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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)

**CONNECTED TRANSACTION
FORMATION OF A JOINT VENTURE**

On 16 June 2023, Xiamen Zhengtong (an indirect wholly-owned subsidiary of the Company) and ITG New Energy entered into the Cooperation Agreement, pursuant to which the parties agreed to establish the Joint Venture to principally engage in new energy service businesses, including green power generation businesses (e.g. photovoltaic energy, energy storage, hydrogen energy, etc.), NEV related businesses (e.g. construction and operation of battery charging/changing stations and cascade utilization of batteries, etc.) and new energy-related equipment trading businesses, etc.

Pursuant to the Cooperation Agreement, the registered capital of the Joint Venture will be RMB20 million. The Joint Venture will be owned as to 35% and 65% by Xiamen Zhengtong and ITG New Energy, respectively, upon its establishment, and the registered capital will be contributed as to RMB7 million in cash by Xiamen Zhengtong and as to RMB13 million in cash by ITG New Energy.

As at the date of this announcement, ITG Holding is a substantial shareholder of the Company holding 28.62% of the Company's total issued shares. ITG New Energy is an indirect wholly-owned subsidiary of ITG Holding. Accordingly, ITG New Energy is a connected person of the Company and the formation of the Joint Venture under the Cooperation Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the formation of the Joint Venture under the Cooperation Agreement exceeds 0.1% but is less than 5%, the transaction contemplated under the Cooperation Agreement is subject to the announcement requirement but is exempted from the independent Shareholders' approval requirement under the Listing Rules.

BACKGROUND

On 16 June 2023, Xiamen Zhengtong (an indirect wholly-owned subsidiary of the Company) and ITG New Energy entered into the Cooperation Agreement, pursuant to which the parties agreed to establish the Joint Venture to principally engage in new energy service businesses, including green power generation businesses (e.g. photovoltaic energy, energy storage, hydrogen energy, etc.), NEV related businesses (e.g. construction and operation of battery charging/changing stations and cascade utilization of batteries, etc.) and new energy-related equipment trading businesses, etc.

COOPERATION AGREEMENT

The principal terms of the Cooperation Agreement are set out below:

Date: 16 June 2023

Parties: (1) Xiamen Zhengtong; and
(2) ITG New Energy.

Registered capital: The registered capital of the Joint Venture will be RMB20 million, and will be contributed as to RMB7 million in cash by Xiamen Zhengtong and as to RMB13 million in cash by ITG New Energy. The Joint Venture will be owned as to 35% and 65% by Xiamen Zhengtong and ITG New Energy, respectively, upon its establishment.

The amount of capital contributions under the Cooperation Agreement was determined by the parties with reference to the initial capital requirement for the development of the business of the Joint Venture and the parties' equity interest in the Joint Venture. The capital contribution from Xiamen Zhengtong will be funded by internal resources of the Group.

- Principal scope of business:** New energy service businesses, including green power generation businesses (e.g. photovoltaic energy, energy storage, hydrogen energy, etc.), NEV related businesses (e.g. construction and operation of battery charging/charging stations and cascade utilization of batteries, etc.) and new energy-related equipment trading businesses, etc.
- Financing:** Future financing of the Joint Venture will primarily be supported by project loans given by third party financial institutions, or by capital from ITG Group (excluding the Group).
- Director and supervisor:** The Joint Venture shall have one director (to be nominated by ITG New Energy) and one supervisor (to be nominated by Xiamen Zhengtong).
- Senior management:** The Joint Venture shall have one general manager, one deputy general manager and one person in charge of finance. The general manager and person in charge of finance shall be nominated by ITG New Energy. The deputy general manager shall be nominated by Xiamen Zhengtong.
- Transfer restriction:** Neither party may transfer its equity interest in the Joint Venture without the prior written consent of the other party.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE

Having pledged to peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060 under its “dual carbon” goals, China has been committed to action against climate change, including promoting the development of renewable energy and encouraging the use of NEVs. With the aid of various stimulus measures, China now leads the global markets for electric vehicles and batteries. It is expected that demand for NEVs and related products and services (including batteries and charging stations) will continue to grow in the coming years. The Board recognizes the development potential of the new energy market in the PRC, especially the opportunities brought on by the transformation of the auto market, and wishes to utilize the market and resource advantages of the ITG Group and expand into the new energy sector through the Joint Venture (including in the areas of new energy generation/charging/battery swap, recycling of lithium batteries and other related industry chain businesses). The formation of the Joint Venture would allow the Company to leverage the financing advantages, management experience, sales force and resources of the parties to tap into the new energy market and reap the benefits of the developing PRC new energy sector.

The Directors (including independent non-executive Directors) are of the view that the terms of the Cooperation Agreement are fair and reasonable, and the formation of the Joint Venture is on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and its Shareholders as a whole.

GENERAL INFORMATION

The Company is principally engaged in 4S dealership business and automobile supply chain business in the PRC.

ITG Holding, a substantial shareholder of the Company holding 28.62% of the Company's total issued shares as at the date of this announcement, is a Fortune Global 500 Company with operations in commodity trading, circulation automobile trading, logistics business, commodity retail business and other businesses. ITG Holding is a state-owned enterprise directly controlled by Xiamen State-owned Assets Supervision and Administration Commission.

Xiamen Zhengtong, a company incorporated in the PRC with limited liability, is an indirect wholly-owned subsidiary of the Company as at the date of this announcement and is principally engaged in sales of new vehicles, retail and wholesale of auto parts, and import and export agency services.

ITG New Energy, a company incorporated in the PRC with limited liability, is an indirect wholly-owned subsidiary of ITG Holding as at the date of this announcement and is principally engaged in the development, construction, operation and servicing of clean energy projects (such as photovoltaic energy, wind energy, energy storage and hydrogen energy).

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, ITG Holding is a substantial shareholder of the Company holding 28.62% of the Company's total issued shares. ITG New Energy is an indirect wholly-owned subsidiary of ITG Holding. Accordingly, ITG New Energy is a connected person of the Company and the formation of the Joint Venture under the Cooperation Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the formation of the Joint Venture under the Cooperation Agreement exceeds 0.1% but is less than 5%, the transaction contemplated under the Cooperation Agreement is subject to the announcement requirement but is exempted from the independent Shareholders' approval requirement under the Listing Rules.

As the executive Directors Mr. WANG Mingcheng, Mr. ZENG Tingyi and Mr. LI Zhihuang hold positions within the ITG Group, they have abstained from voting on the relevant Board resolution so as to avoid the perception of a conflict of interest.

Save as disclosed above, none of the other Directors has any material interest in the Cooperation Agreement and accordingly none of them was required to abstain from voting on the relevant Board resolutions.

DEFINITIONS

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

“Board”	the board of directors of the Company
“Company”	China ZhengTong Auto Services Holdings Limited (stock code: 1728), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 9 July 2010, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Cooperation Agreement”	the project cooperation framework agreement entered into between Xiamen Zhengtong and ITG New Energy on 16 June 2023 in respect of the formation of the Joint Venture
“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
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“ITG Group”	ITG Holding and its subsidiaries
“ITG Holding”	Xiamen ITG Holding Group Co., Ltd. (廈門國貿控股集團有限公司), a state-owned enterprise directly controlled by Xiamen State-owned Assets Supervision and Administration Commission
“ITG New Energy”	Xiamen ITG New Energy Technology Co., Ltd.* (廈門國貿新能源科技有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the ITG Holding

“Joint Venture”	Hubei ITG Zhengtong New Energy Co., Ltd.* (湖北國貿正通新能源有限公司), a limited liability company to be incorporated in the PRC pursuant to the Cooperation Agreement, the name of which is subject to the approval by the industrial and commercial authorities
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“NEV”	new energy vehicle
“percentage ratio”	has the meaning ascribed to it under the Listing Rules
“PRC” or “China”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Xiamen Zhengtong”	Xiamen Zhengtong Auto Group Co., Ltd.* (廈門正通汽車集團有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	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 Mingcheng
Chairman

Hong Kong, 16 June 2023

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