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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)

CONTINUING CONNECTED TRANSACTION SERVICE SUBCONTRACTING AGREEMENT

THE SERVICE SUBCONTRACTING AGREEMENT

On 13 September 2023, Wuhan Zhengtong and Xiamen Gaoxin Yundao entered into the Service Subcontracting Agreement, pursuant to which Xiamen Gaoxin Yundao agreed to undertake certain technical, sales and promotional tasks of the Group, including market research and analysis, business promotion, technical support and channel and online customer development, and to subcontract such tasks to third parties approved by the Group to perform such tasks.

LISTING RULES IMPLICATIONS

As at the date of this announcement, ITG Holding is a substantial shareholder of the Company. Xiamen Gaoxin Yundao is a 51% indirectly-owned subsidiary of ITG Holding. Accordingly, Xiamen Gaoxin Yundao is a connected person of the Company and the transactions contemplated under the Service Subcontracting Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the annual cap for the three years ending 31 December 2025 under the Service Subcontracting Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Service Subcontracting Agreement is subject to the announcement requirement but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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The principal terms of the Service Subcontracting Agreement are set out below:

- Date: 13 September 2023
- Parties: (1) Wuhan Zhengtong; and
(2) Xiamen Gaoxin Yundao.
- Subject matter: Xiamen Gaoxin Yundao agreed to undertake certain technical, sale and promotion tasks of the Group, including:
- (1) market promotion; and
(2) channel and online customer development,
- and Xiamen Gaoxin Yundao shall subcontract the abovementioned tasks to third parties approved by the Group to perform such tasks. However, any such third party may only undertake tasks of not more than RMB80,000 in any given calendar month.
- Term: From 13 September 2023 to 31 December 2025.
- Fees: Upon completion to the satisfaction of the Group the tasks undertaken by Xiamen Gaoxin Yundao and performed by the relevant third party, the Group shall pay Xiamen Gaoxin Yundao a composite service fee, which is equivalent to the sum of the fees Xiamen Gaoxin Yundao is quoted by (and will eventually be paid to) the third party for performing the tasks, and a basic service fees charged by Xiamen Gaoxin Yundao (being a 6% surcharge on the fee quoted by and eventually payable to the third party by Xiamen Gaoxin Yundao).

Annual caps under the Service Subcontracting Agreement

The table below sets out the annual caps under the Service Subcontracting Agreement:

	Financial year ending 31 December		
	2023	2024	2025
Annual caps (RMB million)	55	55	55

The annual caps are determined with reference to the following:

- (1) the historical fees spent by the Group for similar technical, sales and promotional tasks which amount to approximately RMB118 million for the year ended 31 December 2022; and
- (2) the demand and expected demand for similar technical, sales and promotional tasks.

Reasons for and benefits of the Service Subcontracting Agreement

The Group has been engaging various independent third parties to undertake similar technical, sales and promotional tasks and is actively considering various methods to enhance its business efficiency and to reduce its administrative costs and burden managing such third parties. Further, during seasonal demand for its services, the Group's ability to scale the number of personnel at relatively short notice, is important. One way of achieving these objectives is to engage independent service contractors through a professional and digitalized platform which matches enterprise demand with individual service providers who can meet that demand and allows the Group to administer these service providers through a unified system (and in batches if required). Meanwhile, relying on the rich channel resources and business expansion capabilities and experience of service providers on the cooperating platform, the Group is able to further improve its new automobile sales, customers' new insurance renewal and after-sales service businesses. Having considered the commercial terms of the Service Subcontracting Agreement and upon comparing the fees of similar service providers, the Directors (including the independent non-executive Directors) are of the view that the terms of the Service Subcontracting Agreement are in the ordinary and usual course of business of the Group, fair and reasonable, based on normal commercial terms or better, 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.

Wuhan Zhengtong is an indirectly wholly-owned subsidiary of the Company and is principally engaged in investment holding.

Xiamen Gaoxin Yundao Technology is a company incorporated in the PRC with limited liability and is 51% owned by Xiamen Gaoxin Rencai Kaifa and 49% owned by Suzhou Hunyuan Jinke. To the best knowledge of the Company, Xiamen Gaoxin Yundao is primarily engaged in the provision of temporary, customised and compliant subcontracting services by constructing a professional and digitalized platform to allow matching between enterprises which required services and individual service providers.

Xiamen Gaoxin Rencai Kaifa is wholly owned by ITG Education Group, which is an indirectly wholly owned subsidiary of ITG Holding, a substantial shareholder of the Company, a Fortune Global 500 Company with operations in commodity trading, circulation automobile trading, logistics business, commodity retail business and other businesses, and a state-owned enterprise directly controlled by Xiamen SASAC.

To the best knowledge of the Company, as at the date of this announcement, Suzhou Hunyuan Jinke is owned as to 40% by Lou Ziyang (樓子彥), as to 25% by Zhang Yong (張勇), as to 25% by Qiu Miao (邱淼) and 10% by Zhenshi Yilu, which is ultimately owned as to 51% by Lou Ziyang and as to 49% by Qiu Miao.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, ITG Holding is a substantial shareholder of the Company. Xiamen Gaoxin Yundao is a subsidiary of ITG Holding. Accordingly, Xiamen Gaoxin Yundao is a connected person of the Company and the transactions contemplated under the Service Subcontracting Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the annual cap for the three years ending 31 December 2025 under the Service Subcontracting Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Service Subcontracting Agreement is subject to the announcement requirement but is exempt from the circular, independent financial advice and independent shareholders' approval requirements 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 resolutions 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 Service Subcontracting Agreement and accordingly none of them was required to abstain from voting on the relevant Board resolutions.

DEFINITIONS

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

“Board”	board of Directors
“Company”	China ZhengTong Auto Services Holdings Limited Holdings Limited 中國正通汽車服務控股有限公司 (Stock code: 1728), an exempted company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the Main Board of the Hong Kong Stock Exchange
“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
“ITG Education Group”	Xiamen ITG Education Group Co., Ltd.* (廈門國貿教育集團有限公司), a company incorporated in the PRC with limited liability and an indirectly wholly-owned subsidiary of ITG Holding
“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 SASAC
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Service Subcontracting Agreement”	the service subcontracting agreement entered into between Wuhan Zhengtong and Xiamen Gaoxin Yundao on 13 September 2023
“substantial shareholder”	have the meaning given to such term in the Listing Rules
“Wuhan Zhengtong”	Wuhan Zhengtong United Industrial Investment Group Co., Ltd.* (武漢正通聯合實業投資集團有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“Xiamen Gaoxin Rencai Kaifa”	Xiamen Gaoxin Rencai Kaifa Co., Ltd.* (廈門高新人才開發有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of ITG Holding
“Xiamen Gaoxin Yundao”	Xiamen Gaoxin Yundao Technology Co., Ltd.* (廈門高新雲道科技有限公司), a company incorporated in the PRC with limited liability and a non wholly-owned subsidiary of ITG Holding
“Xiamen SASAC”	State-owned Assets Supervision and Administration Commission of Xiamen Municipal People’s Government
“Zhenshi Yilu”	Zhenshi Yilu Information Technology (Beijing) Co., Ltd.* (真實一路信息技術(北京)有限公司), a company incorporated in the PRC with limited liability
“%”	per cent

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

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 Mingcheng
Chairman

Hong Kong, 13 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.