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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 in the Cayman Islands with limited liability)
(Stock Code: 1728)

**DISCLOSEABLE TRANSACTION
IN RELATION TO CAPITAL INCREASE ARRANGEMENT FOR
SHANGHAI DONGZHENG AUTOMOTIVE FINANCE CO., LTD.**

CAPITAL INCREASE IN DONGZHENG AFC

The Board is pleased to announce that, on 1 June 2017, Dongzheng AFC, a joint venture of the Company, received the Approval from the Shanghai Office of The China Banking Regulatory Commission to approve the registered capital of Dongzheng AFC increasing from RMB0.5 billion to RMB1.6 billion.

LISTING RULES IMPLICATION

As certain applicable percentage ratios of the transaction under the Capital Increase are more than 5% but less than 25%, the transaction under the Capital Increase constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

The Board of the Company is pleased to announce that, on 1 June 2017, Dongzheng AFC, a joint venture of the Company, received the Approval from the Shanghai Office of The China Banking Regulatory Commission to approve the increase of the registered capital of Dongzheng AFC from RMB0.5 billion to RMB1.6 billion with the original shareholders and the shareholding proportion to be remained unchanged.

Capital Increase Arrangement

- Participated Shareholders for the Capital Increase:** (1) the Company; and
(2) Dongfeng Corporation
- Proportion of Capital Increase:** The Company and Dongfeng Corporation will contribute RMB1.1 billion to the registered capital of Dongzheng AFC in cash in the proportion to their respective existing shareholdings, of which the Company will contribute RMB1.045 billion and Dongfeng Corporation will contribute RMB55 million with the proportion of contribution being 95% and 5%.
- Period for Capital Increase and Change of Registered Capital:** the Capital Increase and relevant statutory procedures for change of registered capital of the JV Company shall be completed within six months immediately upon the date of the Approval.

Reasons and Benefits for the Capital Increase Arrangement

With the further improvement on consumers' credit record and the further awareness on the use of personal consumer credit services in the PRC, the penetration of the automobile consumer finance services has grown rapidly and the market size has experienced a fast expansion in the PRC. The Company has seen a rapid growth in its automobile financing business for the past two years. The Capital Increase will substantially improve Dongzheng AFC's financing capacity and reduce its finance costs, which will facilitate its expansion of business scale and the enhancement of its profitability, and will in turn further enhance the Company's overall competitiveness in the financial services sector and increase return on the shareholders' investment.

As no Directors has any material interests in the Capital Increase Arrangement, none of them is required to abstain from voting on relevant board resolutions to approve the Capital Increase Arrangement.

The Directors of the Company consider that the Capital Increase Arrangement is in the interests of the Group. The Board of Directors (including the independent non-executive Directors) considers that the Capital Increase Arrangement is entered into on normal commercial terms and the terms of the Capital Increase Arrangement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Information on the Group

The Group is a leading automobile 4S dealership group in China and the principal business of the Group comprises 4S dealership business, supply chain business and financial services business. The Group has concentrated on luxury and ultra-luxury branded automobile sales in China, and has made significant effort to its traditional after-sales services and post-market businesses in sectors of financing, insurance brokerage, pre-owned automobiles and beyond.

Information on Dongfeng Corporation

Dongfeng Corporation is one of the top three automobile groups in China and principally engaged in production and sales of whole serial commercial vehicles, passenger vehicles, auto parts and components and vehicle manufacturing equipment.

To the best knowledge, information and belief of the Directors having made all reasonable enquiry, save as 5% equity interests in JV Company held by Dongfeng Corporation, Dongfeng Corporation and its ultimate beneficial owners are the third parties independent of the Company and connected persons of the Company.

Information about Dongzheng AFC

As a non-banking financial institution approved by China Banking Regulatory Commission, Dongzheng AFC is the first auto finance company primarily owned and operated by a dealer group, and is principally engaged in auto consumer financing, auto dealership financing and consulting and agency services relating to auto finance, etc.

The audited total assets and net assets of Dongzheng AFC as at 31 December 2016 and 31 December 2015 are as follows:

	At 31 December 2016 <i>RMB million</i> (audited)	At 31 December 2015 <i>RMB million</i> (audited)
Total assets	4,153.23	1,956.26
Net assets	699.27	524.78

Profit before and after taxation and extraordinary items for the two year ended 31 December 2016 are as follows:

	For the year ended 31 December 2016 <i>RMB million</i> (audited)	For the year ended 31 December 2015 <i>RMB million</i> (audited)
Profit before taxation	232.74	33.12
Profit after taxation	174.48	24.78

Note: The above financial information of the JV Company was prepared in accordance with the applicable Accounting Standards for Business Enterprises and Enterprise Accounting System issued by Ministry of Finance of the PRC.

LISTING RULES IMPLICATION

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DEFINITIONS

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

“Approval”	the approval of change of registered capital of Dongzheng AFC issued by the Shanghai Office of the China Banking Regulatory Commission
“Board”	the board of Directors
“Capital Increase” or “Capital Increase Arrangement”	An increase in the registered capital of Dongzheng AFC pursuant to the Capital Increase Arrangement
“Company”	China ZhengTong Auto Services Holdings Limited
“Connected Persons”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the directors(s) of the Company
“Dongfeng Corporation”	Dongfeng Motor Corporation
“Dongzheng AFC” or “JV Company”	Shanghai Dongzheng Automotive Finance Co., Ltd., a sino-foreign joint venture incorporated in the PRC, in which the Company and Dongfeng Corporation hold 95% and 5% equity interest respectively
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	third parties independent of the Company and its connected persons (as defined under the Listing Rules) and are not a connected person of the Company
“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 and Taiwan
“Shareholder(s)”	holder(s) of the Share(s) of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiaries”	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“%”	per cent

For and on behalf 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, 2 June 2017

As at the date of this announcement, the Board comprises Mr. WANG Muqing (Chairman), Mr. WANG Kunpeng, Mr. KOH Tee Choong, Ivan, Mr. LI Zhubo, Mr. WAN To and Mr. SHAO Yong Jun as executive Directors; and Dr. WONG Tin Yau, Kelvin, Dr. CAO Tong and Ms. WONG Tan Tan as independent non-executive Directors.