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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)

DISCLOSEABLE TRANSACTION
SUBSCRIPTION OF 65% ENLARGED
ISSUED SHARE CAPITAL OF JIAHUA WEIYE

THE SUBSCRIPTION

Reference is made to the announcement of the Company dated 31 March 2016 in relation to the potential acquisition of the equity interest in certain subsidiaries of Hainan Jiahua. The Board is pleased to announce that, on 29 April 2016, ZS Dalian, a wholly-owned subsidiary of the Company, entered into the Cooperation Agreement with Hainan Jiahua and its de facto controller, Mr. Xu Zhixin, pursuant to which ZS Dalian has agreed to subscribe for, and Hainan Jiahua has agreed to procure Jiahua Weiye to issue and allot, the Subscription Shares at a consideration of RMB455 million. Upon completion of the Subscription, ZS Dalian and Hainan Jiahua will hold 65% and 35% of the enlarged issued share capital of Jiahua Weiye, respectively.

THE PUT OPTION

As part of the Cooperation Agreement, ZS Dalian has granted a put option to Hainan Jiahua pursuant to which Hainan Jiahua is entitled to require ZS Dalian to acquire the remaining 35% enlarged issued share capital Hainan Jiahua holds in Jiahua Weiye at a consideration of RMB245 million within five years since the execution of the Cooperation Agreement by serving written notice to ZS Dalian in accordance with the terms and conditions of the Cooperation Agreement.

PROPERTY LEASING ARRANGEMENT

As certain companies of the Target Group have been using the Leased Properties indirectly owned by Hainan Jiahua as 4S stores or for other related business operation purpose, in order to maintain the business operation of such companies and as part of the Reorganisation, Jiahua Weiye entered into the Leasing Agreement with Jiahua Automobile Trading Market to lease the Leased Properties from Jiahua Automobile Trading Market.

LISTING RULE IMPLICATIONS

The Subscription

As one or more applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Subscription under the Cooperation Agreement exceed 5% but less than 25%, the Subscription constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Put Option

Pursuant to Rule 14.74(1) of the Listing Rules, as the Put Option is not exercisable at the Company's discretion, the Put Option will be classified as if it had been exercised at the time of grant. As none of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Put Option exceeds 5%, the Put Option does not constitute a notifiable transaction of the Company and thus is not subject to reporting or announcement requirements under Chapter 14 of the Listing Rules.

Upon completion of the Subscription, Jiahua Weiye will become a subsidiary of the Company, and therefore Hainan Jiahua, as a substantial shareholder of Jiahua Weiye will become our connected person under Chapter 14A of the Listing Rules. Thus the Put Option, upon exercising by Hainan Jiahua, will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Property Leasing Arrangement

Upon completion of the Subscription, Jiahua Automobile Trading Market, an associate of Hainan Jiahua, will also become our connected person and the transaction contemplated under the Leasing Agreement will thus constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

THE SUBSCRIPTION

Reference is made to the announcement of the Company dated 31 March 2016 in relation to the potential acquisition of the equity interest in certain subsidiaries of Hainan Jiahua. The Board is pleased to announce that, on 29 April 2016, ZS Dalian, a wholly-owned subsidiary of the Company, entered into the Cooperation Agreement with Hainan Jiahua and its *de facto* controller, Mr. Xu Zhixin, pursuant to which ZS Dalian has agreed to subscribe for, and Hainan Jiahua has agreed to procure Jiahua Weiye to issue and allot, the Subscription Shares at a consideration of RMB455 million. Upon completion of the Subscription, ZS Dalian and Hainan Jiahua will hold 65% and 35% of the enlarged issued share capital of Jiahua Weiye, respectively.

Set out below are details of the Cooperation Agreement:

- Parties : ZS Dalian, as subscriber
- Hainan Jiahua, as parent company holding 100% equity interest of Jiahua Weiye
- Mr. Xu Zhixin, as guarantor for Hainan Jiahua
- Subject matter: : the shares to be issued and allotted by Jiahua Weiye to ZS Dalian, which represent 65% of enlarged issued share capital of Jiahua Weiye
- Reorganisation : Pursuant to the Cooperation Agreement, Hainan Jiahua has agreed to transfer the Target Assets to Jiahua Weiye for the purpose of the Subscription such that ZS Dalian will directly hold 65% of the enlarged issued share capital of Jiahua Weiye and indirectly hold 65% equity interest in the Target Assets through Jiahua Weiye upon completion of the Subscription.
- Consideration and basis for determination of consideration : The consideration of the Subscription is RMB455 million, which was determined taking into consideration (i) the consideration for Jiahua Weiye to acquire the Target Assets; and (ii) the account payables by the Target Group to Hainan Jiahua as at the date of the Cooperation Agreement.
- Payment of consideration : All parties have agreed that the consideration under the Cooperation Agreement shall be paid by ZS Dalian to Jiahua Weiye according to the following schedule:
- (i) the first tranche of the payment, being RMB90 million, shall be paid after the execution of the Cooperation Agreement but no later than 12 May 2016;
 - (ii) the second tranche of the payment, being RMB100 million, shall be paid within three business days after the date on which the Reorganisation is completed and the 65% enlarged issued share capital of Jiahua Weiye is registered under the name of ZS Dalian;

- (iii) the third tranche of the payment, being RMB65 million, shall be paid on the date being three months from the date on which the Reorganisation is completed and the 65% enlarged issued share capital of Jiahua Weiye is registered under the name of ZS Dalian;
- (iv) the fourth tranche of the payment, being RMB100 million, shall be paid on the date being six months from the date on which the Reorganisation is completed and the 65% enlarged issued share capital of Jiahua Weiye is registered under the name of ZS Dalian; and
- (v) the fifth tranche of the payment, being RMB100 million, shall be paid before 31 December 2017.

Despite that the parties have agreed as stated above, all parties have further agreed that, if both the Reorganisation is completed and the 65% enlarged issued share capital of Jiahua Weiye is registered under the name of ZS Dalian before 31 December 2016, the third and fourth tranches of the payment shall be made no later than 31 December 2016.

All the consideration paid by ZS Dalian to Jiahua Weiye shall be forwarded by Jiahua Weiye to Hainan Jiahua as consideration for Jiahua Weiye to acquire the Target Assets from Hainan Jiahua and settlement of the account payables by the Target Group to Hainan Jiahua as at the date of this Cooperation Agreement.

Completion : Completion of the Subscription will take place when Hainan Jiahua and the Company complete all necessary procedures for the Reorganisation and the increase of registered capital of Jiahua Weiye and 65% enlarged issued share capital of Jiahua Weiye is registered under the name of ZS Dalian.

Guarantees : Mr. Xu Zhixin, as guarantor for Hainan Jiahua, has undertaken to bear irrevocable unlimited joint liabilities for all the undertakings, guarantees, responsibilities and liabilities of Hainan Jiahua under the Cooperation Agreement for a period from the execution of the Cooperation Agreement to the date on which the Reorganisation is completed or the date of termination of the Cooperation Agreement (whichever occurs earlier).

Set out below is the pro forma financial information of Jiahua Weiye prepared by the Company for the two years ended 31 December 2015, as if the Reorganisation had been completed before such period:

	For the year ended	
	31 December	
	2015	2014
	unaudited	unaudited
	<i>RMB million</i>	<i>RMB million</i>
Net asset	237	224
Profit before tax	29	37
Net profit after tax	13	17

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, Hainan Jiahua and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Upon completion of the Subscription, Jiahua Weiye will become an indirectly non-wholly-owned subsidiary of the Company by virtue of being a subsidiary of ZS Dalian.

THE PUT OPTION

As part of the Cooperation Agreement, ZS Dalian has granted a put option to Hainan Jiahua pursuant to which Hainan Jiahua is entitled to require ZS Dalian to acquire the remaining 35% enlarged issued share capital of Hainan Jiahua holds in Jiahua Weiye at a consideration of RMB245 million within five years since the execution of the Cooperation Agreement by serving written notice to ZS Dalian in accordance with the terms and conditions of the Cooperation Agreement.

The parties have further agreed that if ZS Dalian is to transfer part or all of its equity interest in Jiahua Weiye after completion of the Subscription to any third party, ZS Dalian shall acquire all the equity interest in Jiahua Weiye owned by Hainan Jiahua prior to such transfer in accordance with the terms and conditions of the Cooperation Agreement.

Pursuant to the Cooperation Agreement, Hainan Jiahua shall not transfer the remaining 35% equity interest in Jiahua Weiye to any third party within five years since the execution of the Cooperation Agreement.

PROPERTY LEASING ARRANGEMENT

As certain companies of the Target Group have been using the Leased Properties indirectly owned by Hainan Jiahua as 4S stores or for other related business operation purpose, in order to maintain the business operation of such companies and as part of the Reorganisation, Jiahua Weiye entered into the Leasing Agreement with Jiahua Automobile Trading Market to lease the Leased Properties for a rental of RMB15 million per annum.

The term of the leasing under the Leasing Agreement began from 1 January 2016 and will last for 15 years.

LISTING RULES IMPLICATIONS

The Subscription

As one or more applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Subscription under the Cooperation Agreement exceed 5% but less than 25%, the Subscription constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Put Option

Pursuant to Rule 14.74(1) of the Listing Rules, as the Put Option is not exercisable at the Company's discretion, the Put Option will be classified as if it had been exercised at the time of grant. As none of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Put Option exceeds 5%, the Put Option is not subject to reporting or announcement requirements under Chapter 14 of the Listing Rules.

Upon completion of the Subscription, Jiahua Weiye will become a subsidiary of the Company, and therefore Hainan Jiahua, as a substantial shareholder of Jiahua Weiye will become our connected person under Chapter 14A of the Listing Rules. Thus the Put Option, upon exercising by Hainan Jiahua, will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. The Company will make further announcement in accordance with the requirements of the Listing Rules if and when the Put Option are exercised.

The Property Leasing Arrangement

Upon completion of the Subscription, Jiahua Automobile Trading Market, an associate of Hainan Jiahua, will also become our connected person and the transaction contemplated under the Leasing Agreement will thus constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

However, as the transaction contemplated under the Leasing Agreement were transaction conducted between independent third parties of the Company when the Leasing Agreement was entered into between Jiahua Weiye and Jiahua Automobile Trading Market and the transaction will only subsequently become a continuing connected transaction of the Company upon completion of the Subscription, the transaction are only subject to the reporting, annual review and disclosure requirements of Chapter 14A of the Listing Rules pursuant to Rule 14A.60 of the Listing Rules.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND THE PUT OPTION

Given the increasing demand for professional automobile sales and services from the market and among consumers in China, in order to enhance the regional coverage advantage of the Group's dealership network, to achieve our development strategy of expanding the current dealership network of the Group in Beijing, Hainan and other regions and to strengthen our market position in regions where the Target Group operates by better serving the high-end customers in such regions, the Group entered into the Cooperation Agreement so as to further expand its operation scale and accumulate its competitive strengths. Upon completion of the Subscription, the Company will add 18 dealership stores and our business coverage will be expanded to Hainan from the existing regional coverage.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Subscription and the Put Option are fair and reasonable, on normal commercial terms, and are in the interest of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

The Company

The Company is a leading national automobile distribution group in China which principally engaged in providing one-stop services including sales of new and second-hand automobiles, after-sales, accessories, refitting, financial, insurance and leasing services. Currently, the Group's brand portfolio covers luxury brands such as Mercedes-Benz, Audi, Lexus, Jaguar Land Rover, Porsche, Chrysler, Volvo and Imported Volkswagen, as well as mid-to-high-end brands such as Toyota, Nissan and Honda.

Hainan Jiahua

Hainan Jiahua is a leading automobile sales services provider with main business operations in Hainan. It currently provides one-stop services including the sales of new and second-hand automobiles and after sales services and operates luxury automobile brands including Mercedes-Benz, and Lexus and middle-to-high end automobile brands including Toyota, Nissan and Honda.

Jiahua Weiye

Pursuant to the Cooperation Agreement, Hainan Jiahua will transfer the Target Assets to Jiahua Weiye for the purpose of the Subscription. Upon the completion of the Reorganisation, Jiahua Weiye will hold the Target Assets together with 100% equity interest in Hainan Jiaxiang Lexus Automobile Sale Service Co., Ltd. and Hainan Jiaxiang Lexus Automobile Sale Service Co., Ltd. Sanya Branch which were wholly owned by Jiahua Weiye prior to the Reorganisation.

Jiahua Weiye is a company established in the PRC. As at the date of this announcement, its primary business is investment holding.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“4S Dealership Companies”	Hainan Jiexiang Automobile Sales Service Co., Ltd. (海南嘉翔汽車銷售服務有限公司), Haikou Jiahua Toyota Automobile Sales Service Co., Ltd. (海口嘉華豐田汽車銷售服務有限公司), Hainan Jiexiang Commerce Co., Ltd. (海南嘉翔貿易有限公司), Hainan Jiahua Yongtai Automobile Sales Service Co., Ltd. (海南嘉華永泰汽車銷售服務有限公司), Hainan Jiexiang Development Commerce Co., Ltd. (海南嘉翔基業貿易有限公司), Hainan Jiahua Star Automobile Sales Service Co., Ltd. (海南嘉華之星汽車銷售服務有限公司), Hainan Jiahua Automobile Sales Service Co., Ltd. (海南嘉華汽車銷售服務有限公司), Hainan Jiahua Infinite Automobile Sales Service Co., Ltd. (海南嘉華英菲尼迪汽車銷售服務有限公司), Hainan Jiahua Meilan Automobile Sales Service Co., Ltd. (海南嘉華美蘭汽車銷售服務有限公司), Hainan Jiexiang Lexus Automobile Sale Service Co., Ltd. (海南嘉翔雷克薩斯汽車銷售服務有限公司), Hainan Jiexiang Lexux Automobile Sale Service Co., Ltd Sanya Branch (海南嘉翔雷克薩斯汽車銷售服務有限公司三亞分公司), Qionghai Jiahua Yongxing Automobile Sales Service Co., Ltd. (瓊海嘉華永興汽車銷售服務有限公司), Sanya Jiahua Automobile Sales Service Co., Ltd. (三亞嘉華汽車銷售服務有限公司), Hainan Jiexiang Industrial Co., Ltd. (海南嘉翔實業有限公司), Changchun Jiahui Business & Commerce Co., Ltd. (長春市嘉輝商貿有限公司), Jilin Chuangjia Commerce Co., Ltd. (吉林市創嘉貿易有限公司), Beijing Senhua Jiayun Automobile Sales Service Co., Ltd. (北京森華佳運汽車貿易有限公司) and Beijing Senhua Entrepreneurship Toyota Automobile Sales Service Co., Ltd. (北京森華創業豐田汽車銷售服務有限公司)
“Board”	the board of Directors
“Company”	Zhongsheng Group Holdings Limited, a company incorporated in Cayman Islands
“Cooperation Agreement”	The cooperation agreement entered into on 29 April 2016 among ZS Dalian, Hainan Jiahua and its <i>de facto</i> controller, Mr. Xu Zhixin, pursuant to which ZS Dalian has agreed to subscribe for the Subscription Shares issued by Jiahua Weiye for a consideration of RMB455 million in accordance with the terms and conditions therein
“Director(s)”	director(s) of the Company

“Group”	the Company and its subsidiaries
“Hainan Jiahua”	Hainan Jiahua Holdings Co., Ltd. (海南嘉華控股有限公司), a company established in the PRC and an independent third party to the Company as at the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jiahua Automobile Trading Market”	Hainan Jiahua Automobile Trading Market Company Limited (海南嘉華汽車交易市場有限公司), a wholly-owned subsidiary of Hainan Jiahua
“Jiahua Weiye”	Hainan Jiahua Weiye Investment Co., Ltd. (海南嘉華偉業投資有限公司), a company established in the PRC and a wholly-owned subsidiary of Hainan Jiahua as at the date of this announcement
“Leased Properties”	the buildings with a gross floor area of 40,835 m ² and parcels of land thereunder with a land area of 96,623 m ² which are located at West Qiongsan Avenue, Haikou City, Hainan Province and to be leased to Jiahua Weiye by Jiahua Automobile Trading Market pursuant to the Leasing Agreement
“Leasing Agreement”	the leasing agreement dated 29 April 2016 entered into between Jiahua Weiye and Jiahua Automobile Trading Market, pursuant to which Jiahua Automobile Trading Market has agreed to lease certain buildings and parcels of land thereunder to Jiahua Weiye
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Non-4S Dealership Companies”	Hainan Jiecheng Used-automobile Appraisal & Evaluation Co., Ltd. (海南竭誠二手車鑒定評估有限公司), Beijing Jiahua Tengyuan Automobile Co., Ltd. (北京嘉華騰遠車業有限公司), and Haikou Jiahua Yongxin Co., Ltd. (海口嘉華永信有限公司)
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Put Option”	The put option granted by ZS Dalian to Hainan Jiahua as part of the Cooperation Agreement pursuant to which Hainan Jiahua is entitled to require ZS Dalian to acquire the remaining 35% enlarged issued share capital Hainan Jihua holds in Jiahua Weiye at a consideration of RMB245 million within five years since the execution of the Cooperation Agreement by serving written notice to ZS Dalian in accordance with the terms and conditions of the Cooperation Agreement

“Reorganisation”	Transfer of the Target Assets from Hainan Jiahua to Jiahua Weiye pursuant to the Cooperation Agreement for the purpose of the Subscription
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Subscription”	the subscription of 65% enlarged issued share capital of Jiahua Weiye at a consideration of RMB455 million by ZS Dalian pursuant to the Cooperation Agreement
“Subscription Shares”	the shares to be issued and allotted by Jiahua Weiye to ZS Dalian under the Subscription, which represent 65% of the enlarged issued share capital of Jihua Weiye upon completion of the Subscription
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Assets”	The 100% equity interest owned by Hainan Jiahua in Hainan Jiexiang Automobile Sales Service Co., Ltd. (海南嘉翔汽車銷售服務有限公司), Haikou Jiahua Toyota Automobile Sales Service Co., Ltd. (海口嘉華豐田汽車銷售服務有限公司), Hainan Jiexiang Commerce Co., Ltd. (海南嘉翔貿易有限公司), Hainan Jiahua Yongtai Automobile Sales Service Co., Ltd. (海南嘉華永泰汽車銷售服務有限公司), Hainan Jiexiang Development Commerce Co., Ltd. (海南嘉翔基業貿易有限公司), Hainan Jiahua Star Automobile Sales Service Co., Ltd. (海南嘉華之星汽車銷售服務有限公司), Hainan Jiahua Infinite Automobile Sales Service Co., Ltd. (海南嘉華英菲尼迪汽車銷售服務有限公司), Hainan Jiahua Meilan Automobile Sales Service Co., Ltd. (海南嘉華美蘭汽車銷售服務有限公司), Qionghai Jiahua Yongxing Automobile Sales Service Co., Ltd. (瓊海嘉華永興汽車銷售服務有限公司), Sanya Jiahua Automobile Sales Service Co., Ltd. (三亞嘉華汽車銷售服務有限公司), Hainan Jiexiang Industrial Co., Ltd. (海南嘉翔實業有限公司), Changchun Jiahui Business & Commerce Co., Ltd. (長春市嘉輝商貿有限公司), Jilin Chuangjia Commerce Co., Ltd. (吉林市創嘉貿易有限公司), Beijing Senhua Entrepreneurship Toyota Automobile Sales Service Co., Ltd. (北京森華創業豐田汽車銷售服務有限公司), Hainan Jiecheng Used-automobile Appraisal & Evaluation Co., Ltd. (海南竭誠二手車鑒定評估有限公司), Beijing Jiahua Tengyuan Automobile Co., Ltd. (北京嘉華騰遠車業有限公司), Haikou Jiahua Yongxin Co., Ltd. (海口嘉華永信有限公司); and the 80% equity interest owned by Hainan Jiahua in Hainan Jiahua Automobile Sales Service Co., Ltd. (海南嘉華汽車銷售服務有限公司) and Beijing Senhua Jiayun Automobile Sales Service Co., Ltd. (北京森華佳運汽車貿易有限公司)

“Target Group”	4S Dealership Companies and Non-4S Dealership Companies
“ZS Dalian”	Zhongsheng (Dalian) Group Co., Ltd. (中升(大連)集團有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 29 April 2016

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 director of the Company is Mr. Adam Keswick; and the independent non-executive directors of the Company are Mr. Ng Yuk Keung, Mr. Shen Jinjun, Mr. Lin Yong and Mr. Shoichi Ota.