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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)**

## **Major Transaction**

### **Acquisition of a 50% Equity Interest in B&L Motor Holding Co., Ltd.**

The Board is pleased to announce that on 29 September 2010, the Group and the Transferor entered into the Equity Transfer Agreement in relation to the acquisition of a 50% equity interests in the Target Company. The Target Group is principally engaged in businesses relating to automobile sales and services, holds a total of eight 4S dealerships and distributes automobile brands including, among others, Porsche, Mercedes-Benz, Audi, Lamborghini and GZ-Toyota in China. Further details of the Acquisition are set out in this announcement below.

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to Shareholders' approval pursuant to Rule 14.40 of the Listing Rules. The Company has obtained a written approval to the Acquisition from Blue Natural Development Ltd., the controlling Shareholder, which is beneficially interested in approximately 69.48% of the issued share capital of the Company as at the date of this announcement. By reasons of (i) the written approval from the controlling Shareholder having been obtained; and (ii) that no Shareholder would be required to abstain from voting at the general meeting of the Company for the approval of the Acquisition, an extraordinary general meeting of the Company to approve the Acquisition is not required pursuant to Rule 14.44 of the Listing Rules and will not be convened. Due to public holidays in China and the expected amount of time required to complete the audit on the Target Group, the Company expects that a circular containing, among other things, further information in respect of the Acquisition will be despatched to the Shareholders on or before 15 November 2010.

## **INTRODUCTION**

The Board is pleased to announce that on 29 September 2010, the Transferee (the Company's indirect wholly-owned subsidiary) and the Transferor entered into the Equity Transfer Agreement in relation to the acquisition of a 50% equity interest in the Target Company. The Target Group is principally engaged in businesses relating to automobile sales and services, holds a total of eight 4S dealerships and distributes automobile brands including, among others, Porsche, Mercedes-Benz, Audi, Lamborghini and GZ-Toyota in China.

## PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarised as follows:

- Date of the Equity Transfer Agreement** : 29 September 2010
- Parties** : Famous Great International Limited (the Company's indirect wholly-owned subsidiary), as the Transferee; and  
Mr. Chou, Patrick Hsiao-Po, as the Transferor
- To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Transferor and its ultimate beneficial owner are third parties independent of the Company and the Connected Persons of the Company and not related to them at all.
- Subject Matter of the Equity Transfer Agreement** : Acquisition of a 50% equity interest in the Target Company held by the Transferor, including the Target Group's all current businesses and assets relating to automobile sales and services.
- Consideration of the Equity Transfer Agreement** : RMB1.1 billion
- Payment Terms of the Equity Transfer Agreement** : The consideration for the Acquisition shall be paid in instalments by the Transferee to the Transferor or any company designated by the Transferor in RMB or equivalent foreign currency.
- The total amount of RMB1,090,000,000 or equivalent foreign currency will be paid to the Transferor or any company designated by the Transferor on or before 10 October 2010. The balance of RMB10,000,000 will be reserved as cash retention and will be paid on or before 31 December 2010.
- Other Terms and Conditions of the Equity Transfer Agreement** : The appointment of the members of the board of directors of the Target Company and its subsidiaries will be subject to further discussion between the Transferee and the Transferor.
- Subject to compliance with the Hong Kong laws and the Listing Rules, the Transferee and the Transferor intend to make an investment in the newly established businesses and assets relating to automobile sales and services in China through a newly incorporated offshore company with a registered capital of US\$30 million and in which each will hold 50% equity interest. The new company will not form part of the Target Group.

Subject to compliance with the Hong Kong laws and the Listing Rules, each shareholder of the Target Company shall grant a right of first refusal to the other shareholder of the Target Company upon the transfer of any equity interest in the Target Company to any third party (other than to the Connected Person of each shareholder of the Target Company).

Upon the completion of the Acquisition, the Target Company will become a subsidiary of the Company.

### **BASIS OF CONSIDERATION**

The consideration for the Acquisition is RMB1.1 billion payable in cash which will be paid by the Company using internal cash resources. The consideration was agreed between the Company and the Transferor upon arm's length negotiation after taking into account a combination of factors, including the goodwill attached to the brand(s) of automobiles distributed by the Target Group, customer base, potential earning capacity and net asset value of the Target Group.

### **REASONS FOR AND BENEFITS OF THE ACQUISITION**

In view of the strong demand for automobile sales in China, for the purpose of enhancing the Group's brand portfolio and in line with the Company's development strategy of expanding its 4S dealership distribution network in Beijing, Tianjin and other areas as well as strengthening its market position in areas where the Target Group operates and improving services to high end customers in the above-mentioned areas, the Company entered into the Equity Transfer Agreement for the purpose of expanding the Company's operational scale and competitive advantages. Following the Acquisition, the Company will add new luxury, and mid-to-high end automobile brands to its existing distribution brand portfolio.

The Board (including the independent non-executive Directors) is of the view that the terms of the Equity Transfer Agreement are fair and reasonable and the entering into of the Equity Transfer Agreement is in the interests of the Company and the Shareholders as a whole.

### **FURTHER DETAILS ON THE ACQUISITION**

The following table sets out the details of the shareholding structure of the Target Company before and after the completion of the Acquisition pursuant to the Equity Transfer Agreement.

<b>Name of Target Company</b>	<b>Before the Acquisition</b>	<b>After the Acquisition</b>
B&L Motor Holding Co., Ltd.	100% equity interest of the Target Company was held by Mr. Chou, Patrick Hsiao-Po	50% equity interest of the Target Company will be held by the Group; and  50% equity interest of the Target Company will be held by Mr. Chou, Patrick Hsiao-Po

## FINANCIAL INFORMATION OF THE TARGET COMPANY

The table below sets out certain unaudited financial information (prepared under the HKFRS) of the Target Group on the aggregate basis for the years ended 31 December 2008 and 2009 as well as the six months ended 30 June 2010. The audited financial information of the Target Group will be provided in the circular to be published.

	(in RMB million)		
	<b>For the year ended 31 December 2008</b>	<b>For the year ended 31 December 2009</b>	<b>For the six months ended 30 June 2010</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Profit before taxation	176.8	98.6	164.6
Profit after taxation	128.1	69.6	115.4
Net assets	316.3	385.9	461.3

## GENERAL INFORMATION

The Company is a leading national automobile distribution group in China and operates automobile brands, consisting of luxury automobile brands including Mercedes-Benz, Lexus and Audi and mid-to-high end automobile brands including Toyota, Nissan, Honda, with 69 4S dealerships being operated in cities with relatively affluent populations in the northeastern, eastern and southern coastal regions of China, as well as selected inland areas of China as at the date of this Announcement.

Mr. Chou, Patrick Hsiao-Po, through the Target Group, engages in businesses relating to automobile sales and services in Beijing and Tianjin. As of 30 June 2010, Mr. Chou, Patrick Hsiao-Po through the Target Group, held a total of eight 4S dealerships in Beijing and Tianjin and distributed automobile brands including, among others, Porsche, Mercedes-Benz, Audi, Lamborghini and GZ-Toyota.

## LISTING RULES IMPLICATIONS

Since the Transferor is not a Connected Person of the Company under the Listing Rules and as at least one of the results of size tests applicable to the Acquisition under the Listing Rules is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and is therefore subject to Shareholders' approval pursuant to Rule 14.40 of the Listing Rules. The Company has obtained a written approval to the Acquisition from Blue Natural Development Ltd., the controlling Shareholder, which holds 1,325,993,876 shares of the Company and is beneficially interested in approximately 69.48% of the issued share capital of the Company as at the date of this announcement. By reasons of (i) the written approval from the controlling Shareholder having been obtained; and (ii) that no Shareholder would be required to abstain from voting at a general meeting of the Company for the approval of the Acquisition, an extraordinary general meeting of the Company to approve the Acquisition is not required pursuant to Rule 14.44 of the Listing Rules and will not be convened. Due to public holidays in China and the expected amount of time required to complete the audit on the Target Group, the Company expects to despatch a

circular containing, among other things, further information in respect of the Acquisition to the Shareholders on or before 15 November 2010.

## DEFINITIONS

Unless the context requires otherwise, the capitalized terms used in the announcement shall have the following meanings:

“Acquisition”	the proposed acquisition as contemplated under the Equity Transfer Agreement
“Board”	the board of directors of the Company
“Company”	Zhongsheng Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Hong Kong Stock Exchange under the stock code of 881
“Connected Person(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the agreement in relation to the proposed acquisition of 50% equity interest in the Target Company entered into by and between the Group and the Transferor on 29 September 2010
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards promulgated by The Hong Kong Institute of Certified Public Accountants
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“PRC” or “China”	the People’s Republic of China, but for the purposes of this announcement only, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of the shares of the Company
“Target Company”	B&L Motor Holding Co., Ltd., a company incorporated in the British Virgin Islands with limited liability

“Target Group”	the Target Company and its subsidiaries
“Transferee”	Famous Great International Limited., the Company’s indirect wholly-owned subsidiary incorporated in the British Virgin Islands
“Transferor”	Mr. Chou, Patrick Hsiao-Po
“US\$”	United States dollars, the lawful currency of the United States of America
“4S dealership(s)”	A dealership authorized to sell the products of a single brand of automobiles. Such dealership intergrates four standard automobile related businesses: sales, spare parts, service and survey.
“%”	per cent

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

Hong Kong, 29 September 2010

*As at the date of this announcement, the executive directors of the Company are Messrs. Huang Yi, Li Guoqiang, Du Qingshan and Yu Guangming; the non-executive director of the Company is Mr. Leng Xuesong; and the independent non-executive directors of the Company are Messrs. Shigeno Tomihei, Ng Yuk Keung and Shen Jinjun.*