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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)

INSIDE INFORMATION ANNOUNCEMENT

RULINGS FROM THE SHANGHAI FINANCIAL COURT AND RESUMPTION OF TRADING IN THE SHARES

This announcement is made by China ZhengTong Auto Services Holdings Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 7 December 2020, 3 February 2021 and 9 March 2021 in relation to, among other things, Administrative Decision Hu Yinbaojiantong (2020) No. 41 (the “**Administrative Decision**”) from the Shanghai Office of the China Banking and Insurance Regulatory Commission (the “**Shanghai CBIRC**”).

RULINGS FROM THE SHANGHAI FINANCIAL COURT

The Company received the Ruling on Administrative Proceeding (2022) Hu 74 Xingshen No. 1 and the Ruling on Administrative Proceeding (2022) Hu 74 Property Preservation No. 1 issued by the Shanghai Financial Court of the People’s Republic of China (the “**Shanghai Financial Court**”) and a notice of property preservation from the Shanghai Financial Court on 29 January 2022 (collectively, the “**Rulings**”). In accordance with the application by the Shanghai CBIRC, the applicant who made the request resulting in the Rulings, the Shanghai Financial Court issued a notice for the enforcement of the

Administrative Decision by way of auction of 1.52 billion shares (stock short name: Dongzheng AFC; stock code: HK2718) held by the Company in Dongzheng Automotive Finance Co., Ltd.* (“**Dongzheng AFC**”) under the custody of China Securities Depository and Clearing Corporation Limited. Upon review, the Shanghai Financial Court also decided to freeze the Company’s 1.52 billion shares and dividends held in Dongzheng AFC for a period from 26 January 2022 to 25 January 2025 (the “**Freezing Order**”). For any party who disagrees with the Freezing Order, they may apply to the Shanghai Financial Court within five days from the date of receipt of the ruling, provided that the enforcement of the Freezing Order shall not be suspended during such appeal. The Shanghai Financial Court also formed a panel in accordance with the law to review the matters applied for by the applicant in connection with the enforcement of the Administrative Decision and ruled that the Administrative Decision applied for by the Shanghai CBIRC, being the applicant who seeks enforcement, has been approved for compulsory execution, and the Company’s equity interest in Dongzheng AFC will be liquidated by auction (the “**Liquidation Order**”).

As stated in the announcement of the Company dated 7 December 2020, according to the Administrative Decision, the Company is restricted from exercising its rights as a controlling shareholder of Dongzheng AFC since the date of the Administrative Decision, including the rights to request for a general meeting, the voting rights, the nomination rights, the proposal rights, the disposal rights and rights to dividend.

As stated in the interim report (the “**Interim Report**”) of the Company for the six months ended 30 June 2021 (the “**Period**”), being the last published financial statements of the Company (unaudited), the Company’s interests in Dongzheng AFC have been presented as a disposal group held for sale as at 30 June 2021 and as discontinued operations for the Period. As stated in the Interim Report, the revenue of the discontinued operations of Dongzheng AFC for the Period was RMB231,141,000 (representing approximately 2.4% of the revenue of the Company for the Period), the assets of Dongzheng AFC as at 30 June 2021 was RMB3,414,663,000 (representing approximately 13.09% of the total assets of the Company as at 30 June 2021), and the loss from the discontinued operations of Dongzheng AFC for the Period attributable to the owners of the Company amounted to RMB143,042,000 (representing approximately 9.83% of the loss attributable to the owners of the Company for the Period).

As the Shanghai Financial Court has ruled to enforce the auction of the equity interest held by the Company in Dongzheng AFC, the Company is currently unable to ascertain the timing and price of such disposal, and therefore cannot determine the overall financial impact of the disposal on the Company at this point in time.

Dongzheng AFC has also made an announcement relating to the Rulings on the same date as this announcement. For further details, please refer to the announcement of Dongzheng AFC dated 8 February 2022 with the title of “(1) Ruling on Administrative Proceeding of Shanghai Financial Court, PRC; (2) Monthly Update Announcement Pursuant to Rule 3.7 of the Takeovers Code in relation to the Termination of Discussions on the Potential Disposal; and (3) Resumption of Trading in H Shares”.

OPINION FROM THE COMPANY’S LEGAL ADVISER

In accordance with the opinion from the Company’s Chinese legal adviser:

- i. The Liquidation Order under the Ruling on Administrative Proceeding (2022) Hu 74 Xingshen No. 1 will take effect immediately upon its delivery, and therefore there is no avenue for judicial appeal. However, in respect of the Freezing Order under the Ruling on Administrative Proceeding (2022) Hu 74 Property Preservation No. 1, an appeal may be lodged by the Company with the Shanghai Financial Court within five days from the date of receipt of the ruling, provided that the enforcement of the Freezing Order shall not be suspended during such appeal.
- ii. As the property preservation notice is only a procedural issue, there is no disposition of the Company’s substantive rights.
- iii. Given the Ruling on Administrative Proceeding (2022) Hu 74 Xingshen No. 1 approved the enforcement of the Administrative Decision by the Shanghai CBIRC and the actual circumstances of this case, it is difficult to prevail in any application for an appeal to revoke the Freezing Order.

The Company has therefore decided not to apply for an appeal to revoke the Freezing Order.

In view of the ruling of Shanghai Financial Court on the compulsory auction of the equity interest held in Dongzheng AFC, the Company has terminated its discussions with an independent third party regarding the potential disposal. As at the date of this announcement, the Company has not entered into any official or legally binding agreement with the relevant independent third party in relation to the potential disposal.

Given that the Company must comply with the court order for the disposal, and has no discretion otherwise, by way of auction of the equity interest held in Dongzheng AFC, such disposal will not constitute a “transaction” under Chapter 14 of the Listing Rules, and therefore the requirements for notifiable transactions, including shareholders’ approval and the dispatch of a circular to shareholders, will not apply to such disposal.

The board of directors of the Company will further issue announcement when necessary in accordance with the requirements of the Listing Rules and applicable laws if there is any significant update on the above matters.

RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 31 January 2022 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the shares of the Company with effect from 9:00 a.m. on 9 February 2022.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
China ZhengTong Auto Services Holdings Limited
WANG Mingcheng
Chairman

Hong Kong, 8 February 2022

As at the date of this announcement, the Board comprises Mr. WANG Mingcheng (Chairman), Mr. Li Zhihuang and Mr. ZENG Tingyi as executive Directors; and Dr. WONG Tin Yau, Kelvin, Dr. CAO Tong and Ms. WONG Tan Tan as independent non-executive Directors.

** for identification purpose only*