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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

RENEWAL OF LEASE AGREEMENTS AND PROPERTY MANAGEMENT AGREEMENTS

Reference is made to the December 2015 Announcement in relation to, among other things, the execution of the 2016 Lease Agreements and the 2016 Property Management Agreement.

RENEWAL OF 2016 LEASE AGREEMENTS

Pursuant to the 2016 Lease Agreements, the Group has leased the Leased Premises from the Connected Lessors as the office, 4S stores, garage as well as logistics and storage of the Group. The 2016 Lease Agreements in force were expired on 31 December 2018. In order to ensure the continual use of the Leased Premises by the Group for relevant purposes after the expiry of the 2016 Lease Agreements, the PRC Subsidiaries of the Group entered into an aggregate of fourteen 2019 Lease Agreements with the respective Connected Lessors on 10 April 2019 for a period of three years from 1 January 2019 to 31 December 2021. Pursuant to the 2019 Lease Agreements, the Group shall pay the Connected Lessors an amount of approximately RMB28.10 million quarterly during the lease term.

The Directors expect the rental amounts payable by the Group to the Connected Lessors for each of the three years ending 31 December 2021 under the 2019 Lease Agreements would not exceed RMB113 million.

RENEWAL OF 2016 PROPERTY MANAGEMENT AGREEMENT

Pursuant to the 2016 Lease Agreements, the Group has leased the Beijing Properties in Feng Tai District, Beijing from Beijing Development. In addition, the Group has entered into the 2016 Property Management Agreement with Beijing Development in order to receive property management services provided by Beijing Development. The 2016 Property Management Agreement in force was expired on 31 December 2018. Pursuant to three of the 2019 Lease Agreements, the Group will continue to lease the Beijing Properties until the end of 2021. In order to ensure the continual use of the property management services of Beijing Development by the Group after the expiry of the 2016 Property Management Agreement, the Group entered into the 2019 Property Management Agreements with Beijing Development on 10 April 2019 for a period of 3 years from 1 January 2019 to 31 December 2021. Pursuant to the 2019 Property Management Agreements, the Group shall pay property management monthly fee of approximately RMB362,000 and air-conditioning annual fee of approximately RMB2.91 million payable semiannually to Beijing Development in the term of the agreement.

The Directors expect the property management fee and air-conditioning fee payable by the Group to Beijing Development for each of the three years ending 31 December 2021 under the 2019 Property Management Agreements would not exceed RMB8 million per annum.

LISTING RULES IMPLICATIONS

As the Connected Lessors are wholly-owned subsidiaries of Beijing Guangze (except for Hubei Xihe) and Hubei Xihe, which is wholly-owned by family members of Mr. Wang, an executive Director and the controlling shareholder of the Company, the Connected Lessors are the connected persons of the Company. As a result, the transactions contemplated under the 2019 Lease Agreements and the 2019 Property Management Agreements constitute Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules.

Since the annual caps on aggregate basis for (i) the rental amounts payable by the Group to the lessors during the lease term under the 2019 Lease Agreements; and (ii) the property management fee and air-conditioning fee payable by the Group to Beijing Development under the 2019 Property Management Agreements for each of the three years ending 31 December 2021 are expected to be more than 0.1% but less than 5% of applicable ratios under the Listing Rules, the Continuing Connected Transactions of the Group under the 2019 Lease Agreements and the 2019 Property Management Agreements (together with the respective annual caps) are subject to the reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the December 2015 Announcement in relation to, among other things, the 2016 Lease Agreements and the 2016 Property Management Agreement.

On 10 April 2019, (i) the 2019 Lease Agreements made and entered into by and among a certain number of the Subsidiaries of the Group, as lessees, and a certain number of the Connected Lessors, as lessors, to renew the 2016 Lease Agreements expired on 31 December 2018 in relation to the lease of certain properties for the Group's business operation; and (ii) the 2019 Property Management Agreements made and entered into by and among Beijing Development, one of the connected persons, and Beijing Properties Tenants to renew the 2016 Property Management Agreement expired on 31 December 2018 in relation to the provision of property management services by Beijing Development for the Beijing Properties. The details of the 2019 Lease Agreements and the 2019 Property Management Agreements were set out in the sections headed "Renewal of 2016 Lease Agreements" and "Renewal of 2016 Property Management Agreement" below.

RENEWAL OF 2016 LEASE AGREEMENTS

Pursuant to the 2016 Lease Agreements, the Group has leased the Leased Premises from the Connected Lessors as the office, 4S stores, garage as well as logistics and storage of the Group. The 2016 Lease Agreements in force were expired on 31 December 2018. In order to ensure the continual use of the Leased Premises by the Group for relevant purposes after the expiry of the 2016 Lease Agreements, the Group entered into the 2019 Lease Agreements with the respective Connected Lessors on 10 April 2019. The table below sets out the details of the 2019 Lease Agreements, the date of each of these agreements is 10 April 2019 and the term of all such agreements are from 1 January 2019 to 31 December 2021:

	Location	Gross floor area (sq.m)	Use	Lessor	Lessee	Quarterly rental (RMB)
1.	Beijing Properties	19,633.40 ¹	The Group's head office, operation of 4S businesses and garage	Beijing Development	Beijing Baozehang	6,663,973
2.	Beijing Properties	1,472.09	Office	Beijing Development	Beijing Hengyi	519,850

3.	Beijing Properties	5,224.92	Office	Beijing Development	Dingze Insurance	1,763,949
4.	4S Store, No.40, Xingan North Road Yi, New District, Hohhot, Inner Mongolia Autonomous Region, the PRC ²	4,662.00 ²	Operation of 4S businesses	Inner Mongolia Dingjie Automobile Trading	Huhhot Yingfei	55,303
5.	4S Store, No.42, Xingan North Road, New District, Hohhot, Inner Mongolia Autonomous Region, the PRC	4,615.29	Operation of 4S businesses	Inner Mongolia Dingjie Automobile Trading	Inner Mongolia Dingjie	593,815
6.	4S Store, No.40, Xingan North Road Yi, New District, Hohhot, Inner Mongolia Autonomous Region, the PRC	10,199.00	Operation of 4S businesses	Inner Mongolia Dingjie Automobile Trading	Huhhot Qibao	2,624,458
7.	4S Store, No.40, Xingan North Road Jia, New District, Hohhot, Inner Mongolia Autonomous Region, PRC	7,439.00	Operation of 4S businesses	Inner Mongolia Dingjie Automobile Trading	Huhhot Jieyunhang	2,952,818
8.	4S Store, No.688, Changsha Avenue, Yuhua District, Changsha, Hunan, the PRC	4,498.26	Operation of 4S businesses	Changsha Shengze	Changsha Ruibao	694,090
9.	No. Te 6 Huangpu Technological Park, Jiangnan District, Wuhan City, Hubei Province, the PRC	4,661.59	Operation of 4S businesses	Hubei Xihe	Hubei Bocheng	654,146
10.	No. Te 6 Huangpu Technological Park, Jiangnan District, Wuhan City, Hubei Province, the PRC	6,541.52	Operation of 4S businesses	Hubei Xihe	Wuhan Kaitai	913,147
11.	Shiqiao Village, Houhu County, Jiangnan District, Wuhan City, Hubei, the PRC	18,600.00	Operation of 4S businesses	Wuhan Investment	Hubei Aoze	4,030,434
12.	Shiqiao Village, Houhu County, Jiangnan District, Wuhan City, Hubei, the PRC	2,556.00	Operation of 4S businesses	Wuhan Investment	Wuhan Baoze	553,860
13.	Lot 6C2 Wuhan Economic and Technological Development Zone, Wuhan City, Hubei Province, the PRC	120,951.22	Operation of logistics and storage businesses	Wuhan Shengze Jieyun	Wuhan Jietong	5,278,996
14.	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	Wuhan Jietong	715,372

1. Additional lease of the area under this agreement with gross floor area of 3,827.49 sq.m. (including level 3 of 1,399.30 sq.m. and level 4 of 2,428.19 sq.m.) is used as office, and the rental amount is determined with reference to the market rate by a valuer engaged by Beijing Baozhang.

2. The land located at No. 40, Xingan North Road Yi, New District, Hohhot is owned by Inner Mongolia Dingjie Automobile Trading, one of the Connected Lessors, and the buildings erected there on are owned by Huhhot Yingfei, the lessee of the Group.

The rental amounts of the 2019 Lease Agreements are determined after arm's length negotiations between the relevant PRC Subsidiaries of the Group and the relevant Connected Lessors with reference to the prevailing market rental price of premises or lands determined by valuers.

RENEWAL OF 2016 PROPERTY MANAGEMENT AGREEMENT

Pursuant to the 2016 Lease Agreements, the Group has leased the Beijing Properties from Beijing Development. In addition, the Group has entered into the 2016 Property Management Agreement with Beijing Development in order to receive property management services provided by Beijing Development. Pursuant to the 2019 Lease Agreements, the Group will continue to lease the Beijing Properties until the end of 2021. In order to ensure the continual use of the property management services of Beijing Development by the Group after the expiry of the 2016 Property Management Agreement, the Group entered into the 2019 Property Management Agreements with Beijing Development on 10 April 2019 for a period of 3 years from 1 January 2019 to 31 December 2021. Pursuant to the 2019 Property Management Agreements, Beijing Properties Tenants shall pay property management monthly fee of RMB 362,043 in total to Beijing Development from 1 January 2019. In addition, Beijing Development shall charge Beijing Properties Tenants air-conditioning annual fee of RMB2,908,898 under the 2019 Property Management Agreement payable semiannually. The property management fee under the 2019 Property Management Agreement was determined with reference to the market rate determined by a valuer engaged by Beijing Baozhang.

HISTORICAL ANNUAL CAPS AND TRANSACTION AMOUNTS

The table below sets out the relevant annual caps and the actual aggregate transaction amounts under the 2016 Lease Agreements and the 2016 Property Management Agreement for the three years ended 31 December 2018:

For the year ended 31 December	Annual cap	Actual aggregate transaction amounts
	<i>(RMB' million)</i>	<i>(RMB' million, approximate)</i>
2016	96.50	96.44
2017	96.50	94.96
2018	96.50	96.46

PROPOSED ANNUAL CAP

The Directors expect for each of the three years ending 31 December 2021 that (i) the rental amounts payable by the Group to the lessors during the lease term under the 2019 Lease Agreements; and (ii) the property management fee and air-conditioning fee payable to Beijing Development under the 2019 Property Management Agreements would not exceed the annual cap of RMB121 million. The proposed annual cap is determined with reference to the rental amount, the property management fee and air-conditioning fee payable pursuant to the 2019 Lease Agreements and the 2019 Property Management Agreements.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in the operation of 4S dealership business, supply chain business and financial services business.

The Group has leased the Leased Premises from the Connected Lessors for the operations of its 4S businesses and logistics and storage operation since 2010. The Directors are of the view that the renewals of the expired 2016 Lease Agreements and the 2016 Property Management Agreement for maintaining the Group's stable business operation and continuing the use of the Lease Premises are beneficial to the Group and thus is in the interest of the Group.

The terms of the 2019 Lease Agreements and the 2019 Property Management Agreements were determined after arm's length negotiations between the relevant PRC Subsidiaries of the Group and the relevant Connected Lessors. The rental amounts under the 2019 Lease Agreements were determined with reference to the prevailing market rental price of premises or land by valuers, independent third parties under the 2019 Lease Agreements. The property management fee under the 2019 Property Management Agreements was determined with reference to the market rate determined by a valuer, an independent third party of the Company, engaged by Beijing Baozhang, one of the subsidiaries of the Company. The air-conditioning fee under the 2019 Property Management Agreements was determined with reference to the rate recommended by the valuer.

The Directors (including the independent non-executive Directors) of the Company are of the view that the transactions under the 2019 Lease Agreements and the 2019 Property Management Agreements have been and will be entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the respective terms and conditions of the 2019 Lease Agreements and the 2019 Property Management Agreements as well as the proposed annual caps of the continuing connected transactions for the three years ending 31 December 2021 are fair and reasonable and in the interests of the Company and Shareholders as a whole.

LISTING RULES IMPLICATIONS

The counterparties of the 2019 Lease Agreements and the 2019 Property Management Agreements, namely the Connected Lessors, with the Group are Hubei Xihe and the wholly-owned subsidiaries of Beijing Guangze and, the information about the Connected Lessors is as follows:

- Wuhan Shengze Jieyun is a company principally engaged in real estate holding;
- Wuhan Shengze Jiezhong is a company principally engaged in real estate holding;
- Beijing Development is a company principally engaged in real estate holding and property management;
- Changsha Shengze is a company principally engaged in real estate holding;
- Inner Mongolia Dingjie Automobile Trading is a company principally engaged in real estate holding;
- Wuhan Investment is a company principally engaged in real estate holding; and
- Hubei Xihe is a company principally engaged in real estate leasing and trading.

As the Connected Lessors are wholly-owned subsidiaries of Beijing Guangze (except for Hubei Xihe) and Hubei Xihe which is wholly-owned by family members of Mr. Wang, an executive Director and the controlling shareholder of the Company, the Connected Lessors are the connected persons of the Company. As a result, the transactions contemplated under the 2019 Lease Agreements and the 2019 Property Management Agreements constitute Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules.

Since the annual caps on aggregate basis for (i) the rental amounts payable by the Group to the lessors during the lease term under the 2019 Lease Agreements; and (ii) the property management fee and air-conditioning fee payable by the Group to Beijing Development under the 2019 Property Management Agreement for each of the three years ending 31 December 2021 are expected to be more than 0.1% but less than 5% of applicable ratios under the Listing Rules, the Continuing Connected Transactions of the Group under the 2019 Lease Agreements and the 2019 Property Management Agreements (together with the respective annual caps) are subject to the reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules

Mr. Wang, an executive Director and the controlling Shareholder, has material interests in the transactions contemplated under the 2019 Lease Agreements and the 2019 Property Management Agreement and has abstained from voting on the Board resolutions approving the 2019 Lease Agreements and the 2019 Property Management Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

“2016 Lease Agreements”	the eleven lease agreements dated 31 December 2015 made and entered into by and among a certain number of the PRC Subsidiaries of the Group and a certain number of the Connected Lessors in relation to the lease of certain properties for the Group’s business operation (details of which set out in the December 2015 Announcement)
“2016 Property Management Agreement”	the property management agreement dated 31 December 2018 made and entered into by and among Beijing Development and Beijing Baozehang in respect of the provision of property management services by Beijing Development for the Beijing Properties (details of which are set out in the December 2015 Announcement)
“2019 Lease Agreements”	the fourteen lease agreements, in aggregate, dated on 10 April 2019, individually or collectively (as the case may be), made and entered into by and among a certain number of the PRC Subsidiaries and a certain number of the connected persons to renew the 2016 Lease Agreements expired on 31 December 2018
“2019 Property Management Agreements”	the property management agreements dated on 10 April 2019 made and entered into by and among Beijing Development and Beijing Properties Tenants to renew the 2016 Property Management Agreement expired on 31 December 2018
“4S”	sales, spare parts, service and survey
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Baozehang”	北京寶澤行汽車銷售服務有限公司 (Beijing Baozehang Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Subsidiaries
“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, one of the Connected Lessors and one of the parties to the 2019 Property Management Agreement
“Beijing Guangze”	北京廣澤房地產發展有限公司 (Beijing Guangze Property Development Co., Ltd.*), a company incorporated in the PRC, except for Hubei Xihe, the holding company of the Connected Lessors
“Beijing Hengyi”	北京恒毅盈通廣告傳媒有限公司 (Beijing Hengyi Ying Tong Advertising Media Co., Ltd.*), a company incorporated in the PRC and one of the PRC Subsidiaries
“Beijing Properties”	collectively the properties of 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. and the basement and levels 1, 2, 3, 4 and 5 on No. 59 West Third Ring South Road, Feng Tai District, Beijing, the PRC with an aggregate gross floor area of 13,583.22 sq.m. leased by the Group from Beijing Development, (an additional gross floor area of 3,827.49 sq.m. on the level 3 and level 4 of the same building, were leased to the Group under the 2019 Lease Agreements)
“Beijing Properties Tenants”	collectively the tenants of Beijing Properties include Beijing Baozehang, Beijing Hengyi and Dingze Insurance
“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 Subsidiaries
“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 Lessors
“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 Lessors”	Individually or collectively (as the case may be) Hubei Xihe, the wholly-owned subsidiaries of Beijing Guangze, including Beijing Development, Wuhan Shengze Jieyun, Wuhan Shengze Jiezhong, Changsha Shengze, Inner Mongolia Dingjie Automobile Trading and Wuhan Investment
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the leases contemplated under the 2016 Lease Agreements and the 2019 Lease Agreements, and the transactions contemplated under the 2016 Property Management Agreement and the 2019 Property Management Agreements
“December 2015 Announcement”	the announcement of the Company dated 31 December 2015 in relation to 2016 Lease Agreements and 2016 Property Management Agreement for a term of three years ended 31 December 2018
“Dingze Insurance”	鼎澤保險代理有限公司 (Dingze Insurance Agency Co., Ltd.*), a company incorporated in the PRC and one of the PRC Subsidiaries
“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 Aoze”	湖北奧澤汽車銷售服務有限公司 (Hubei Aoze Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Subsidiaries
“Hubei Bocheng”	湖北博誠汽車銷售服務有限公司 (Hubei Bocheng Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Subsidiaries
“Hubei Xihe”	湖北熙可實業有限公司 (Hubei Xihe Industry Co., Ltd.*), a company incorporated in the PRC and one of the Connected Lessors
“Huhhot Jieyunhang”	呼和浩特市捷運行汽車銷售服務有限公司 (Huhhot Jieyunhang Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Subsidiaries
“Huhhot Qibao”	呼和浩特市祺寶汽車銷售服務有限公司 (Huhhot Qibao Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Subsidiaries
“Huhhot Yingfei”	呼和浩特市英菲汽車銷售服務有限公司 (Huhhot Yingfei Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Subsidiaries
“Inner Mongolia Dingjie”	內蒙古鼎傑汽車貿易有限公司 (Inner Mongolia Dingjie Automobile Trading Co., Ltd.*), a company incorporated in the PRC and one of the PRC Subsidiaries
“Inner Mongolia Dingjie Automobile Trading”	內蒙古聖澤鼎傑汽車貿易有限公司 (Inner Mongolia Shengze Dingjie Automobile Trading Co., Ltd.*), a company incorporated in the PRC and one of the Connected Lessors
“Leased Premises”	the premises leased by the Connected Lessors to the Group under the 2016 Lease Agreements and the 2019 Lease Agreements, the

	location of the Leased Premises was set out in the section headed “Renewal of 2016 Lease Agreements” in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wang”	Mr. Wang Muqing, the executive Director and the controlling Shareholder
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong and Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Subsidiaries”	collectively, Beijing Baozhang, Beijing Hengyi, Dingze Insurance, Huhhot Yingfei, Inner Mongolia Dingjie, Huhhot Qibao, Huhhot Jieyunhang, Changsha Ruibao, Hubei Bocheng, Wuhan Kaitai, Hubei Aoze, Wuhan Baoze and Wuhan Jietong, all being the subsidiaries of the Company operating 4S businesses or insurance or logistics and storage business in the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wuhan Baoze”	武漢寶澤汽車銷售服務有限公司 (Wuhan Baoze Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Subsidiaries
“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 Connected Lessors
“Wuhan Jietong”	聖澤捷通供應鏈有限公司 (Shengze Jietong Supply Chain Co., Ltd.*), a company incorporated in the PRC and one of the PRC Subsidiaries
“Wuhan Kaitai”	武漢開泰汽車銷售服務有限公司 (Wuhan Kaitai Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Subsidiaries
“Wuhan Shengze Jieyun”	武漢聖澤捷運貿易有限公司 (Wuhan Shengze Jieyun Trading Co., Ltd.*), a company incorporated in the PRC and one of the Connected Lessors
“Wuhan Shengze Jiezhong”	武漢聖澤捷眾物流有限公司 (Wuhan Shengze Jiezhong Logistics Co., Ltd.*), a company incorporated in the PRC and one of the Connected Lessors
“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, 10 April 2019

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