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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** **UPDATE ON LEGAL PROCEEDINGS**

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 “**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 31 December 2021, 24 June 2022 and 20 July 2022 (the “**July 2022 Announcement**”) and the Company’s interim report for the six months ended 30 June 2022 (the “**Interim Report**”). Unless otherwise specified, capitalized terms used herein shall have the same meanings as those used in the July 2022 Announcement and the Interim Report.

As stated in the July 2022 Announcement, Wuhan Zhengtong has filed an appeal against the Loan First Instance Judgement through Jiangsu Higher People’s Court. The Company understands that the controlling interest of Yuchen Fengze has been acquired by an investor whose principal business is distressed asset management and financial services.

The Company wishes to inform shareholders and investors of the Company that Wuhan Zhengtong and Yuchen Fengze have entered into a settlement agreement (the “**Settlement Agreement**”) and reached settlement in respect of the appeal. Pursuant to the Settlement Agreement, Wuhan Zhengtong has withdrawn its appeal against the Loan First Instance Judgement and Yuchen Fengze has agreed to facilitate the utilization and disposal of the collateral assets in satisfaction of the debt owed to it. Wuhan Zhengtong has not currently assumed any additional payment obligation for entering into the Settlement Agreement.

Upon the withdrawal of its appeal, the Loan First Instance Judgement's determination that Wuhan Zhengtong is jointly liable for the relevant amounts will stand. The Company believes that the withdrawal will facilitate the disposal of the collateral assets and a smooth and orderly disposal of those assets (in particular, the Pledged Assets) would be in the interests of the Company. Please refer to pages 45 to 47 of the Interim Report for the financial impact of the guarantees given under the Undertaking and Shortfall Agreements on the Company's financial statements for the six months ended 30 June 2022 and the fair value and estimated net realizable amount of the Pledged Assets as at 30 June 2022.

A valuation of the Pledged Assets' realizable amount etc. as at 31 December 2022 is being undertaken. As advised by the Company's PRC legal adviser, although Wuhan Zhengtong's withdrawal of its appeal would render the Loan First Instance Judgement effective (and by extension Wuhan Zhengtong's joint liability thereunder), given the withdrawal would facilitate Yuchen Fengze's utilization and disposal of the collateral assets (in particular, the Pledged Assets) in satisfaction of the debt owed to it and the value of the Pledged Assets is likely to exceed the amounts owed, and having assessed the overall settlement arrangement and the present situation, the Company's PRC legal advisers are inclined to be of the opinion that the probability of Wuhan Zhengtong being pursued for payment is relatively low. As at the date of this announcement, taking into account the above, it is expected that as at 31 December 2022, the expected credit loss allowances for the financial guarantees, based on the Group's expected cash outflows less the expected recoveries from Beijing Guangze and the Pledged Assets, will not be material.

Given the above, the Company believes that the above settlement arrangement is in the interests of the Company.

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

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 Ming Cheng**  
*Chairman*

Hong Kong, 10 February 2023

*As at the date of this announcement, the Board comprises Mr. WANG Ming Cheng (Chairman), Mr. LI Zhi Huang and Mr. ZENG Ting Yi as executive Directors; and Dr. WONG Tin Yau, Kelvin, Dr. CAO Tong and Ms. WONG Tan Tan as independent non-executive Directors.*