

*0Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



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)

**Discloseable Transaction**  
**Acquisition of a 50% Equity Interest in**  
**Loong Wah Motors (Cayman) Co., Ltd.**

The Board is pleased to announce that on 30 September 2011, the Transferee (a wholly-owned subsidiary of the Company) and the Transferors entered into the Loong Wah Equity Transfer Agreement in relation to the acquisition of a 50% equity interest in the Target Company for a total cash consideration of RMB642,850,000. The Target Group mainly engages in businesses relating to automobile sales and services in Zhejiang and Guangdong regions in China, holds a total of 16 4S dealerships and distributes automobile brands including Lexus, Toyota and Infiniti. Further details of the Loong Wah Acquisition are set out in this announcement.

Since the Transferors are not the Company's Connected Person under the Listing Rules and the maximum percentage ratio in respect of the Loong Wah Acquisition under the Listing Rules is more than 5% but less than 25%, the Loong Wah Acquisition constitutes a discloseable transaction under Rule 14.06(2) of the Listing Rules and is therefore, subject to the reporting and announcement requirements under the Listing Rules but is exempted from Shareholders' approval.

**INTRODUCTION**

The Board is pleased to announce that on 30 September 2011, the Transferee (a wholly-owned subsidiary of the Company) and the Transferors entered into the Loong Wah Equity Transfer Agreement in relation to the acquisition of a 50% equity interest in the Target Company for a total cash consideration of RMB642,850,000. The Target Group mainly engages in businesses relating to automobile sales and services in Zhejiang and Guangdong regions in China, holds a total of 16 4S dealerships including 7 Lexus 4S dealerships (among which, 4 are in operation, 1 will be in operation in the fourth quarter of this year and 2 will be in operation next year), 5 FAW-Toyota 4S dealerships, 3 GZ-Toyota 4S dealerships and 1 Infiniti 4S dealership.

## PRINCIPAL TERMS OF THE LOONG WAH EQUITY TRANSFER AGREEMENT

Principle terms of the Loong Wah Equity Transfer Agreement are summarized as follows:

- Date of the Loong Wah Equity Transfer Agreement** : 30 September 2011
- Parties** : Zhongsheng Holdings Company Limited as the Transferee; and  
Mr. Fong Chi Keung as the Transferor 1; Ms. Wong Wai Sang as the Transferor 2; Mr. Fong Wai Shing as the Transferor 3; and Ms. Fong Chui Yee as the Transferor 4, collectively, the “Transferors”
- To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Transferors and their ultimate beneficial owners are third parties independent of the Company and the Connected Persons of the Company and not related to them.
- Subject Matter of the Loong Wah Equity Transfer Agreement** : Acquisition of 5,000 ordinary shares in the Target Company held by the Transferors accounting for 50% of the equity interest in the Target Company and the Loong Wah Acquisition covering all of the Target Group’s current businesses and assets relating to automobile sales and services.
- Consideration of the Loong Wah Equity Transfer Agreement** : The total consideration is RMB642,850,000.
- Payment Terms of the Loong Wah Equity Transfer Agreement** : The consideration of the Loong Wah Acquisition shall be paid by the Transferee by instalments in RMB or equivalent foreign exchange to the Transferors or any company designated thereby.
- The first payment totaling RMB321,425,000 or equivalent foreign exchange will be paid within 5 business days upon signing of the Loong Wah Equity Transfer Agreement.
- The balance of RMB321,425,000 or equivalent foreign exchange will be paid on the completion date of the equity transfer registration.
- Other Key Terms and Conditions of the Loong Wah Equity Transfer Agreement** : Subject to compliance with the Hong Kong laws and the Listing Rules, Transferor 1 commits and undertakes that if he transfers the remaining equity interest to any third party or Connected Person, he will grant a right of first refusal to the Transferee.

## **BASIS OF CONSIDERATION**

The total consideration for the Loong Wah Acquisition is RMB642,850,000 payable in cash which will be satisfied by the Company's internal resources. The consideration was agreed between the Company and the Transferors upon arm's length negotiation by taking into account a combination of factors, including the goodwill attached to the brands operated by the Target Group, its customer base, potential profitability and combined net asset value.

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

Sales of the Japanese brand luxury and mid-to-high-end automobiles have recorded a stable and continuing growth in China with great potentials for future development. In line with the Company's development strategy of expanding its Japanese brand dealership distribution network in coastal regions such as Zhejiang and Guangdong, for the purpose of strengthening its market leading position in those areas as well as better utilizing the regional scale and customer resources, the Company entered into the Loong Wah Equity Transfer Agreement to strengthen and expand the Company's market share and competitive advantages in the above-mentioned areas. Following the completion of the Loong Wah Acquisition, the Company will further improve and strengthen its market presence of Japanese brand luxury and mid-to-high-end automobiles in the eastern China and southern China regions.

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

## **FURTHER DETAILS ON THE LOONG WAH ACQUISITION**

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

	<b>Before the Loong Wah Acquisition</b>	<b>After the Loong Wah Acquisition</b>
Target Company	<ul style="list-style-type: none"><li>• Transferor 1 held a 74.92% equity interest;</li><li>• Transferor 2 held a 15% equity interest;</li><li>• Transferor 3 held a 5.04% equity interest; and</li><li>• Transferor 4 held a 5.04% equity interest</li></ul>	<ul style="list-style-type: none"><li>• Transferor 1 will hold a 50% equity interest; and</li><li>• Transferee will hold a 50% equity interest</li></ul>

## FINANCIAL INFORMATION OF THE TARGET GROUP

The table below sets out certain unaudited financial information (prepared under the HKFRSs) of the Target Group on the aggregate basis for the financial years ended 31 December 2009 and 2010 as well as the six months ended 30 June 2011.

(in RMB million)

	<b>For the year ended 31 December 2009</b>	<b>For the year ended 31 December 2010</b>	<b>For the six months ended 30 June 2011</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	2,492	3,196	1,727
Profit before taxation	79	49	46
Profit after taxation	50	28	35
	<b>As at 31 December 2009</b>	<b>As at 31 December 2010</b>	<b>As at 30 June 2011</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Net assets	366	396	431

## LISTING RULES IMPLICATIONS

Since the Transferors are not the Company's Connected Persons under the Listing Rules and the maximum percentage ratio in respect of the Loong Wah Acquisition under the Listing Rules is more than 5% but less than 25%, the Loong Wah Acquisition constitutes a discloseable transaction under Rule 14.06(2) of the Listing Rules and is therefore, subject to the reporting and announcement requirements under the Listing Rules but is exempted from Shareholders' approval.

## GENERAL INFORMATION

The Company is a leading national automobile dealership group in China and operates automobile brands, consisting of luxury automobile brands including Mercedes-Benz, Lexus, Porsche, Audi, Lamborghini and imported Volkswagen and mid-to-high end automobile brands including Toyota, Nissan, Honda, with 121 dealerships being operated in cities with relatively affluent populations in the northeastern, eastern and northern China, southern coastal regions of China, as well as selected inland areas of China as at the date of this announcement. Upon the completion of the above-mentioned acquisition, our number of dealerships in operation will reach 134. At the meantime, the Company is also the largest automobile dealership group in China in terms of operation scale for Lexus, Toyota and Nissan brands.

The Target Company, through its wholly-owned subsidiaries, mainly engages in businesses relating to automobile sales and services in Zhejiang and Guangdong regions in China, holds a total of 16 4S dealerships including 7 Lexus 4S dealerships (among which, 4 are in operation, 1 will be in operation in the fourth quarter of this year and 2 will be in operation next year), 5 FAW-Toyota 4S dealerships, 3 GZ-Toyota 4S dealerships and 1 Infiniti 4S dealership.

## DEFINITIONS

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

“%”	per cent
“4S dealership(s)”	a dealership authorized to sell the products of a single brand of automobiles. Such dealership integrates four standard automobile related businesses: sales, spare parts, service and survey
“Board”	the board of directors of the Company
“Company”	Zhongsheng Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited 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
“FAW-Toyota”	the brand of automobiles manufactured by the PRC joint venture corporation, Tianjin FAW Toyota Motor Co., Ltd., established jointly by FAW Group Corporation, Tianjin FAW Xiali Automobile Co., Ltd., Toyota Motor Corporation and Toyota Motor (China) Investment Co., Ltd.
“Group”	the Company and its subsidiaries
“GZ-Toyota”	the brand of automobiles manufactured by the PRC joint venture corporation established jointly by Toyota Motor Corporation and Guangzhou Automobile Group Co., Ltd.
“HKFRSs”	Hong Kong Financial Reporting Standards
“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
“Loong Wah Acquisition”	the proposed acquisition as contemplated under the Loong Wah Equity Transfer Agreement
“Loong Wah Equity Transfer Agreement”	the equity transfer agreement entered into between the Transferee and the Transferors on 30 September 2011 to acquire a 50% interest in the Target Company

“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”	Loong Wah Motors (Cayman) Co., Ltd., a company incorporated in the Cayman Islands with limited liability
“Target Group”	Target Company and its subsidiaries
“Transferee”	Zhongsheng Holdings Company Limited, a wholly-owned subsidiary of the Company, incorporated in Hong Kong with limited liability
“Transferor 1”	Mr. Fong Chi Keung
“Transferor 2”	Ms. Wong Wai Sang
“Transferor 3”	Mr. Fong Wai Shing
“Transferor 4”	Ms. Fong Chui Yee
“Transferors”	Transferor 1, Transferor 2, Transferor 3 and Transferor 4

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

Hong Kong, 30 September 2011

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