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中升集團控股有限公司
Zhongsheng Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 881)

**PROPOSED REPURCHASE OF THE ZERO COUPON
CONVERTIBLE BONDS DUE 2023
PROPOSED ISSUE OF HK\$4,560 MILLION
ZERO COUPON CONVERTIBLE BONDS DUE 2025**

**Dealer Managers
Joint Global Coordinators and Joint Bookrunners**

BofA SECURITIES 

Morgan Stanley

PROPOSED REPURCHASE OF THE ZERO COUPON CONVERTIBLE BONDS DUE 2023

Reference is made to the announcements of the Company dated 23 May 2018 in relation to the issue of the Existing Convertible Bonds by the Company and dated 12 May 2020 in relation to the Repurchase. Pursuant to Condition 8(f) (*Purchase*) of the terms and conditions of the Existing Convertible Bonds, the Company or any of its subsidiaries may at any time and from time to time purchase the Existing Convertible Bonds at any price in the open market or otherwise. The Company now proposes to repurchase the Existing Convertible Bonds pursuant to such terms and conditions.

On 12 May 2020, the Company entered into the Dealer Manager Agreement with the Dealer Managers pursuant to which the Dealer Managers have been appointed in connection with the proposed repurchase of the Existing Convertible Bonds to, amongst others, assist the Company in collecting indications of interest from holders of the Existing Convertible Bonds who are willing to sell their Existing Convertible Bonds to the Company.

The Repurchase Price of the Existing Convertible Bonds will be determined after trading of the Shares has closed on the Hong Kong Stock Exchange on 14 May 2020. The Company will make a further announcement as soon as practicable after the determination of the Repurchase Price.

PROPOSED ISSUE OF HK\$4,560 MILLION ZERO COUPON CONVERTIBLE BONDS DUE 2025

The Board announces that on 12 May 2020, the Company and the Managers entered into the Bond Subscription Agreement whereby the Managers have conditionally agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the 2025 Convertible Bonds to be issued by the Company in an aggregate principal amount of HK\$4,560 million. The 2025 Convertible Bonds are convertible in the circumstances set out in the Terms and Conditions into Shares of the Company at the initial Conversion Price, which is subject to adjustments as set out in the Terms and Conditions. Further announcement(s) in respect of the initial Conversion Price will be made by the Company as soon as practicable after determination of the initial Conversion Price.

It is intended that the 2025 Convertible Bonds will be listed on the Hong Kong Stock Exchange. Applications will be made to the Hong Kong Stock Exchange for the listing of the 2025 Convertible Bonds and the listing of, and permission to deal in, the New Shares.

GENERAL MANDATE

The New Shares to be issued upon the conversion of the 2025 Convertible Bonds will be allotted and issued pursuant to the General Mandate. The New Shares will rank *pari passu* in all respects with the Shares then in issue on the relevant allotment or conversion date (as applicable).

USE OF PROCEEDS

The estimated net proceeds from the issue of the 2025 Convertible Bonds after deduction of commission and expenses, amount to approximately HK\$4,519 million, which will be used (1) to fund the Repurchase; for (2) the repayment of the Group's offshore debt and (3) offshore working capital purpose.

Completion of the Repurchase is subject to, among other things, the satisfaction and/or waiver of the condition precedent in the Dealer Manager Agreement, market conditions and investors' demand. Completion of the Bond Issue is subject to the satisfaction and/or waiver of the conditions precedent in the Bond Subscription Agreement, market conditions and investors' demand. In addition, each of the Dealer Manager Agreement and the Bond Subscription Agreement may be terminated in certain circumstances. Please refer to the sections headed "THE DEALER MANAGER AGREEMENT" and "THE BOND SUBSCRIPTION AGREEMENT" below for further information. As the Company may or may not obtain the necessary approvals from the Hong Kong Stock Exchange and the Bond Issue may or may not complete. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

PROPOSED REPURCHASE OF THE ZERO COUPON CONVERTIBLE BONDS DUE 2023

Reference is made to the announcements of the Company dated 23 May 2018 in relation to the issue of the Existing Convertible Bonds by the Company and dated 12 May 2020 in relation to the Repurchase. Pursuant to Condition 8(f) (*Purchase*) of the terms and conditions of the Existing Convertible Bonds, the Company or any of its subsidiaries may at any time and from time to time purchase the Existing Convertible Bonds at any price in the open market or otherwise. The Company now proposes to repurchase the Existing Convertible Bonds pursuant to such terms and conditions.

The Company and the Dealer Managers have entered into the Dealer Manager Agreement in connection with the Repurchase whereby the Dealer Managers have been appointed to, amongst others, assist the Company in collecting indications of interest from holders of the Existing Convertible Bonds who are willing to sell some or all of their Existing Convertible Bonds to the Company. A summary of the Dealer Manager Agreement is set out below.

THE DEALER MANAGER AGREEMENT

Date: 12 May 2020

Parties: (i) The Company; and
(ii) Merrill Lynch (Asia Pacific) Limited and Morgan Stanley & Co. International plc as the Dealer Managers.

Conditions to the obligations of the Dealer Managers: The obligations of the Dealer Managers under the Dealer Manager Agreement are subject to, amongst others, the following conditions:

1. by the date of the Dealer Manager Agreement, the Company shall have obtained all requisite consents, approvals, authorisations and orders of, and, if required, shall have duly made all registrations, declarations, qualifications and filing with any regulatory authority or governmental agency or any other person required in connection with the execution, delivery or performance by the Company of its obligations under the Dealer Manager Agreement or in connection with the Repurchase;
2. by the date of the Dealer Manager Agreement, the Company shall have delivered to the Dealer Managers a copy of the repurchase materials; and
3. by the date of the Dealer Manager Agreement, the Dealer Managers shall have received certain legal opinions dated the date of the Dealer Manager Agreement.

Conditions of the Repurchase: The settlement by the Company of the sales and purchases of the Existing Convertible Bonds is conditional upon the receipt of the net proceeds from the issue of the 2025 Convertible Bonds by the Company.

Termination: The Dealer Manager Agreement shall terminate on the earliest of:

1. the Settlement Date;
2. upon written notice by the Company to the Dealer Managers to terminate the Dealer Manager Agreement at any time in the event that it decides not to proceed with the Repurchase;
3. upon withdrawal by the Dealer Managers as a result of the failure of any of the conditions to the obligations of the Dealer Managers set out in the Dealer Manager Agreement; or
4. upon written notice by the Dealer Managers to the Company if there shall have come to the notice of the Dealer Managers any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations or any failure to perform any of the Company's undertakings or agreements in the Dealer Manager Agreement.

The Repurchase Price of the Existing Convertible Bonds will be determined after trading of the Shares has closed on the Hong Kong Stock Exchange on 14 May 2020. The Company will make a further announcement as soon as practicable after the determination of the Repurchase Price.

PROPOSED ISSUE OF HK\$4,560 MILLION ZERO COUPON CONVERTIBLE BONDS DUE 2025

THE BOND SUBSCRIPTION AGREEMENT

Date: 12 May 2020

Parties: (i) The Company as issuer; and
(ii) Merrill Lynch (Asia Pacific) Limited and Morgan Stanley & Co. International plc as the Managers.

Proposed Issue of the 2025 Convertible Bonds: Each of the Managers, severally and not jointly, has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the 2025 Convertible Bonds to be issued by the Company in an aggregate principal amount of HK\$4,560 million.

Conditions
Precedent:

The obligations of the Managers to subscribe and pay for, or to procure subscribers to subscribe and pay for, the 2025 Convertible Bonds are subject to, amongst others, the following conditions precedent:

1. the Managers being reasonably satisfied with the results of their due diligence investigations with respect to the Company and its subsidiaries;
2. the execution and delivery (on or before the Issue Date) of the other contracts, each in a form satisfactory to the Managers, by the respective parties;
3. Mr. Huang Yi and Mr. Li Guoqiang each having executed a lock-up agreement on or before the Issue Date and such lock-up agreement remaining in full force and effect on the Issue Date;
4. on the date of the Bond Subscription Agreement, the date of the publication of the Final Offering Circular and on the Issue Date, there having been delivered to the Managers letters, in form and substance reasonably satisfactory to the Managers, from Ernst & Young, auditors of the Company;
5. the Company having received an Enterprise Overseas Debt Issuance Registration Certificate (企業借用外債備案登記證明) issued by the NDRC with respect to the Bond Issue in accordance with the NDRC Notice, and such certificate remaining in full force and effect on the Issue Date;
6. on the date of the Bond Subscription Agreement and on the Issue Date,
 - (i) the representations and warranties of the Company in the Bond Subscription Agreement being true, accurate and correct at, and as if made on such date;
 - (ii) the Company having performed all of its obligations under the Bond Subscription Agreement to be performed on or before such date; and
 - (iii) there having been delivered to the Managers a certificate of a Director or a duly authorised signatory of the Company to such effect;

7. there having been addressed to the Managers financial information certificates relating to the Company dated the Issue Date signed by a duly authorised signatory of the Company;
8. after the date of the Bond Subscription Agreement up to and on the Issue Date, there shall not have occurred any change (nor any development or event involving a prospective change), in the condition (financial or otherwise), prospects, results of operations, business, properties or general affairs of the Company or the Group, which, in the reasonable opinion of the Managers, is material and adverse in the context of the Bond Issue and from that set out in the Offering Circulars;
9. (i) the listing approval from the Hong Kong Stock Exchange for the New Shares issuable upon conversion of the 2025 Convertible Bonds having been obtained and the Hong Kong Stock Exchange having agreed, subject to any conditions reasonably satisfactory to the Managers, to list the 2025 Convertible Bonds; and (ii) approval from the Hong Kong Stock Exchange having been obtained in relation to Rule 10.06(3) of the Listing Rules with respect to the carrying out of the issuance of the 2025 Convertible Bonds and the Repurchase;
10. a fee letter dated on or before the Issue Date, and to be entered into between the Company and each Manager individually setting out the agreed commission and incentive fee (if applicable) having been received by that Manager; and
11. on or before the Issue Date, there having been delivered to the Managers, each in a form and substance reasonably satisfactory to the Managers, certain legal opinions and such other resolutions relating to the Bond Issue, as the Managers may require.

The Managers may at their discretion and upon such terms as they think fit, waive compliance with the whole or any part of the conditions precedent.

Repurchase of Existing Convertible Bonds:	The obligations of the Company to issue the 2025 Convertible Bonds are conditional upon the receipt by the Company on or before 20 May 2020 of a trade confirmation from the Dealer Managers setting out a commitment to deliver to the Company at least 65.0% in aggregate principal amount of the Existing Convertible Bonds then outstanding (or such lower percentage as the Company may determine in its sole and absolute discretion) (the “ Secured Commitment ”).
Completion:	Completion of the subscription and issue of the 2025 Convertible Bonds will take place on the Issue Date.
Lock-up:	The Company has agreed not to, among others, issue any Shares for a period of 60 calendar days from the Issue Date except for (i) the 2025 Convertible Bonds and the New Shares issued on conversion of the 2025 Convertible Bonds; (ii) the Shares issued or options granted pursuant to the share option scheme of the Company; and (iii) the Shares issued pursuant to the conversion of the Existing Convertible Bonds. Mr. Huang Yi and Mr. Li Guoqiang will each enter into a lock-up undertaking in respect of their beneficial holding of Shares for a period of 60 calendar days from the Issue Date.
Distribution:	<p>To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Managers are independent third parties not connected with the Company.</p> <p>The Managers have informed the Company that they intend to offer and sell the 2025 Convertible Bonds to no less than six independent placees (who will be independent individual, corporate and/or institutional investors). To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, each of the placees (and their respective ultimate beneficial owners) will be third parties independent of the Company and will not be connected persons of the Company.</p>
Ranking of New Shares:	The New Shares will rank <i>pari passu</i> and carry the same rights and privileges in all respects with the Shares and shall be entitled to all dividends and other distributions declared, paid or made thereon save as provided for in the Terms and Conditions.

General Mandate: The New Shares to be issued upon the conversion of the 2025 Convertible Bonds will be allotted and issued pursuant to the General Mandate. The issue of the 2025 Convertible Bonds is not subject to the approval of the Shareholders.

Termination: The Managers may, by notice to the Company given at any time prior to payment of the net subscription monies for the 2025 Convertible Bonds to the Company, in their sole discretion terminate the Bond Subscription Agreement in any of the following circumstances:

1. if there shall have come to the notice of the Managers any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations contained in the Bond Subscription Agreement or any failure to perform any of the Company's undertakings or agreements in the Bond Subscription Agreement;
2. if any of the conditions precedent set out in the Bond Subscription Agreement has not been satisfied or waived by the Managers on or prior to the Issue Date;
3. if in the opinion of the Managers, there shall have been, since the date of the Bond Subscription Agreement, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions (including any disruption to trading generally, or trading in any securities of the Company on any stock exchange or in any over-the-counter market) or currency exchange rates or foreign exchange controls such as would in their views, be likely to prejudice materially the success of the offering and distribution of the 2025 Convertible Bonds or dealings in the 2025 Convertible Bonds in the secondary market;

4. if, in the opinion of the Managers, there shall have occurred any of the following events: (i) a suspension or a material limitation in trading in securities generally on the New York Stock Exchange, the London Stock Exchange plc, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and/or the Hong Kong Stock Exchange; (ii) a suspension or a material limitation in trading in the Company's securities on the Hong Kong Stock Exchange (other than solely due to the release of announcements relating to the issuance of the 2025 Convertible Bonds and/or the Repurchase); (iii) a general moratorium on commercial banking activities in the United States, Singapore, Hong Kong, the PRC and/or the United Kingdom declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States, Singapore, Hong Kong, the PRC, or the United Kingdom; (iv) a material adverse change or development involving a prospective material adverse change in taxation affecting the Company, the 2025 Convertible Bonds and the New Shares to be issued upon conversion of the 2025 Convertible Bonds or the transfer thereof; or (v) any new law or regulation or any material adverse change or development involving a prospective material adverse change in existing laws or regulations; or
5. if, in the opinion of the Managers, there shall have occurred any event or series of events (including without limitation the occurrence of any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, act of God or epidemic) as would in their views be likely to prejudice materially the success of the offering and distribution of the 2025 Convertible Bonds or dealings in the 2025 Convertible Bonds in the secondary market.

PRINCIPAL TERMS OF THE 2025 CONVERTIBLE BONDS

The principal terms of the 2025 Convertible Bonds are summarised as follows:

Issuer:	The Company.
Principal Amount of the 2025 Convertible Bonds:	HK\$4,560 million in aggregate principal amount of the 2025 Convertible Bonds, convertible into fully-paid ordinary shares with a par value of HK\$0.0001 each in the share capital of the Company.
Issue Price of the 2025 Convertible Bonds:	100.0% of the principal amount of the 2025 Convertible Bonds.
Form and Denomination:	The 2025 Convertible Bonds will be issued in registered form in the denomination of HK\$2,000,000 each and integral multiples of HK\$1,000,000 in excess thereof.
Interest:	The 2025 Convertible Bonds do not bear interest, save for any default interest (see below).
Default Interest:	4% per annum on any overdue sum.
Maturity Date:	On or about 21 May 2025 (the “ Maturity Date ”).
Conversion Right:	The Bondholders have the right to convert their 2025 Convertible Bonds into Shares at any time during the Conversion Period, subject to the Terms and Conditions.
Conversion Period:	On or after 1 July 2020 up to the close of business on the 10th day prior to the Maturity Date, unless previously redeemed, converted, or repurchased and cancelled (excluding Closed Periods as specified in the Terms and Conditions) (the “ Conversion Period ”). The number of Shares to be issued on conversion of a 2025 Convertible Bond will be determined by dividing the principal amount of the 2025 Convertible Bonds by the Conversion Price then in effect.
Conversion Price:	The conversion price will be a 27.5% premium to the Reference Share Price.

The Conversion Price will be subject to adjustment for, among other things, subdivision, reclassification or consolidation of Shares, capitalisation of profits or reserves, capital distributions (for the avoidance of doubt no adjustment shall be made to the Conversion Price for the payment of the cash dividend of HK\$0.45 per Share for the year ended 31 December 2019 with ex-dividend date of 15 June 2020), rights issue of Shares, options, warrants or other rights to subscribe for or purchase Shares at less than 93% of the current market price, rights issues of other securities, issues of Shares, options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares at less than 93% of the current market price, modification of rights of conversion at less than 93% of the current market price, other issues of cash any securities with rights of conversion into, or exchange or subscription for, Shares at less than 93% of the current market price, other offers to Shareholders, change of control and other events as described in the Terms and Conditions.

The Conversion Price may not be reduced so that, on conversion of the 2025 Convertible Bonds, the New Shares would fall to be issued at a discount to their par value or the New Shares would be required to be issued in any other circumstances not permitted by applicable laws then in force in Hong Kong and the Cayman Islands.

Early Redemption Amount:	An amount representing a gross yield of 3.25% per annum calculated pursuant to the Terms and Conditions on a semi-annual basis up to the redemption date.
Final Redemption:	Unless previously redeemed, converted or purchased and cancelled in the circumstances referred to in the Terms and Conditions, the Company will redeem each 2025 Convertible Bond at 117.49% of its principal amount on the Maturity Date.

Redemption at the Option of the Company:	<p>(1) At any time after 21 May 2023 and prior to the Maturity Date, the Company may redeem in whole but not in part, at the Early Redemption Amount if the closing price of the Shares for each of any 20 trading days within a period of 30 consecutive trading days, the last of which occurs not more than five trading days prior to the date upon which notice of such redemption is published, was at least 130% of the applicable Early Redemption Amount divided by the prevailing conversion ratio and the applicable redemption date does not fall within a closed period; or (2) at any time prior to the Maturity Date the Company may redeem in whole, but not in part, the 2025 Convertible Bonds for the time being outstanding at the Early Redemption Amount <i>provided that</i> prior to the date of such notice at least 90% of the principal amount of the 2025 Convertible Bonds originally issued has already been converted, redeemed or purchased and cancelled.</p>
Redemption for Taxation Reasons:	<p>At any time the Company may, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), redeem the 2025 Convertible Bonds in whole but not in part at the Early Redemption Amount if (i) the Company has or will become obliged to pay additional tax amounts as a result of any change in, or amendment to, the laws or regulations or rulings of any relevant tax jurisdiction, or any change in the general application or official interpretation of or the standing of an official position with respect to, such laws, regulations or rulings, which change or amendment becomes effective, or official position is announced, on or after 12 May 2020; and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it.</p>
Redemption upon Change of Control:	<p>Bondholders have the right to require redemption of all or some only their 2025 Convertible Bonds at the Early Redemption Amount upon the occurrence of a Change of Control.</p> <p>A "Change of Control" occurs when (1) the Permitted Holders jointly, directly or indirectly, cease to beneficially or legally own at least 40.0% of the Voting Rights of the issued share capital of the Company; or (2) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company's assets to any other person, unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring control over the Company or the successor entity.</p>

Delisting Put Right:	In the event the Shares cease to be listed or admitted to trading or suspended for trading for a period equal to or exceeding 30 consecutive trading days on the Hong Kong Stock Exchange or any alternative stock exchange, the Bondholders have the right to require the Company to redeem all or some only of their 2025 Convertible Bonds at the Early Redemption Amount.
Redemption at the Option of the Bondholders:	On or about 21 May 2023, a Bondholder will have the right at such holder's option, to require the Company to redeem all or some only of the 2025 Convertible Bonds at 110.15% of their principal amount.
Listing:	An application will be made to the Hong Kong Stock Exchange for the listing of the 2025 Convertible Bonds. The 2025 Convertible Bonds will be traded and settled in Hong Kong Dollars only. An application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the New Shares.
Clearing Systems:	The 2025 Convertible Bonds will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on or about 21 May 2020 with a common depository for, Euroclear and Clearstream.
Voting Rights:	Unless and until the Bondholders acquire the Shares upon conversion of the 2025 Convertible Bonds, they will have no rights with respect to the Shares, including any voting rights or rights to receive any regular dividends or other distributions with respect to the Shares.
Transferability:	The 2025 Convertible Bonds are freely transferable.
Status:	The 2025 Convertible Bonds constitute direct, unconditional and unsubordinated, and (subject to the Terms and Conditions) unsecured obligations of the Company and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves.

Negative Pledge: So long as any 2025 Convertible Bond remains outstanding (as defined in the Trust Deed), the Company shall not, and the Company shall procure that none of its principal subsidiaries will, create or permit to subsist any security interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any relevant indebtedness or guarantee of relevant indebtedness without (a) at the same time or prior thereto securing the 2025 Convertible Bonds equally and rateably therewith to the satisfaction of the Trustee; or (b) providing such other security for the 2025 Convertible Bonds as may be approved by an extraordinary resolution (as defined in the Trust Deed) of the Bondholders.

The 2025 Convertible Bonds are convertible in the circumstances set out in the Terms and Conditions into Shares of the Company at a Conversion Price based on the Reference Share Price to be determined after trading of the Shares has closed on the Hong Kong Stock Exchange on 14 May 2020. The Company will make a further announcement as soon as practicable after determination of the Conversion Price.

APPROVAL FOR THE ISSUE OF 2025 CONVERTIBLE BONDS

As the issue of the 2025 Convertible Bonds will occur simultaneously with the Repurchase, approval from the Hong Kong Stock Exchange would be required under Rule 10.06(3) of the Listing Rules. The Company has made an application to the Hong Kong Stock Exchange and the Hong Kong Stock Exchange has granted the approval under Rule 10.06(3) of the Listing Rules for the issue of the 2025 Convertible Bonds.

EFFECT ON THE SHARE CAPITAL OF THE COMPANY AS A RESULT OF THE CONVERSION AND SUFFICIENCY OF PUBLIC FLOAT

Assuming full conversion of 35.0% of the Existing Convertible Bonds (based on the Secured Commitment) remaining outstanding in the principal amount of HK\$1,645 million at the conversion price of HK\$30.0132, such Existing Convertible Bonds will be convertible into 54,809,217 Shares (the “**Existing Conversion Shares**”), representing approximately 2.41% of the issued share capital of the Company as at the date of this announcement and approximately 2.36% of the issued share capital of the Company as enlarged by the issue of the Existing Conversion Shares. The Existing Conversion Shares to be issued upon conversion of the outstanding Existing Convertible Bonds will rank *pari passu* in all respects with the Shares then in issue on the relevant conversion date.

Assuming full conversion of the 2025 Convertible Bonds and that the Conversion Price is HK\$44.37 per Share, the 2025 Convertible Bonds will be convertible into 102,772,143 Shares, representing approximately 4.52% of the issued share capital of the Company as at the date of this announcement and approximately 4.33% of the issued share capital of the Company as enlarged by the issue of the New Shares. As the Conversion Price would

not be fixed until the VWAP is determined which shall only take place after trading of the Shares on 14 May 2020 has closed, the Company will make a further announcement to inform Shareholders and investors of the VWAP and the Conversion Price. Such announcement will also include the potential effects on the shareholding structure of the Company as a result of the Bond Issue (assuming full conversion of the 2025 Convertible Bonds based on the Convertible Price as determined). Given that the Conversion Price will in any event not be less than HK\$44.37 per Share, the 2025 Convertible Bonds will not be convertible into more than 102,772,143 Shares even if the Conversion Price as determined is higher than HK\$44.37 per Share. The New Shares to be issued upon conversion of the 2025 Conversion Bonds will rank *pari passu* in all respects with the Shares then in issue on the relevant conversion date.

The following table summarises the potential effects on the shareholding structure of the Company as a result of the Bond Issue:

	Existing (as of the date of this announcement)		Assuming 35.0% of the Existing Convertible Bonds (based on the Secured Commitment) remaining outstanding are fully converted into Shares at a conversion price of HK\$30.0132 per Share		Assuming none of the Existing Convertible Bonds are converted into Shares but the 2025 Convertible Bonds are fully converted into Shares at a Conversion Price of HK\$44.37 per Share		Assuming 35.0% of the Existing Convertible Bonds (based on Secured Commitment) remaining outstanding are fully converted into Shares at a conversion price at HK\$30.0132 per Share and the 2025 Convertible Bonds are fully converted into Shares at a Conversion Price of HK\$44.37 per Share	
	No. of Shares	% of issued share capital of the Company (approximate)	No. of Shares	% of issued share capital of the Company (approximate)	No. of Shares	% of issued share capital of the Company (approximate)	No. of Shares	% of issued share capital of the Company (approximate)
Shareholders								
Light Yield Ltd. ⁽¹⁾	152,678,504	6.72	152,678,504	6.56	152,678,504	6.43	152,678,504	6.28
Blue Natural Development Ltd. ⁽²⁾	186,042,000	8.19	186,042,000	8.00	186,042,000	7.84	186,042,000	7.66
Mountain Bright Limited ⁽³⁾	486,657,686	21.42	486,657,686	20.92	486,657,686	20.50	486,657,686	20.03
Vintage Star Limited ⁽⁴⁾	486,657,686	21.42	486,657,686	20.92	486,657,686	20.50	486,657,686	20.03
Companies jointly controlled by Mr. Huang Yi and Mr. Li Guoqiang	1,312,035,876	57.76	1,312,035,876	56.40	1,312,035,876	55.26	1,312,035,876	54.01
JSH Investment Holdings Limited	453,412,844	19.96	453,412,844	19.49	453,412,844	19.10	453,412,844	18.66
Holders of the Existing Convertible Bonds	—	—	54,809,217	2.36	—	—	54,809,217	2.26
Holders of the 2025 Convertible Bonds	—	—	—	—	102,772,143	4.33	102,772,143	4.23
Public Shareholders	506,249,235	22.29	506,249,235	21.76	506,249,235	21.32	506,249,235	20.84
Total	2,271,697,955	100.00	2,326,507,172	100.00	2,374,470,098	100.00	2,429,279,315	100.00

Notes:

- (1) Light Yield Ltd. is wholly-owned by Mr. Huang Yi, who is also the sole director of Light Yield Ltd.
- (2) Blue Natural Development Ltd. is owned by Light Yield Ltd. (62.3%) and Vest Sun Ltd. (37.7%). Mr. Huang Yi and Mr. Li Guoqiang (a Director and President of the Company) are directors of Blue Natural Development Ltd.
- (3) Mountain Bright Limited is wholly-owned by UBS TC (Jersey) Ltd. as trustee of a trust settlement for Mr. Huang Yi (the settler of the trust) and his family.
- (4) Vintage Star Limited is wholly-owned by UBS TC (Jersey) Ltd. as trustee of a trust settlement for Mr. Li Guoqiang (the settler of the trust) and his family.
- (5) The Company is subject to maintaining a minimum public float of 17.24% as agreed by the Hong Kong Stock Exchange pursuant to Rule 8.08(1)(a) of the Listing Rules. Please refer to the prospectus of the Company dated 16 March 2010 and the Company's announcement dated 26 March 2010 for further details. It is expected that the Company will be able to maintain its public float upon full conversion of the outstanding Existing Convertible Bonds and full conversion of the 2025 Convertible Bonds.

USE OF PROCEEDS

The gross proceeds and the net proceeds (after deduction of commission and expenses) from the issue of the 2025 Convertible Bonds will be HK\$4,560 million and approximately HK\$4,519 million, respectively. The estimated net proceeds will be used (1) to fund the Repurchase; for (2) the repayment of the Group's offshore debt and (3) offshore working capital purpose.

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not carried out any equity fund raising activities during the 12 months immediately preceding the date of this announcement.

REASONS FOR AND BENEFITS OF THE REPURCHASE AND BOND ISSUE

The Board considers that the Repurchase and Bond Issue allow the Company to refinance its existing debt and to extend its debt maturity profile. The Directors (including the independent non-executive Directors) consider the Bond Issue and the Terms and Conditions are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

GENERAL MANDATE

The issue of the 2025 Convertible Bonds and the New Shares is not subject to Shareholders' approval. The 2025 Convertible Bonds and the New Shares will be issued pursuant to the General Mandate to allot, issue and deal with Shares granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 10 June 2019 which authorised the Directors to allot and issue a maximum of 454,339,591 Shares (representing 20% of the total issued share capital of the Company as at the date of the aforesaid annual general meeting of the Company). As at the date of this announcement, (i) no portion of the General Mandate has been utilised; and (ii) the General Mandate is sufficient for the allotment and issue of the New Shares.

INFORMATION REGARDING THE COMPANY

The Company is a leading national automobile distribution group in the PRC principally engaged in providing one-stop services including sales of new and second-hand automobiles, after-sales, refitting, parts and accessories, financial, insurance and leasing services. It currently operates automobile brands, consisting of luxury automobile brands including Mercedes-Benz, Lexus and Audi and mid-to-high end automobile brands including Toyota, Nissan and Honda.

Completion of the Repurchase is subject to, among other things, the satisfaction and/or waiver of the condition precedent in the Dealer Manager Agreement, market conditions and investors' demand. Completion of the Bond Issue is subject to the satisfaction and/or waiver of the conditions precedent in the Bond Subscription Agreement, market conditions and investors' demand. In addition, each of the Dealer Manager Agreement and the Bond Subscription Agreement may be terminated in certain circumstances. Please refer to the sections headed "THE DEALER MANAGER AGREEMENT" and "THE BOND SUBSCRIPTION AGREEMENT" above for further information. As the Company may or may not obtain the necessary approvals from the Hong Kong Stock Exchange and the Bond Issue may or may not complete. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“2025 Convertible Bonds”	the HK\$4,560 million in aggregate principal amount of zero coupon convertible bonds due 2025 to be issued by the Company
“Board”	the board of Directors
“Bond Issue”	the issue of the 2025 Convertible Bonds by the Company
“Bond Subscription Agreement”	the subscription agreement dated 12 May 2020 entered into among the Company and the Managers in respect of the Bond Issue
“Bondholder(s)”	holder(s) of the 2025 Convertible Bonds from time to time
“CB Ask Price”	the ask price of the Existing Convertible Bonds of 124.25% on 12 May 2020
“Clearstream”	Clearstream Banking S.A.
“Closing Price”	closing price for the Shares for any trading day as set out in the daily quotation sheet published by the Hong Kong Stock Exchange
“Company”	Zhongsheng Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are listed on the main board of the Hong Kong Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	a 27.5% premium to the Reference Share Price
“Dealer Manager Agreement”	the dealer manager agreement dated 12 May 2020 entered into among the Company and the Dealer Managers in respect of the Repurchase
“Dealer Managers”	Merrill Lynch (Asia Pacific) Limited and Morgan Stanley & Co. International plc
“Director(s)”	director(s) of the Company

“Early Redemption Amount”	an amount in respect of each 2025 Convertible Bond which represents a gross yield of 3.25% per annum for the holders of the 2025 Convertible Bonds, calculated on a semi-annual basis up to the Maturity Date by an independent investment bank
“Euroclear”	Euroclear Bank SA/NV
“Existing Convertible Bonds”	the HK\$4,700 million in aggregate principal amount of zero coupon convertible bonds due 2023 (Bond stock code: 4498, ISIN: XS1819550663) issued by the Company on 23 May 2018
“Final Offering Circular”	the final offering circular which the Company will prepare in relation to the Bond Issue
“General Mandate”	the general mandate to allot, issue and deal with Shares granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 10 June 2019
“Global Certificate”	a global bond certificate representing the 2025 Convertible Bonds to be issued
“Group”	the Company and its subsidiaries
“HK\$” or “Hong Kong Dollars”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Issue Date”	21 May 2020, or such other date, not being later than 4 June 2020, as the Company and the Managers may agree
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Managers”	Merrill Lynch (Asia Pacific) Limited and Morgan Stanley & Co. International plc
“NDRC”	the National Development and Reform Commission of the PRC or its competent local counterpart

“NDRC Notice”	the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) promulgated by the NDRC on 14 September 2015
“New Shares”	Shares to be allotted and issued by the Company upon conversion of the 2025 Convertible Bonds
“Offering Circulars”	the preliminary offering circular dated 12 May 2020 and the Final Offering Circular prepared by the Company in relation to the Bond Issue
“Permitted Holder(s)”	any or all of Mr. Huang Yi and Mr. Li Guoqiang, their respective estate, spouse or immediate family member, any legal representatives of any of the foregoing and their respective affiliates
“PRC”	the People’s Republic of China (for the purpose of this announcement excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“Reference Share Price”	the greater of (i) HK\$34.80, being the closing price of the Shares on 12 May 2020 and (ii) the VWAP
“Repurchase”	proposed repurchase of the Existing Convertible Bonds
“Repurchase Price”	$CB \text{ Ask Price} + (\text{Reference Share Price} - \text{HK}\$34.80) \times 72\% \times 3.331867 + 1.5\%$
“Securities Act”	the United States Securities Act of 1933, as amended
“Settlement Date”	21 May 2020, being the date on which the Existing Convertible Bonds are to be purchased pursuant to the Repurchase, subject to the rights of the Company to extend and/or amend the Repurchase
“Share(s)”	the ordinary share(s) with par value of HK\$0.0001 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Terms and Conditions”	the terms and conditions in relation to the 2025 Convertible Bonds
“trading day(s)”	a day when the Hong Kong Stock Exchange or, as the case may be an alternative stock exchange is open for dealing business

“Trust Deed”	the trust deed to be entered into by the Company and the Trustee on or before the Issue Date as amended and/or supplemented from time to time
“Trustee”	The Bank of New York Mellon, London Branch
“United States”	the United States of America
“VWAP”	the arithmetic average of the volume weighted average price per Share on the Hong Kong Stock Exchange on each of the two consecutive trading days commencing on and including 13 May 2020 and 14 May 2020
“%”	per cent.

By Order of the Board of
Zhongsheng Group Holdings Limited
Huang Yi
Chairman

Hong Kong, 13 May 2020

As at the date of this announcement, the executive directors of the Company are Mr. Huang Yi, Mr. Li Guoqiang, Mr. Du Qingshan, Mr. Yu Guangming, Mr. Si Wei and Mr. Zhang Zhicheng; the non-executive directors of the Company are Mr. David Alexander Newbigging and Mr. Hsu David; and the independent non-executive directors of the Company are Mr. Shen Jinjun, Mr. Ying Wei, Mr. Chin Siu Wa Alfred and Mr. Li Yanwei.