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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 SUPPLEMENTAL AGREEMENT IN RELATION TO 2023 WORKS ENTRUSTMENT AGREEMENT

The Board announces that on 12 September 2023, the Company entered into the Supplemental Agreement with Shandong Xindeco to amend certain terms of the 2023 Works Entrustment Agreement, including revision of the maximum consideration payable by the Company.

Shandong Xindeco is an indirect non-wholly owned subsidiary of ITG Holding, a substantial shareholder of the Company. Shandong Xindeco is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2023 Works Entrustment Agreement and the Supplemental Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the 2023 Works Entrustment Agreement and the Supplemental Agreement (when aggregated with the Previous Transactions) are more than 0.1% but less than 5%, the transactions contemplated under the 2023 Works Entrustment Agreement and the Supplemental Agreement are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement of the Company under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 20 January 2023 in relation to the 2023 Works Entrustment Agreement.

Pursuant to the 2023 Works Entrustment Agreement, Shandong Xindeco agreed to provide and install smart technology and light current systems for certain 4S dealership stores of the Group at a maximum consideration not exceeding RMB7,000,000, and the parties agreed for payments to be made in accordance with the progress of the works.

THE SUPPLEMENTAL AGREEMENT

The major terms of the Supplemental Agreement are set out below:

- Date : 12 September 2023
- Parties : (i) The Company
(ii) Shandong Xindeco
- Subject Matter : Pursuant to the Supplemental Agreement, the parties agreed to amend the terms of the 2023 Works Entrustment Agreement such that:
- (i) in addition to the 4S dealership stores of the Group, the Shandong Xindeco would also provide and install smart technology and light current systems for certain office complexes and IT equipment rooms of the Group (the additional projects for 2023 include a Benz 4S store in Zhejiang, a Benz repair factory in Zhejiang, a Tank 4S store in Beijing, an office complex in Chongqing, IT equipment rooms in Beijing, and an office complex in Shantou); and
 - (ii) the maximum consideration under the 2023 Works Entrustment Agreement is revised from RMB7,000,000 to RMB15,000,000.

The revised maximum consideration was determined upon arm's length negotiations between the parties with reference to the estimated amount of labor costs, materials expenses and equipment expenses involved on a fixed unit price basis for the above additional projects and aggregates the work for other projects under the 2023 Works Entrustment Agreement.

Save for the above amendments, all other terms of the 2023 Works Entrustment Agreement remain the same.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENT

The Group is in the process of upgrading and retrofitting the facilities of certain of its 4S dealership stores, office complexes and IT equipment rooms, which requires the installation of smart technology and light current systems. In view of the increase in the number of facilities that require upgrading/retrofitting in the rest of 2023, the Company expects that the actual transaction amounts may exceed the maximum consideration under the 2023 Works Entrustment Agreement. As such, the Directors proposed to revise the project scope and maximum consideration under the 2023 Works Entrustment Agreement.

Based on the above reasons and having considered all relevant factors, the Directors (including the independent non-executive Directors) believe that the terms of the 2023 Works Entrustment Agreement and the Supplemental Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and fair and reasonable and in the interests of the shareholders of the Company as a whole.

GENERAL

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

ITG Holding, the single largest 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 SASAC.

Shandong Xindeco is principally engaged in the provision of smart municipal, smart traffic, smart national defense, smart city management, smart warehousing and other smart city solutions, as well as solutions design, equipment procurement, and construction management and maintenance. Shandong Xindeco is owned (i) as to 80% by Xiamen Xindeco Information Technology Group Co., Ltd.* (廈門信達信息科技集團有限公司), which in turn is wholly owned by Xiamen Xindeco, a company listed on the Shenzhen Stock Exchange which is principally engaged in automobile dealership, supply chain and information technology businesses and a subsidiary of ITG Holding; (ii) as to 10% by Xiamen Xinchuangda Enterprise Management Partnership (Limited Partnership) * (廈門信創達企業管理合夥企業(有限合夥)) whose general partner is Mr. Xiao Mengguo (肖孟國); (iii) as to 5% by Mr. Xiao Mengguo (肖孟國); and (iv) as to 5% by Mr. Xing Chao (邢超). As of the date of this announcement, neither of Mr. Xiao Mengguo (肖孟國) nor Mr. Xing Chao (邢超) is a connected person of the Company under the Listing Rules.

LISTING RULES IMPLICATIONS

Shandong Xindeco is an indirect non-wholly owned subsidiary of ITG Holding, a substantial shareholder of the Company. Shandong Xindeco is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2023 Works Entrustment Agreement and the Supplemental Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the 2023 Works Entrustment Agreement and the Supplemental Agreement (when aggregated with the Previous Transactions) are more than 0.1% but less than 5%, the transactions contemplated under the 2023 Works Entrustment Agreement and the Supplemental Agreement are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement of the Company under Chapter 14A of the Listing Rules.

As the executive Directors Mr. WANG Mingcheng, Mr. LI Zhihuang and Mr. HUANG Junfeng 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 2023 Works Entrustment Agreement and the Supplemental Agreement and accordingly none of them was required to abstain from voting on the relevant Board resolutions.

DEFINITIONS

“2022 Works Entrustment Agreement”	the agreement dated 20 September 2022 entered into between the Company and Shandong Xindeco in relation to the provision and installation of smart technology and light current systems for certain 4S dealership stores and apartments of the Group by the Shandong Xindeco for the year ended 31 December 2022 at a maximum total consideration not exceeding RMB6,000,000
“2023 Works Entrustment Agreement”	the agreement dated 20 January 2023 entered into between the Company and Shandong Xindeco in relation to the provision and installation of smart technology and light current systems for certain 4S dealership stores of the Group by the Shandong Xindeco for the year ending 31 December 2023 at a maximum total consideration not exceeding RMB7,000,000
“Board”	the board of Directors

“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(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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 SASAC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China
“Previous Transactions”	the transactions contemplated under the 2022 Works Entrustment Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Xindeco”	Shandong Xindeco IOT Application Technology Co., Ltd.* (山東信達物聯應用技術有限公司), a company with limited liability established in the PRC and a subsidiary of Xiamen Xindeco
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“Supplemental Agreement”	the supplemental agreement dated 12 September 2023 entered into between the Company and Shandong Xindeco to revise the 2023 Works Entrustment Agreement
“Xiamen SASAC”	State-owned Assets Supervision and Administration Commission of Xiamen Municipal People’s Government

“Xiamen Xindeco” Xiamen Xindeco Co., Ltd.* (廈門信達股份有限公司), company established in the PRC with its shares listed on the Shenzhen Stock Exchange (Stock Code: 000701)

“%” per cent.

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, 12 September 2023

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

* *for identification purposes only*