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正通

**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)**

**PROPOSED SPIN-OFF AND SEPARATE LISTING OF  
SHANGHAI DONGZHENG AUTOMOTIVE FINANCE CO., LTD.  
ON THE MAIN BOARD OF THE STOCK EXCHANGE  
AND  
POSSIBLE MAJOR TRANSACTION**

This announcement is made by the Board pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Reference is made to the announcement made by the Company on 13 November 2018 in relation to the possible spin-off and separate listing of Dongzheng, a non-wholly-owned subsidiary of the Company, on the Main Board of the Stock Exchange.

The Board is pleased to announce that on 21 November 2018, a listing application form (Form A1) was submitted to the Stock Exchange for an application for the listing of, and permission to deal in, the H shares of Dongzheng, on the Main Board of the Stock Exchange. It is intended that upon completion of the Proposed Spin-off and the Proposed Listing, Dongzheng will remain as a subsidiary of the Company.

In giving due regard to the interests of the existing Shareholders as required under PN15, it is intended that, if the Proposed Spin-off proceeds, an assured entitlement to the H Shares of Dongzheng will be provided to qualifying existing Shareholders by way of a preferential application in the Global Offering. The terms of such assured entitlement have not been finalised and will be announced in due course.

The Proposed Spin-off constitutes a deemed disposal of the interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios represented by the Proposed Spin-off may exceed 25% or more but less than 75%, the Proposed Spin-off, if proceeded, may constitute a major transaction for the Company under Chapter 14 of the Listing Rules. The Proposed Spin-off may therefore be subject to, among other things, the approval of the Shareholders under paragraph 3(e)(1) of PN15 and Chapter 14 of the Listing Rules. The Company will comply with the requirements under paragraph 3(e)(1) of PN15 and the applicable requirements of Chapter 14 of the Listing Rules (including the announcement, circular, appointment of an independent financial adviser and shareholders' approval requirements) as and when necessary.

As at the date of this announcement, a closely allied group of Shareholders comprising of Joy Capital and Wang Family Trusts Founders are interested in an aggregate of 1,383,516,820 Shares, representing approximately 56.37% of the issued share capital of the Company. On the basis that no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Proposed Spin-off and the Proposed Listing, the Company intends to obtain a written approval from Joy Capital and Wang Family Trusts Founders for the Proposed Spin-off and the Proposed Listing in accordance with Rule 14.44 of the Listing Rules and upon such written shareholders' approval being obtained, the Proposed Spin-off and the Proposed Listing will be taken to have been duly approved in lieu of holding a general meeting of the Company.

**Shareholders and potential investors should note that there is no assurance that the approval of the Listing Committee of the Stock Exchange for the Proposed Listing will be granted.**

**The Proposed Listing and the final structure of the Proposed Spin-off are subject to, among other things, the approval of the Shareholders, the approval of the Stock Exchange and CSRC, the final decisions of the Board and the board of directors of Dongzheng, market conditions and other considerations. Accordingly, Shareholders and potential investors should be aware that there is no assurance that the Proposed Spin-off and the Proposed Listing will take place and, if so, when they may take place. Shareholders and potential investors should exercise caution when dealing in or investing in the securities of the Company.**

## **INTRODUCTION**

This announcement is made by the Board pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of SFO.

Reference is made to the announcement made by the Company on 13 November 2018 in relation to the Proposed Spin-off and Proposed Listing on the Main Board of the Stock Exchange.

The Board proposes to spin-off and separately list Dongzheng on the Main Board of the Stock Exchange by way of a global offering consisting of a (i) Hong Kong public offering; and (ii) international public offering (including preferential offering). In this regard, the Company has submitted a spin-off proposal to the Stock Exchange pursuant to PN15 and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

The Board is pleased to announce that on 21 November 2018, a listing application form (Form A1) was submitted to the Stock Exchange for an application for the listing of, and permission to deal in, the H Shares of Dongzheng, which is the subject of the Proposed Spin-off, on the Main Board of the Stock Exchange.

## **THE PROPOSED SPIN-OFF**

The Proposed Spin-off involves the spin-off and separate listing of the H Shares of Dongzheng. Dongzheng is a non-wholly-owned subsidiary of the Company incorporated in the PRC on 11 March 2015.

The Proposed Spin-off will be conditional upon, among other things, the followings:

- (i) the approval of the Shareholders if the Proposed Spin-off constitutes a major transaction for the Company;

- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the H Shares of Dongzheng in issue and any shares which may be issued in relation to the Proposed Spin-off and the Proposed Listing on the Main Board of the Stock Exchange and the approval of CSRC regarding the Proposed Listing;
- (iii) the terms of the Global Offering of Dongzheng being agreed among the Company, Dongzheng and the underwriters;
- (iv) the final decisions of the Board and the board of directors of Dongzheng; and
- (v) market conditions and other considerations.

The Proposed Spin-off and the Proposed Listing will be effected by way of the Global Offering whereby a portion of the H Shares to be issued by Dongzheng will be subject to preferential application by the existing Shareholders. It is intended that upon completion of the Proposed Spin-off and the Proposed Listing, the Company will have an interest of not less than 50% in Dongzheng and therefore Dongzheng will remain as a subsidiary of the Company.

Upon completion of the Proposed Spin-off, there will be a clear delineation between the businesses of Dongzheng and the remaining businesses of the Group, which include the Retained Business.

If the Proposed Spin-off and the Proposed Listing are effected, the net proceeds from the issue of H Shares of Dongzheng pursuant to the Global Offering will be used to strengthen Dongzheng's capital base to support the ongoing growth of its business.

#### **ASSURED ENTITLEMENT**

In giving due regard to the interests of the existing Shareholders as required under PN15, it is intended that, if the Proposed Spin-off proceeds, an assured entitlement to the H Shares of Dongzheng will be provided to qualifying existing Shareholders by way of a preferential offering in the Global Offering.

The terms of such assured entitlement have not been finalised and will be announced in due course.

#### **INFORMATION ON DONGZHENG**

Dongzheng is the only AFC with a dealership background in China, licensed and regulated by the CBIRC. It specializes in providing auto finance products and services for the purchase of luxury-brand cars. Since its establishment in March 2015, Dongzheng has been offering tailored financing products and services to its end customers by leveraging the know-how and industry insights of the Company, which has been in the dealership business for nearly 20 years. As of 30

June 2018, Dongzheng's dealer network consisted of 986 dealers, covering 159 cities in China, comprising Beijing, Shanghai, Shenzhen, Guangzhou as well as 36 second-tier cities and 119 third-tier and other lower-tier cities. Dongzheng has also established strategic cooperation with certain luxury-brand automakers to expand its customer base.

In 2017, Dongzheng disbursed 16,447 retail loans for the purchase of luxury-brand cars with an aggregate principal amount of RMB3,753.1 million, accounting for 88.2% of the number of retail loans it disbursed in total and 95.0% of the aggregate principal amount of retail loans it disbursed during the same period. Given Dongzheng's focus on luxury-brand cars, the average loan principal amount that its retail loan customers received in 2017 was RMB220,028, which ranked third among all the AFCs in China in 2017 and was substantially higher than the industry average of RMB98,411 in the same period, according to China Insights Consultancy Limited.

Set forth below is the total assets and the net assets of Dongzheng as at 31 December 2016 and 31 December 2017:

|              | <b>As of 31 December</b> |                |
|--------------|--------------------------|----------------|
|              | <b>2016</b>              | <b>2017</b>    |
|              | <i>RMB'000</i>           | <i>RMB'000</i> |
| Total assets | 4,054,940                | 6,292,416      |
| Net assets   | 699,267                  | 2,060,040      |

Set forth below is certain selected financial information of Dongzheng based on its statements of profit or loss and other comprehensive income for the years indicated:

|   | <b>Year ended</b>  | <b>Year ended</b>  |
|---|--------------------|--------------------|
|   | <b>31 December</b> | <b>31 December</b> |
|   | <b>2016</b>        | <b>2017</b>        |
|   | <b>RMB'000</b>     | <b>RMB'000</b>     |
| Operating income  | 332,419            | 461,960            |
| Profit before taxation                                    | 232,745            | 348,523            |
| Profit and total comprehensive income for the period/year | 174,485            | 260,773            |

## **OTHER PROPOSED ARRANGEMENT IN RELATION TO THE PROPOSED SPIN-OFF — NON-COMPETITION UNDERTAKING FROM THE COMPANY**

The Company is expected to, as part of the Proposed Spin-off, enter into the Non-competition Undertaking for the benefit of Dongzheng. Pursuant to the Non-competition Undertaking, the Company will make irrevocable covenants to Dongzheng that the Company will not and will procure that its close associates will not:

- (a) solely or jointly with a third party, engage in or participate in business or activity which constitute or may constitute competition with Dongzheng's business in any manner directly or indirectly (including but not limited to investment, merger and acquisition, associates, joint ventures, cooperation, partnership, contracting or leasing operation, purchase of shares of listed companies or equity participation) domestically or abroad (in each case whether as a director or shareholder (other than being a director or shareholder of Dongzheng), partner, agent or otherwise and whether for profit, reward or interest otherwise); and
- (b) directly or indirectly, hold any interest or obtain any control (in each case whether as a director or shareholder (other than being a director or shareholder of Dongzheng), partner, agent or otherwise and whether for profit, reward or interest otherwise) in any business, operating entities, institutions or economic organizations, which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business engaged by Dongzheng domestically or abroad from time to time.

The Company will, as part of the Non-competition Undertaking, further undertake that if the Company or its close associates is offered or given or identified any business investment or commercial opportunity which may compete or lead to competition with the businesses of Dongzheng, the Company shall and shall procure its close associates to notify Dongzheng in writing and Dongzheng shall have a right of first refusal to take up such business investment or commercial opportunity. The Company will also undertake, subject to the applicable law, Dongzheng is entitled to acquire any equity interest, asset or other interest in the business currently carried out by it from the Company at any time, unless a third party exercises its right of first refusal pursuant to relevant laws or constitutional documents on the same conditions. The Company further undertakes that it will use its best efforts to procure its close associates to provide to Dongzheng such option for their respective businesses. In the event that the Company or its close associates has acquired any business investment or commercial opportunity in accordance with the foregoing and intend to sell such investment or opportunity, the Company shall and shall procure its close associates to notify Dongzheng in writing and Dongzheng shall have a pre-emptive right to acquire such investment or opportunity.

The Non-Competition Undertaking shall terminate on the earlier of:

- (a) when the Company and its close associates, individually or taken as a whole, are interested in no more than 30% of the equity interests of Dongzheng; or
- (b) Dongzheng's H Shares cease to be listed on the Stock Exchange except for suspension of trading of its H Shares due to any reasons.

## **REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF AND THE PROPOSED LISTING**

The Board believes that the Proposed Spin-off and the Proposed Listing are beneficial to the Company because of the following reasons, among others:

- (a) After the Proposed Spin-off, the Remaining Group can focus more of its resources on the Retained Business, thereby realizing the maximum growth potential of the Company.
- (b) As a result of the Proposed Spin-off, the Remaining Group and Dongzheng will have separate fundraising platforms in the equity and debt capital markets, which will increase financing flexibility and adaptability of both entities to support and accelerate their respective growth;
- (c) As a result of the differences in the business and operational focuses, each of the Retained Business and Dongzheng's business requires a different set of management expertise and technical skills and has distinctive cost structure, business model and regulatory requirements. The Proposed Spin-off will lead to a clear separation of the operations and management between the Remaining Group and Dongzheng, allowing for a more focused strategy and efficient resource allocation at both businesses; and
- (d) Dongzheng, being a non-banking financial institution in the PRC providing financing services, has a different risk profile and comparative advantages as compared to that of the Remaining Group. The Proposed Spin-off will allow the potential investors to appreciate the risk profiles and comparative advantages of Dongzheng and the Remaining Group more distinctively and individually through more detailed disclosure of the business and management discussion and analysis of Dongzheng and the Remaining Group in their respective ongoing public announcements and financial reports.

## **LISTING RULES IMPLICATIONS**

As of the date of this announcement, Dongzheng is a 95%-owned subsidiary of the Company. Following completion of the Proposed Spin-off and the Proposed Listing, it is expected that Dongzheng will remain as a subsidiary of the Company. The Proposed Spin-off and the Proposed Listing, if materialize, may constitute a deemed



disposal of the interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Proposed Spin-off and the Proposed Listing may exceed 25% or more but less than 75%, the Proposed Spin-off and the Proposed Listing, if proceeded, may constitute a major transaction for the Company under Chapter 14 of the Listing Rules. The Proposed Spin-off and the Proposed Listing may therefore be subject to, among other things, the approval of the Shareholders under paragraph 3(e)(1) of PN15 and Chapter 14 of the Listing Rules. The Company will comply with the requirements under paragraph 3(e)(1) of PN15 and the applicable requirements of Chapter 14 of the Listing Rules (including the announcement, circular, appointment of an independent financial adviser and shareholders' approval requirements) as and when necessary.

Should the Proposed Spin-off and the Proposed Listing proceed, a circular containing, among other things, further details of the Proposed Spin-off and the Proposed Listing and their effects on the Company will be despatched to the Shareholders. As the listing application made by Dongzheng is subject to the approval of the Stock Exchange and in view of such approval process, the expected date of despatch of the circular to the Shareholders will be more than 15 business days after the publication of this announcement. The Company will despatch the circular to the Shareholders as soon as practicable in accordance with the requirements under the Listing Rules.

## **GENERAL**

A redacted form of the Application Proof is expected to be available for reviewing and downloading on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk). The Application Proof contains, among other things, certain business and financial information relating to Dongzheng. Shareholders should note that the Application Proof is in draft form and the information contained in it is subject to change which may be material.

Details in respect of the Proposed Spin-off and the Proposed Listing, including their structure and expected timetable, have not yet been finalised.

**Shareholders and potential investors of the Company are advised to note that the Proposed Spin-off and the Proposed Listing is subject to, among other things, the approval of the Stock Exchange and the CSRC, the final decisions of the Board and the board of directors of Dongzheng, market conditions and other factors. Accordingly, Shareholders and potential investors of the Company should be aware that there is no assurance that the Proposed Spin-off and the Proposed Listing will take place or as to when it may take place. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company. Any person who is in doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional advisers.**



The Company will make further announcement(s) in relation to the Proposed Spin-off and the Proposed Listing in accordance with the requirements of the Listing Rules as and when appropriate.

## DEFINITION

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

|                            |  |
|----------------------------|--|
| “4S”                       | means sale, spare parts, service and survey  |
| “AFC”                      | means auto finance company licensed and regulated by the CBIRC   |
| “Application Proof”        | means the application proof of Dongzheng’s listing document submitted on 21 November 2018  |
| “Assured Entitlement”      | means the entitlement of the qualifying Shareholders to apply for the H Shares of Dongzheng on an assured basis pursuant to a preferential offering determined on the basis of their respective shareholdings in ZhengTong on the Record Date  |
| “Board”                    | means the board of Directors   |
| “CBIRC”                    | means the China Banking and Insurance Regulatory Commission  |
| “close associate”          | has the meaning ascribed to it under the Listing Rules   |
| “Company” or “the Company” | means China ZhengTong Auto Services Holdings Limited (中國正通汽車服務控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange   |
| “CSRC”                     | means the China Securities Regulatory Commission   |
| “Directors”                | means the directors of the Company   |
| “Dongzheng”                | means Shanghai Dongzheng Automotive Finance Co., Ltd.* (上海東正汽車金融股份有限公司), formerly known as Shanghai Dongzheng Automotive Finance Co., Ltd.* (上海東正汽車金融有限責任公司), a limited liability company established by Dongfeng Motor Corporation and the Company in the PRC on 11 March 2015 and registered as a joint stock company with limited liability on 15 August 2018 |

|                                 |  |
|---------------------------------|--|
| “Global Offering”               | means the Hong Kong public offering and the international offering (including the preferential offering) of the H Shares of Dongzheng  |
| “Group”                         | means the Company and its subsidiaries   |
| “HK\$”                          | means Hong Kong dollar(s), the lawful currency of Hong Kong  |
| “Hong Kong”                     | means the Hong Kong Special Administration Region of the PRC   |
| “H Share(s)”                    | means ordinary shares issued by a listed company, with Renminbi denominated means nominal value of RMB1.00 each in the share capital of our Company, which are to be subscribed for and traded in HK dollars and for which an application has been made for listing and permission to trade on the Stock Exchange                      |
| “Insider Information Provision” | means the provisions under Part XIVA of the SFO that impose statutory obligations on listed issuers and their directors to disclose inside information as soon as reasonably practicable after the information has come to the listed issuers’ knowledge, and gives the Commission the responsibility for enforcing those obligations. |
| “Listing Rules”                 | means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited   |
| “Non-competition Undertaking”   | means the non-competition undertaking expected to be entered into the Company, Joy Capital and the Wang Family Trusts Founders   |
| “PN15”                          | means Practice Note 15 of the Listing Rules  |
| “PRC”                           | means the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan  |
| “Proposed Listing”              | means the listing of the H shares of Dongzheng on the Main Board of the Stock Exchange   |
| “Proposed Spin-off”             | means the separate listing of H Shares of Dongzheng on the Main Board of the Stock Exchange, which is expected to be effected by way of the Global Offering, including the Preferential Offering   |

|                               |   |
|-------------------------------|---|
| “Record Date”                 | a date on which the entitlement of the qualifying shareholders to apply for the H Shares of Dongzheng is determined                                 |
| “Remaining Group”             | means the Company and its subsidiaries, excluding Dongzheng   |
| “Retained Business”           | means the 4S dealership business and financial services business retained by the Group after the Proposed Spin-off                                  |
| “SFO”                         | means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Shares”                      | means the ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company   |
| “Shareholders”                | means the shareholders of the Company   |
| “Stock Exchange”              | means The Stock Exchange of Hong Kong Limited   |
| “United States”               | means the United States of America, its territories, its possessions and all areas subject to its jurisdiction                                      |
| “Wang Family Trusts Founders” | means Mr. Wang Muqing and Mr. Wang Weize (the son of Mr. Wang Muqing), being the founders of the Bright Brilliant Trust and the Ample Joy Trust     |
| “%”                           | means 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 Muqing**  
*Chairman*

Hong Kong, 21 November 2018

*As at the date of this announcement, the Board comprises Mr. WANG Muqing (Chairman), Mr. WANG Kunpeng, Mr. KOH Tee Choong, Mr. LI Zubo, 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.*