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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)

POTENTIAL MAJOR TRANSACTION IN RELATION TO DISPOSAL OF SHENZHENSHI HUIANQI THROUGH PUBLIC TENDER

POTENTIAL DISPOSAL

On 28 February 2023, the Board approved a proposed plan to dispose of the Sale Shares by way of public tender at the SUPX. The Reserve Price is preliminarily set at approximately RMB800 million (equivalent to approximately HK\$903 million). The Potential Disposal represents the entire equity interest of the Disposal Group and the successful bidder (as final purchaser) is also required to accept and bear the Related Debts. The major asset of the Disposal Group is the Shenzhen Property.

LISTING RULE IMPLICATIONS

Using the preliminary Reserve Price as the basis for calculation, as the relevant percentage ratios (calculated according to the Listing Rules) in respect of the Potential Disposal are expected to be more than 25% but less than 75%, the Potential Disposal, if materialized, will constitute a major transaction of the Company and is subject to reporting, announcement, circular, and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, amongst other things, (i) further information regarding the Potential Disposal, (ii) the Valuation Report (Shenzhen Property) issued by Xiamen Xinhui, (iii) a notice of the EGM, and (iv) other information as required under the Listing Rules will be despatched to the Shareholders on or before 21 March 2023 to provide sufficient time for the Company to prepare for and finalize the circular.

China Tonghai acted as the financial adviser to the Company in connection with the Potential Disposal.

As at the date of this announcement, the Potential Disposal has not materialized, the identity of the final purchaser has not been determined, the Company has not signed the Equity Interests Transfer Agreement. As the Potential Disposal may or may not materialize, the Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company.

DISPOSAL OF 100% OF EQUITY INTEREST IN SHENZHENSHI HUIANQI AND THE RELATED DEBTS

On 28 February 2023, after trading hours of the Stock Exchange, the Board approved a proposed plan to dispose of the Sale Shares by way of public tender at the SUPX. As at the date of this announcement, the Sale Shares would represent the entire issued share capital of Shenzhenshi Huianqi, an indirect wholly owned subsidiary of the Company. The vendor of the Sale Shares will be Goldrich Holdings and the Potential Disposal will be conducted on the SUPX and the successful bidder (as the final purchaser) is required to (i) enter into the Equity Interests Transfer Agreement with the Group in accordance with the regulations of the SUPX, and (ii) accept and bear the Related Debts.

China Tonghai acted as the financial adviser to the Company in connection with the Potential Disposal.

MAJOR TERMS OF THE POTENTIAL DISPOSAL

Public Tender

The Company will undergo the process of public tender at the SUPX in accordance with the relevant regulations. Prospective bidders are required to pay a deposit before the final day of the Public Tender.

Date and procedures of the Public Tender

The Group will submit to the SUPX announcements relating to the Public Tender setting out (including but not limited to) (i) the Reserve Price and (ii) major terms of the bid. The public tender process comprises a preliminary disclosure and formal tender. The preliminary disclosure announcement is expected to be published on the website of the SUPX within 1 month after the date of this announcement.

There are typical periods of 20 Working Days immediately after the date of each of the preliminary disclosure announcement and the formal tender announcement. During the formal tender period, prospective bidders may indicate their interest and register themselves as bidders. If there are two or more prospective bidders, the final purchaser shall be determined according to the bidding procedures of the SUPX. Upon expiration

of the relevant period, the SUPX will notify the Group of the identity of the final purchaser. Within 7 Working Days from the day following the notification, the Group is required to enter into the Equity Interests Transfer Agreement with such final purchaser.

As at the date of this announcement, material information of the Equity Interests Transfer Agreement including the final purchaser, final consideration, payment method, delivery and completion timeline have not been determined. To the best of the Directors' knowledge and based on information currently available to the Directors, no Connected Persons of the Company will participate in the Public Tender. In the event that any Connected Persons of the Company register as a bidder and the Company wishes to include their bid, the Company will make further announcement and comply with the relevant requirements under the Listing Rules.

Consideration and payment terms

Subject to the below, the final consideration will depend on the final bid price provided that it is not less than the Reserve Price. The preliminary Reserve Price for the first Public Tender is set at approximately RMB800 million (equivalent to approximately HK\$903 million) and was determined with reference mainly to (i) the net asset value of Shenzhenshi Huianqi as at 30 November 2022 of approximately RMB196,000 (equivalent to approximately HK\$221,209), (ii) the increase in value of the Shenzhen Property of approximately RMB471 million (equivalent to approximately HK\$532 million) based on the valuation of the Shenzhen Property as at 31 January 2023 according to the Valuation Report (Shenzhen Property), (iii) the Related Debts to be accepted and borne by the final purchaser, and (iv) prevailing PRC property market conditions. In the event that no successful bidder is returned in the first Public Tender, the Directors will be authorised to undertake a subsequent Public Tender for the Potential Disposal at a lower price, provided that the Reserve Price for the subsequent Public Tender is not lower than approximately RMB737 million (equivalent to approximately HK\$832 million). Subject to the terms of the Equity Interests Transfer Agreement which shall be entered into between the Group and the final purchaser, the consideration may be paid in lump sum or instalments, but the final payment date will not exceed 1 year from the date of the Equity Interests Transfer Agreement.

Prospective bidders are required to pay a deposit in accordance with the regulations of the SUPX, the amount of which will be determined by the Group. If a prospective bidder successfully wins the bid, the deposit will be used to satisfy part of the consideration; if a prospective bidder fails to win the bid, the SUPX will return the deposit to the prospective bidder in accordance with the regulations of the SUPX.

As at the date of this announcement, it is expected that the Equity Interests Transfer Agreement to be entered into between the Group and the final purchaser will require the Group to provide usual warranties about, among other things, the financial condition of the Disposal Group and to be responsible for certain debts of the Disposal Group (other than the Related Debts). The final terms of such contractual assurances and covenants to pay the aforesaid debts, which are not the Related Debts, will be negotiated between the Group and the final purchaser before the Equity Interests Transfer Agreement is entered into.

Third party consent

In addition to obtaining Shareholders' approval as indicated below, the Potential Disposal will only proceed after the Group has obtained relevant consents from a third party which currently holds the Sale Shares as security for the Group's loans.

REASONS FOR AND BENEFITS OF THE POTENTIAL DISPOSAL

Property business is not the core business of the Group. Based on the Company's 2021–2025 development strategy plan, and considering China's automobile sales industry has shown signs of gradual recovery with the pandemic receding, the Company will continue to focus on its principal business of automobile sales and services and aim to maintain high and continuous growth in such business, particularly in accelerating the development of its luxury brand dealership business, and the Company will prioritise the funding need required for its principal business. In addition, given the construction progress of the Shenzhen Property is still at its preliminary stage, it is expected that a material amount of additional development cost will be required. Taking into account also the cash flow requirements of the Group, the Potential Disposal will improve the Group's capital and debt structure and relieve the Group from the financial burden of incurring further capital expenditure on the development of the Shenzhen Property, so that the Group can focus its resources on the luxury and ultra-luxury automobile sales in China. Further, the Potential Disposal will also allow the management to focus more of their time and effort on managing the principal business of the Group.

Having considered the above factors, in particular, the Group's business strategy and development plan and, the financial burden of further development of the Shenzhen Property, the Directors (including the independent non-executive Directors) are of the view that it is an opportune time to proceed with the Potential Disposal, and that the preliminary Reserve Price and other terms of the Potential Disposal and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

GENERAL INFORMATION

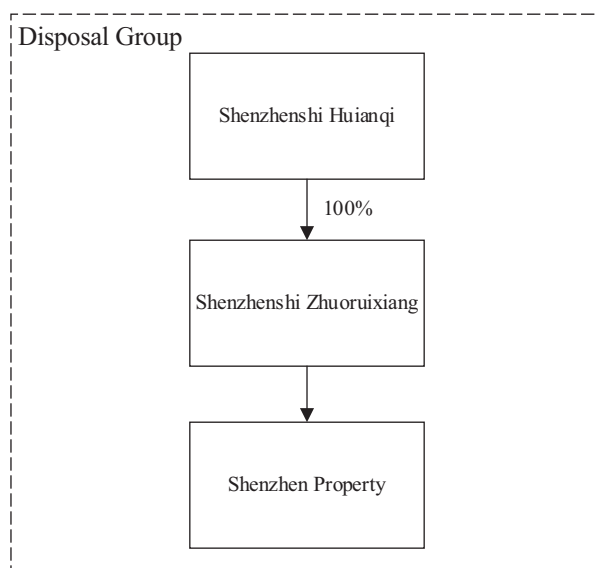
The Group and Goldrich Holdings

The Group is principally engaged in 4S dealership business and automotive supply chain business in the PRC.

Goldrich Holdings is a wholly owned subsidiary of the Company and a private limited company incorporated in Hong Kong. It is principally engaged in investment holding and will be the vendor of the Sale Shares.

The Disposal Group

A simplified shareholding chart of the Disposal Group as at the date of this announcement is as follows:



As at the date of this announcement, each of Shenzhenshi Huianqi and Shenzhenshi Zhuoruixiang is an indirectly wholly-owned subsidiary of the Company and a limited liability company incorporated in the PRC. Shenzhenshi Huianqi is legally registered to be engaged in consulting services. The principal activity of Shenzhenshi Zhuoruixiang is consulting services and it holds the Shenzhen Property, which is the principal asset of the Disposal Group.

The audited net asset value of Shenzhenshi Huianqi as at 30 November 2022 was approximately RMB196,000 (equivalent to approximately HK\$221,209).

The consolidated financial information of Shenzhenshi Huiianqi for the years ended 31 December 2020 and 2021 and the 11 months ended 30 November 2022 are set out in the following table:

	For the year ended		For the
	31 December		11 months
	2020	2021	ended
	<i>RMB'000</i>	<i>RMB'000</i>	30 November
			2022
			<i>RMB'000</i>
Profit/(Loss) before tax	(20)	(13)	(184)
Profit/(Loss) after tax	(20)	(13)	(184)

The Shenzhen Property is a parcel of land located at the eastern side of Heping Road, Longhua Street, Longhua District in Shenzhen. It has a site area of approximately 31,260.44 square metres which will be developed into a new industries park with a plot ratio accountable gross floor area of approximately 161,700 square metres. As at the date of this announcement, the Shenzhen Property was bare land where the earth-and-stone and foundation pit support works had been commenced.

The book value of the Shenzhen Property as at 30 November 2022 was approximately RMB301 million (equivalent to approximately HK\$340 million). According to the Valuation Report (Shenzhen Property), the valuation of the Shenzhen Property as at 31 January 2023, carried out primarily with the coefficient correction method of benchmark price, was approximately RMB772 million (equivalent to approximately HK\$871 million).

FINANCIAL IMPACT OF THE POTENTIAL DISPOSAL AND USE OF PROCEEDS

Assuming the Potential Disposal completes, the Company will not hold any interest in the Disposal Group, and the companies in the Disposal Group will cease to be subsidiaries of the Company.

The actual gain/loss on the Potential Disposal can only be ascertained after the final consideration is determined and will be subject to audit by the Company's auditor. The Company intends to use proceeds from the Potential Disposal as general working capital of the Group.

Using the preliminary Reserve Price as basis for calculation, the Group expects to record a gain on disposal of approximately RMB471,000 (equivalent to approximately HK\$531,579). The expected gain above is calculated by reference to the preliminary Reserve Price, and the book value of the relevant assets and liabilities of Shenzhenshi Huiianqi in the Group's consolidated accounts and the Related Debts.

LISTING RULES IMPLICATIONS

Based on the preliminary Reserve Price, the relevant percentage ratios (calculated according to the Listing Rules) in respect of the Potential Disposal are expected to be more than 25% but less than 75%. Accordingly, the Potential Disposal, if materialized, will constitute a major transaction of the Company pursuant to Rule 14.06 of the Listing Rules and is subject to reporting, announcement, circular, and Shareholders' approval requirements. To the best of the Directors' knowledge and based on information currently available to the Directors, no Shareholders is required to abstain from voting the resolution to be proposed at the EGM to approve the Potential Disposal by way of Public Tender.

After the final consideration and final purchaser have been confirmed, or in the event the Potential Disposal falls into another category of notifiable transaction (other than a major transaction) under Chapter 14 of the Listing Rules, the Company will make further announcement(s) and comply with the relevant requirements under the Listing Rules.

The Company will despatch to the Shareholders a circular containing, amongst other things, (i) further information regarding the Potential Disposal, (ii) the Valuation Report (Shenzhen Property) issued by Xiamen Xinhui, (iii) a notice of the EGM, and (iv) other information as required under the Listing Rules on or before 21 March 2023 to provide sufficient time for the Company to prepare for and finalize the circular.

As at the date of this announcement, the Potential Disposal has not materialized, the identity of the final purchaser has not been determined, the Company has not signed the Equity Interests Transfer Agreement. As the Potential Disposal may or may not materialize, the Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise required, the following terms have the following meanings:

“Board”	board of Directors
“China Tonghai”	China Tonghai Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the financial adviser to the Company in respect of the Potential Disposal
“Company”	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 securities of which are listed on the Stock Exchange

“Connected Person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal Group”	Shenzhenshi Huianqi and Shenzhenshi Zhuoruixiang
“EGM”	the extraordinary general meeting of the Company to be held for the Shareholders to consider, and if thought fit, approve the Potential Disposal by way of Public Tender
“Equity Interests Transfer Agreement”	an equity interests transfer agreement to be entered into between the Group and the final purchaser in relation to the Potential Disposal
“Goldrich Holdings”	Goldrich Holdings Limited (啟富集團有限公司), a private limited company incorporated in Hong Kong
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Potential Disposal”	the potential disposal of the Sale Shares by Goldrich Holdings through the Public Tender where the successful bidder is required to accept and bear the Related Debts
“PRC”	the People’s Republic of China
“Public Tender”	the public tender process conducted through the SUPX in respect of the Potential Disposal
“Related Debts”	the debts owed by the Disposal Group to the Group and which we expect are to be accepted and borne by the final purchaser of approximately RMB312 million (approximately HK\$352 million)
“Reserve Price”	the reserve price of the Potential Disposal, which is preliminarily set at approximately RMB800 million (approximately HK\$903 million) for the first Public Tender, and may be lowered as described above for a subsequent Public Tender
“RMB”	Renminbi, the lawful currency of the PRC

“Sale Shares”	100% of the equity interest of Shenzhenshi Huiianqi
“Shareholders”	holders of the ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Shenzhen Property”	the property interests located in Shenzhen held by Shenzhenshi Zhuoruixiang with a site area of approximately 31,260.44 square metre
“Shenzhenshi Huiianqi”	Shenzhenshi Huiianqi Investment Advisory Co., Ltd.* (深圳市匯安啟投資諮詢有限公司), a limited liability company incorporated in the PRC
“Shenzhenshi Zhuoruixiang”	Shenzhenshi Zhuoruixiang Information Advisory Co., Ltd.* (深圳市卓瑞翔信息諮詢有限公司), a limited liability company incorporated in the PRC and a wholly owned subsidiary of Shenzhenshi Huiianqi
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SUPX”	Shenzhen United Property and Equity Exchange* (深圳聯合產權交易所股份有限公司)
“Valuation Report (Shenzhen Property)”	The valuation report dated 22 February 2023 prepared by Xiamen Xinhui in respect of the Shenzhen Property
“Working Day(s)”	Working days in the PRC, except Saturdays, Sundays and statutory holidays in the PRC
“Xiamen Xinhui”	Xiamen Xinhui Assets Valuation Land Properties Valuation Co., Ltd.* (廈門信惠資產評估土地房地產估價有限公司), an independent valuer in PRC with asset valuation qualifications
“%”	per cent

English translations of company names in Chinese which are marked with “” are for identification purposes only.*

For illustration purposes only, the exchange rate of RMB88.604 = HK\$100, being the central parity rate as quoted by the People’s Bank of China on the date of this announcement, is applied in this announcement.

By order of the Board of
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, 28 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.