As referred to in the August Announcement, the proposed annual cap for the transactions contemplated under the Original Lease Agreements and the Renewed Lease Agreements for the years ending 31 December 2013 and 2014 are RMB24 million and RMB11 million respectively. The actual aggregate rents paid by the Group under the Original Lease Agreements and the Renewed Lease Agreements for the nine months ended 30 September 2013 amounted to approximately RMB17.2 million. By virtue of the entering into of the New Renewed Lease Agreements, the New Lease Agreements and the Property Management Agreement, the revised proposed annual cap for the year ending 31 December 2013 and 2014 and the proposed annual cap for the year ending 31 December 2015 for the Continuing Connected Transactions are RMB36.6 million, RMB63.4 million and RMB53.1 million respectively. The proposed annual caps are determined with reference to the amount payable pursuant to the Original Lease Agreements, the Renewed Lease Agreements, the New Renewed Lease Agreements, the New Lease Agreements and the Property Management Agreement, and the potential increase in the property management fee and the air-conditioning fee pursuant to the Property Management Agreement.

The Directors (including the independent non-executive Directors) are of the view that the proposed annual caps for the Continuing Connected Transactions for the three years ending 31 December 2015 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in the operation of 4S dealership business, motor-related logistics business and lubricant oil trading business.

The Group has been leasing premises and land under the Original Lease Agreements for the operations of its 4S businesses and logistics and storage operation since 2010. Three of the Original Lease Agreements expired on 29 September 2013. The Group leases the premises under the New Lease Agreements for the operation of its 4S businesses and head office. The Directors consider it is beneficial to the Group to renew the expired Original Lease Agreements and enter into the New Lease Agreements in respect of maintaining stable business operations of the Group and enlarging the operation scale of the Group.

The terms of the New Renewed Lease Agreements and the New Lease Agreements were determined after arm's length negotiations between the relevant operating entities of the Group and the relevant Connected Counterparties or Wuhan Investment. The rental amounts under the New Renewed Lease Agreements and the New Lease Agreements were determined with reference to the prevailing market rental price of premises or land under the New Renewed Lease Agreements and the New Lease Agreements. The management fee under the Property Management Agreement was determined with reference to the market rate as at 25 May 2013 determined by a valuer engaged by Beijing Baozhang. The air-conditioning fee under the Property Management Agreement was determined with reference to the rate recommended by the valuer.

The Directors (including the independent non-executive Directors who have taken into account the advice of the Independent Financial Adviser as set out in the section headed “Advice of the Independent Financial Adviser” below) are of the view that the New Renewed Lease Agreements, the New Lease Agreements and the Property Management Agreement were entered into in the ordinary and usual course of business of the Group, and are on normal commercial terms which are fair and reasonable and in the interests of the Company and Shareholders as a whole.

LISTING RULES IMPLICATIONS

The relevant counterparties under the New Renewed Lease Agreements, the New Lease Agreements and the Property Management Agreement are as follows:

Hubei Shengze, an investment holding company, is owned as to 70.4% by Mr. Wang, the non-executive Director and the controlling Shareholder.

Beijing Development, a company principally engaged in real estate holding and property management, is beneficially wholly-owned by Hubei Shengze.

Changsha Shengze, a company principally engaged in real estate holding, is wholly-owned by Hubei Shengze.

Inner Mongolia Dingjie Auto-trading, a company principally engaged in real estate holding, is wholly-owned by Hubei Shengze.

Wuhan Investment, a company principally engaged in real estate holding, is wholly-owned by Hubei Shengze.

The Connected Counterparties and Wuhan Investment, being the associates of Mr. Wang, are connected persons of the Company and thus, the transactions contemplated under the New Renewed Lease Agreements, the New Lease Agreements and the Property Management Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios (other than the profits ratio), as defined under the Listing Rules, in aggregate for the transactions under the Original Lease Agreements, the Renewed Lease Agreements, the New Renewed Lease Agreements, the New Lease Agreements and the Property Management Agreement are expected to be more than 0.1% but less than 5% on an annual basis, the New Renewed Lease Agreements, the New Lease Agreements and the Property Management Agreement (together with the relevant proposed annual caps) are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Mr. Wang, the non-executive Director and the controlling Shareholder, has material interests in the transactions contemplated under the New Renewed Lease Agreements, the New Lease Agreements and the Property Management Agreement and has abstained from voting on the Board resolutions approving the New Renewed Lease Agreements, the New Lease Agreements, the Property Management Agreement and the transactions contemplated thereunder.

ADVICE OF THE INDEPENDENT FINANCIAL ADVISER

The Company has appointed the Independent Financial Adviser to advise the independent non-executive Directors in connection with the Continuing Connected Transactions. In forming its opinion, the Independent Financial Adviser has reviewed the valuation reports prepared by the relevant property valuers in the PRC on the market rental prices of the premises under the New Renewed Lease Agreements and the New Lease Agreements and on the fair consideration of the management fee payable under the Property Management Agreement and has based on the information, facts and representations provided by and opinions expressed by the executive Directors and the management of the Group. The Independent Financial Adviser is of the view that (i) the basis and assumption of the valuation reports prepared by the relevant property valuers are reasonable; (ii) the New Renewed Lease Agreements, the New Lease Agreements and the Property Management Agreement together with the proposed annual caps for the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole; (iii) the terms of the New Renewed Lease Agreements, the New Lease Agreements and the Property Management Agreement are on normal commercial terms and are fair and reasonable; and (iv) the proposed annual caps of the Continuing Connected Transactions have been fairly and reasonably arrived at. Accordingly, the Independent Financial Adviser recommended the independent non-executive Directors to vote in favour of the Board resolutions approving the New Renewed Lease Agreements, the New Lease Agreements, the Property Management Agreement and the related proposed annual caps.

DEFINITIONS

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

“4S”	sales, spare parts, service and survey
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“August Announcement”	the announcement of the Company dated 1 August 2013
“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 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.*), a company incorporated in the PRC and one of the Connected Counterparties
“Board”	the board of Directors
“Changsha Ruibao”	長沙瑞寶汽車銷售服務有限公司 (Changsha Ruibao Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities

“Changsha Shengze”	長沙聖澤瑞寶電子產品貿易有限公司 (Changsha Shengze Ruibao Electronics Trading Co., Ltd.*), a company incorporated in the PRC and one of the Connected Counterparties
“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 on the Stock Exchange
“Connected Counterparties”	collectively, Beijing Development, Hubei Shengze, 武漢聖澤捷運貿易有限公司 (Wuhan Shengze Jieyun Trading Co., Ltd*), 武漢聖澤捷眾物流有限公司 (Wuhan Shengze Jiezhong Logistics Co., Ltd*), Changsha Shengze and Inner Mongolia Dingjie Auto-trading
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the leases contemplated under the Original Lease Agreements, the Renewed Lease Agreements, the New Renewed Lease Agreements and the New Lease Agreements, and the transactions contemplated under the Property Management Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hubei Shengze”	湖北聖澤實業有限公司 (Hubei Shengze Industry Co., Ltd.*), a company incorporated in the PRC and one of the Connected Counterparties
“Huhhot Qibao”	呼和浩特市祺寶汽車銷售有限公司 (Huhhot Qibao Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“Independent Financial Adviser”	Messis Capital Limited, which is a corporation permitted under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities and the independent financial adviser to the independent non-executive Directors in relation to the Continuing Connected Transactions

“Inner Mongolia Dingjie”	內蒙古鼎杰汽車貿易有限公司 (Inner Mongolia Dingjie Automobile Trading Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“Inner Mongolia Dingjie Auto-trading”	內蒙古聖澤鼎杰汽車貿易有限公司 (Inner Mongolia Shengze Dingjie Automobile Trading Co., Ltd.*), a company incorporated in the PRC and one of the Connected Counterparties
“Leased Premises”	as defined in the section headed “Property Management Agreement” in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“May Announcement”	the announcement of the Company dated 31 May 2013
“Mr. Wang”	Mr. Wang Muqing, the non-executive Director and the controlling Shareholder
“New Lease Agreements”	the lease agreements dated 30 September 2013 entered into between certain operating subsidiaries of the Group and certain Connected Counterparties or Wuhan Investment in respect of the leases of the certain premises for the operations of the Group
“New Renewed Lease Agreements”	the lease agreements dated 30 September 2013 entered into between some of the PRC Operating Entities and some of the Connected Counterparties to renew the Original Lease Agreements expired on 29 September 2013
“Original Lease Agreements”	the lease agreements, as referred to in the Prospectus, entered into between the PRC Operating Entities or Wuhan Jietong and the Connected Counterparties in 2010
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Operating Entities”	collectively, Beijing Baozhang, 湖北博誠汽車銷售服務有限公司 (Hubei Bocheng Automobile Sales Services Co., Ltd.*), 武漢開泰汽車銷售服務有限公司 (Wuhan Kaitai Automobile Sales Services Co., Ltd.*), Huhhot Qibao, Changsha Ruibao and Inner Mongolia Dingjie, all being the subsidiaries of the Company operating 4S businesses in the PRC

“Property Management Agreement”	the property management agreement dated 30 September 2013 entered into between Beijing Development and Beijing Baozhang for the Leased Premises
“Prospectus”	the prospectus of the Company dated 29 November 2010
“Renewed Lease Agreements”	the lease agreements entered into between some of the PRC Operating Entities or Wuhan Jietong and some of the Connected Counterparties to renew the Original Lease Agreements expired on 31 May 2013 or 31 July 2013
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wuhan Investment”	武漢江融投資有限公司 (Wuhan Investment Co., Ltd.*), a company incorporated in the PRC and one of the lessors under the New Lease Agreements
“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
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square metres
“%”	percent.

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 Muqing
Chairman

Hong Kong, 30 September 2013

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

* For identification purpose only