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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 EXISTING CONVERTIBLE BONDS
PROPOSED ISSUE OF HK\$3,925 MILLION
ZERO COUPON CONVERTIBLE BONDS DUE 2023**

Sole Global Coordinator, Sole Bookrunner and Sole Dealer Manager

J.P.Morgan

PROPOSED REPURCHASE OF THE EXISTING CONVERTIBLE BONDS

Reference is made to the announcement of the Company dated 3 May 2018 in relation to the proposed repurchase of the Existing Convertible Bonds.

On 3 May 2018, the Company entered into the Dealer Manager Agreement with the Sole Dealer Manager pursuant to which the Sole Dealer Manager was appointed in connection with the proposed repurchase of the Existing Convertible Bonds (the “**Repurchase**”) to, amongst others, assist the Company in collecting indications of interests from holders of the Existing Convertible Bonds who are willing to sell some or all of their Existing Convertible Bonds to the Company.

The Board announces on 3 May 2018, the Company, through the Sole Dealer Manager has received a strong response from holders of the Existing Convertible Bonds to participate in the Repurchase. After the date of this announcement, the Company may, through the Sole Dealer Manager, continue with the Repurchase from time to time.

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 4 May 2018. Further announcement(s) in respect of the Repurchase Price of the Existing Convertible Bonds will be made by the Company as soon as practicable after determination of the Repurchase Price.

PROPOSED ISSUE OF CONVERTIBLE BONDS DUE 2023 BY THE COMPANY

The Board announces that on 4 May 2018, the Company and the Manager have entered into the Bond Subscription Agreement whereby the Manager has conditionally agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the 2023 Convertible Bonds to be issued by the Company in an initial aggregate principal amount of HK\$3,925 million and the Company has conditionally agreed to grant the Manager an option to subscribe for up to an additional HK\$775 million in principal amount of the 2023 Convertible Bonds (the “**Option Bonds**”). The 2023 Convertible Bonds are convertible in the circumstances set out in the Terms and Conditions into ordinary shares of par value HK\$0.0001 each in the issued share capital 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 2023 Convertible Bonds will be listed on the Hong Kong Stock Exchange. An application will be made to the Hong Kong Stock Exchange for the listing of the 2023 Convertible Bonds and the listing of, and permission to deal in, the New Shares.

GENERAL MANDATE

The New Shares will be allotted and issued pursuant to the General Mandate and 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 2023 Convertible Bonds after deduction of commission and expenses, amount to approximately HK\$3.88 billion, among which, (1) approximately 65% of the proceeds will be used to fund the Repurchase; (2) approximately 15% of the proceeds will be used to open new 4S stores in order to further expand the Company's network coverage and for potential mergers and acquisitions when such opportunities arise; (3) approximately 10% of the proceeds will be used for working capital purposes to strengthen the financial position of the Group; and (4) approximately 10% will be used for repayment of offshore debt. As between the different uses of proceeds described above, the percentage of allocation may be adjusted by the Company following the determination of the Repurchase Price.

Completion of the Bond Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Bond Subscription Agreement may be terminated in certain circumstances. Please refer to the paragraph headed "The Bond Subscription Agreement" below for further information. As the Company may or may not obtain the approvals from the Hong Kong Stock Exchange and the Bond Issue may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

PROPOSED REPURCHASE OF THE EXISTING CONVERTIBLE BONDS

Reference is made to the announcement of the Company dated 3 May 2018 in relation to the proposed repurchase of the Existing Convertible Bonds.

On 3 May 2018, the Company entered into the Dealer Manager Agreement with the Sole Dealer Manager pursuant to which the Sole Dealer Manager was appointed in connection with the Repurchase to, amongst others, assist the Company in collecting indications of interests from holders of the Existing Convertible Bonds who are willing to sell some or all of their Existing Convertible Bonds to the Company.

The Board announces on 3 May 2018, the Company, through the Sole Dealer Manager has received a strong response from holders of the Existing Convertible Bonds to participate in Repurchase. After the date of this announcement, the Company may, through the Sole Dealer Manager, continue with the Repurchase from time to time.

THE DEALER MANAGER AGREEMENT

Date: 3 May 2018

Parties: The Company and J.P. Morgan Securities plc as the Sole Dealer Manager

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

1. on the date of the Dealer Manager Agreement, the Company shall have obtained all required regulatory approvals and have taken all necessary steps in connection with the Sole Dealer Manager Agreement or the Repurchase;
2. on the date of the Dealer Manager Agreement, the Company shall have delivered to the Sole Dealer Manager a copy of the Repurchase Materials as (defined under the Dealer Manager Agreement); and
3. on the date of the Dealer Manager Agreement, the Sole Dealer Manager shall have received certain legal opinions dated the date of the Dealer Manager Agreement.

Conditions to the Repurchase: The settlement by the Company of such sales and purchases of the Existing Convertible Bonds in relation to the Repurchase will be conditional upon the receipt of the net proceeds from the issue of the 2023 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 Sole Dealer Manager 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 Sole Dealer Manager as a result of the failure of any of the conditions to the obligations of the Sole Dealer Manager set out in the Dealer Manager Agreement; or
4. upon written notice by the Sole Dealer Manager to the Company if there shall have come to the notice of the Sole Dealer Manager any breach of, or any event rendering untrue or incorrect in any respect, any of the representations and warranties or failure to perform any of the Company's undertakings 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 4 May 2018. Further announcement(s) in respect of the determination of Repurchase Price of the Existing Convertible Bonds will be made by the Company as soon as practicable.

PROPOSED ISSUE OF HK\$3,925 MILLION ZERO COUPON CONVERTIBLE BONDS DUE 2023

THE BOND SUBSCRIPTION AGREEMENT

- Date: 4 May 2018
- Parties: The Company and J.P. Morgan Securities plc as the Manager.
- Proposed issue of the 2023 Convertible Bonds: The Manager has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the 2023 Convertible Bonds to be issued by the Company in an aggregate principal amount of HK\$3,925 million
- Option Bonds: The Company has agreed to grant the Manager an option to subscribe for up to an additional HK\$775 million in principal amount of the 2023 Convertible Bonds, at any time, on or before 22 June 2018. The Option Bonds shall be exercisable in the following manner:
- (a) Except in the manner as described in point (b) below, the Option Bonds shall be exercisable, in whole or in part, on one or more occasions, only upon mutual agreement between the Company and the Manager confirmed in writing and entered into at least two business days before (or any other date as separately agreed between the Company and the Manager) the date of the Option Bonds are to be issued by the Company against payment for the Option Bonds; and
 - (b) On the date of 4 May 2018, the Manager agreed that the Company can, by written notice to the Manager, notify the Manager to subscribe for an amount that shall be at or above HK\$196 million but not exceeding HK\$236 million in principal amount of Option Bonds.
- upon receipt of consent from the Company (such consent not to be unreasonably withheld or delayed) at least two business days before the date the Option Bonds are to be issued by the Company against payment for the Option Bonds (the “**Option Bonds Issue Date**”).

Conditions
Precedent:

The obligations of the Manager to subscribe and pay for the 2023 Convertible Bonds are subject to, amongst others, the following conditions precedent:

The Manager being reasonably satisfied with the results of its due diligence investigations with respect to the Company and its subsidiaries for the purposes of preparation of the Offering Circular, and the Offering Circular having been prepared in form and content satisfactory to the Manager and having been delivered to the Manager in accordance with the Bond Subscription Agreement

1. a copy of the “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 2023 Convertible Bonds in accordance with the NDRC Circular, which remains in full force and effect on the Firm Bonds Issue Date and the Option Bonds Issue Date (if any);
2. (i) approval from the Hong Kong Stock Exchange for the listing of the 2023 Convertible Bonds and the listing of, and permission to deal in, the New Shares having been obtained and (ii) approval from the Hong Kong Stock Exchange having been obtained in relation to Listing Rule 10.06(3) with respect to the carrying out of the issuance of the 2023 Convertible Bonds and the repurchase of the Existing Convertible Bonds;
3. on the Publication Date and the Firm Bonds Issue Date or Option Bonds Issue Date (if any),
 - (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 Manager a certificate, dated as of such date, of a director or a duly authorised signatory of the Company to such effect;

Financial information certificates relating to the Company dated the Firm Bonds Issue Date or Option Bonds Issue Date (if any), addressed to the Manager and signed by a duly authorised signatory of the Company

4. on or prior to the Firm Bonds Issue Date or Option Bonds Issue Date (if any), there shall have been delivered to the Manager, each in a form and substance reasonably satisfactory to the Manager, certain legal opinions dated the Firm Bonds Issue Date or Option Bonds Issue Date (if any);
5. after the date of the Bond Subscription Agreement or, if earlier, the dates as of which information is given in the Offering Circular up to and on the Firm Bonds Issue Date or Option Bonds Issue Date (if any), 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 Manager, is material and adverse in the context of the issue and offering of the 2023 Convertible Bonds and from that set out in the Offering Circular.

The Manager may at its discretion and upon such terms as it thinks 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 2023 Convertible Bonds are conditional upon the receipt by the Company on or before 22 May 2018 of a trade confirmation from J.P. Morgan Securities plc setting out a legally-binding commitment to deliver to the Company at least 75% 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).

Completion:

Completion of the subscription and issue of the 2023 Convertible Bonds will take place on the Firm Bonds Issue Date or Option Bonds Issue Date (if any).

- Lock-up: The Company has agreed not to, among others, issue any Shares for a period of 60 days from the Firm Bonds Issue Date or Option Bonds Issue Date (if any). 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 days from the Firm Bonds Issue Date or Option Bonds Issue Date (if any).
- Distribution: To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Manager is an independent third party not connected with the Company or any of its Subsidiaries or any of its directors, chief executives or substantial shareholders or any of its associates.
- The Manager has informed the Company that it intends to offer and sell the 2023 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.
- Ranking of New Shares: The New Shares 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 conversion date. The issue of the 2023 Convertible Bonds is not subject to the approval of the shareholders of the Company.
- Termination: The Manager may, by notice to the Company given at any time prior to payment of the net subscription monies for the 2023 Convertible Bonds to the Company, in its sole discretion terminate the Bond Subscription Agreement in any of the following circumstances:
1. if there shall have come to the notice of the Manager 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 Manager on or prior to the Firm Bonds Issue Date or Option Bonds Issue Date (if any);
3. if in the opinion of the Manager, 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 its view, be likely to prejudice materially the success of the offering and distribution of the 2023 Convertible Bonds or dealings in the 2023 Convertible Bonds in the secondary market;
4. if, in the opinion of the Manager, 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; (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, Hong Kong, the PRC, Singapore or the United Kingdom; (iv) a material adverse change or development involving a prospective material adverse change in taxation affecting the Company, the 2023 Convertible Bonds and the Shares to be issued upon conversion of the 2023 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 Manager, 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 its view be likely to prejudice materially the success of the offering and distribution of the 2023 Convertible Bonds or dealings in the 2023 Convertible Bonds in the secondary market.

PRINCIPAL TERMS OF THE 2023 CONVERTIBLE BONDS

The Principal terms of the 2023 Convertible Bonds are summarised as follows:

Issuer:	the Company
Principal Amount of the 2023 Convertible Bonds:	HK\$3,925 million in aggregate principal amount of Firm Bonds and an additional HK\$775 million in principal amount of Option 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 2023 Convertible Bonds:	100% of the principal amount of the 2023 Convertible Bonds.
Form and Denomination:	The 2023 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 2023 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 23 May 2023 (the “ Maturity Date ”)
Conversion Right:	The Bondholders have the right to convert their 2023 Convertible Bonds into Shares at any time during the Conversion Period, subject to the Terms and Conditions.

Conversion Period: On or after the 41st day after the Firm Bonds Issue Date or Option Bonds Issue Date (if any) up to the close of business on the 10th day prior to the Maturity Date, unless previously redeemed, converted, or repurchased and cancelled. The number of Shares to be issued on conversion of a 2023 Convertible Bond will be determined by dividing the principal amount of the 2023 Convertible Bond to be converted by the Conversion Price then in effect.

Initial Conversion Price: The conversion price will be 127.5% multiplied by the higher of (i) HK\$22.75 per Share and (ii) the VWAP, which will be determined after trading of the Shares has closed on the Hong Kong Stock Exchange on 4 May 2018:

1. consolidation, subdivision or reclassification of the Shares;
2. capitalisation of profits or reserves;
3. capital distribution (including, for cash dividends in excess of 20% of the Company's most recent published annual consolidated net profits attributable to shareholders after deducting minority interest and tax for that fiscal year in relation to which such cash dividend is announced);
4. rights issue of shares, options, warrants or other rights to subscribe for shares at less than 93% of the then current market price of the Shares;
5. rights issue of other securities;
6. issue of shares, options, warrants or other rights to subscribe for shares for cash at less than 93% of the then current market price of the Shares;
7. other issue of securities for cash with rights of conversion into, or exchange or subscription for, Shares at less than 93% of the then current market price of the Shares;
8. modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in paragraph 7 above at a consideration per Share at less than 93% of the market price of the then current Shares;

9. other offers by the Company or any of its subsidiaries whereby the Shareholders are generally entitled to participate in arrangements whereby such securities may be acquired by them; and
10. other events or circumstances not mentioned above which the Company shall consult an independent investment bank to determine the adjustment (if any) should be made to the conversion price.

The Company confirms that it will not take any action which would result in any adjustment of the conversion price, following which the maximum number of conversion shares to be issued and allotted upon conversion of the 2023 Convertible Bonds will exceed the limit under the General Mandate, unless and until the Company shall have obtained a specific mandate by the Shareholders at any general meeting(s) in respect of the issue and allotment of such additional conversion shares in excess.

Early Redemption Amount:	An amount representing a gross yield of 2.75% 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 2023 Convertible Bond at 114.63% of its principal amount on the Maturity Date.
Redemption at the Option of the Company:	At any time after 23 May 2021 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 5 trading days prior to the date upon which notice of such redemption is to be published, is at least 130% of the applicable Early Redemption Amount divided by the prevailing conversion ratio based on the conversion price from time to time.

Redemption for taxation reasons:	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 2023 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 4 May 2018, and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it.
Redemption upon Change of Control:	Bondholders have the right to require redemption of their 2023 Convertible Bonds, all or some only, at the Early Redemption Amount upon the occurrence of a Change of Control event.
Redemption at the Option of the holders of the 2023 Convertible Bonds:	On or about 23 May 2021 (the “ Put Option Date ”), the holder of the 2023 Convertible Bonds will have the right at such holder's option, to require the Company to redeem all or some only of the 2023 Convertible Bonds at 108.54% of their principal amount and any interest accrued (if any).
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, Bondholders have the right to require the Company to redeem all or some only of their 2023 Convertible Bonds at the Early Redemption Amount.
Listing:	Application will be made to the Hong Kong Stock Exchange for the listing of the 2023 Convertible Bonds. The 2023 Convertible Bonds will be traded and settled in Hong Kong Dollars only. 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 2023 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 23 May 2018 with a common depository for, Euroclear Bank SA/NV (“ Euroclear ”) and Clearstream Banking S.A. (“ Clearstream ”).

- Voting rights: Unless and until the Bondholders acquire the Shares upon conversion of the 2023 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 2023 Convertible Bonds are freely transferable.
- Status: The 2023 Convertible Bonds constitute direct, unsubordinated, unconditional and (subject to the Terms and Conditions) unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves.
- Negative Pledge: So long as any 2023 Convertible Bond remains outstanding, 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 Bonds equally and rateably therewith to the satisfaction of the trustee or (b) providing such other security for the 2023 Convertible Bonds as may be approved by an extraordinary resolution (as defined in the trust deed) of Bondholders.

The 2023 Convertible Bonds are convertible in the circumstances set out in the terms and conditions of the 2023 Convertible Bonds into ordinary shares of HK\$0.0001 each in the issued share capital of the Company at an Initial 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 4 May 2018. Further announcement(s) in respect of the Initial Conversion Price will be made by the Company as soon as practicable after determination of the ICP.

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

Assuming full conversion of 25% of the Existing Convertible Bonds remaining outstanding in the principal amount of HK\$2,350 million at the initial conversion price of HK\$20.2860 based on the Secured Commitment, the Outstanding Existing Convertible Bonds will be convertible into approximately 115,843,439 Shares (the “**Existing Conversion Shares**”), representing approximately 5.11% of the issued share capital of the Company as at the date of this announcement and approximately 4.86% 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 2023 Convertible Bonds and that the Initial Conversion Price is HK\$29.0063, the 2023 Convertible Bonds will be convertible into approximately [•] Shares, representing approximately 5.97% of the issued share capital of the Company as at the date of this announcement and approximately 5.57% of the issued share capital of the Company as enlarged by the issue of the New Shares. As the Initial Conversion Price would not be fixed until the VWAP is determined which shall only take place after trading of the Shares on 4 May 2018 has closed, the Company will make a further announcement to inform shareholders and investors of the VWAP and the Initial 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 Outstanding Existing Convertible Bonds and the full conversion of the 2023 Convertible Bonds based on the Initial Conversion Price as determined). Given that the Initial Conversion Price will in any event not be less than that of HK\$29.0063 per Share, the 2023 Convertible Bonds will not be convertible into more than [•] Shares even if the Initial Conversion Price as determined is higher than HK\$29.0063 per Share. The New Shares to be issued upon conversion of the 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 (assuming full conversion of the Outstanding 2018 Convertible Bonds and the full conversion of the 2023 Convertible Bonds):

Shareholder	Existing (as of the date of this announcement)		Assuming the 25% of the Existing Convertible Bonds remaining outstanding are fully converted into Shares at an initial conversion price of HK\$20.2860 per Share (subject to adjustments)		Assuming the 2023 Convertible Bonds and the Option Bonds are fully converted into Shares at an Initial Conversion Price of HK\$22.75 per Share (subject to adjustments)		Assuming 25% of the Existing Convertible Bonds remaining outstanding are fully converted into Shares at an initial conversion price at HK\$20.2860 per Share (subject to adjustments) and the 2023 Convertible Bonds and Option Bonds are fully converted into Shares at an Initial Conversion Price of HK\$29.0063 per Share (subject to adjustments)	
	No. of shares	% of issued ordinary share capital of the Company (approximate)	No. of shares	% of issued ordinary share capital of the Company (approximate)	No. of shares	% of issued ordinary share capital of the Company (approximate)	No. of shares	% of issued ordinary share capital of the Company (approximate)
	Light Yield Ltd. ⁽¹⁾	152,678,504	6.73	152,678,504	6.41	152,678,504	6.29	152,678,504
Blue Natural Development Ltd. ⁽²⁾	182,026,000	8.03	182,026,000	7.64	182,026,000	7.49	182,026,000	7.41
Mountain Bright Limited ⁽³⁾	486,657,686	21.47	486,657,686	20.42	486,657,686	20.03	486,657,686	19.80
Vintage Star Limited ⁽⁴⁾	486,657,686	21.47	486,657,686	20.42	486,657,686	20.03	486,657,686	19.80
Shareholders of companies jointly controlled by Mr. Huang Yi and Mr. Li Guoqiang	1,308,019,876	57.70	1,308,019,876	54.89	1,308,019,876	53.85	1,308,019,876	53.21
JSH Investment Holdings Limited	453,412,844	20	453,412,844	19.03	453,412,844	18.67	453,412,844	18.45
Public Shareholders	505,631,500	22.30	621,474,939	26.08	667,665,265	27.49	696,626,124	28.34
Total	<u>2,267,064,220</u>	<u>100</u>	<u>2,382,907,659</u>	<u>100.00</u>	<u>2,429,097,985</u>	<u>100.00</u>	<u>2,458,058,844</u>	<u>100.00</u>

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) Rule 8.08(1)(a) of the Listing Rules provides that normally at least 25% of the issuer's total issued share capital must at all times be held by the public. At the time of the Company's listing, the Hong Kong Stock Exchange (upon the Company's application) exercised its discretion under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage for the Company, which shall be the higher of (i) 15% or (ii) such percentage of Shares held by the public immediately after completion of the Global Offering (as increased by the Shares to be issued upon exercise of the over-allotment option). On 26 March 2010, the over-allotment option was fully exercised, resulting in the additional allotment of 42,924,000 Shares, and the percentage of Shares held by the public Shareholders increased to approximately 17.24%. Accordingly, the lower public float percentage of the Company accepted by the Hong Kong Stock Exchange is approximately 17.24% (being higher than 15%). Please refer to the prospectus of the Company dated 16 March 2010 and the Company's announcement dated 26 March 2010 for further details. In light of the above, the Company's public float will not fall below the minimum prescribed percentage agreed by the Hong Kong Stock

Exchange (i.e. approximately 17.24%) assuming full conversion of the Outstanding 2018 Convertible Bonds and the 2023 Convertible Bonds. The Company will monitor closely and will ensure that it maintains the minimum public float percentage 17.24% from time to time.

USE OF PROCEEDS

The estimated net proceeds from the issue of the 2023 Convertible Bonds after deduction of commission and expenses, amount to approximately HK\$3.88 billion, among which, (1) approximately 65% of the proceeds will be used to fund the Repurchase; (2) approximately 15% of the proceeds will be used to open new 4S stores in order to further expand the Company's network coverage and for potential mergers and acquisitions when such opportunities arise; (3) approximately 10% of the proceeds will be used for working capital purposes to strengthen the financial position of the Group; and (4) approximately 10% will be used for repayment of offshore debt. As between the different uses of proceeds described above, the percentage of allocation may be adjusted by the Company following the determination of the Repurchase Price.

REASONS FOR AND BENEFITS OF THE BOND ISSUE

The Directors consider the Bond Issue represents an opportunity to raise capital for the Company while broadening the shareholder base and capital base of the Company and to obtain immediate funding for further business expansion. Accordingly, the Directors consider the terms of the Bond Subscription Agreement are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

GENERAL MANDATE

The issue of the 2023 Convertible Bonds and the New Shares is not subject to Shareholders' approval. The New Shares will be issued pursuant to the General Mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the annual general meeting held on 12 June 2017 which authorised the Directors to allot and issue a maximum of 429,301,391 Shares. As at the date of this announcement, (i) no portion of the General Mandate has been utilised (other than for the purpose of the Existing Convertible Bonds); (ii) the Company has not allotted and issued any Shares pursuant to the General Mandate (other than for the purposes of Shares issued upon conversion of the Existing Convertible Bonds), and (iii) 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 China which is 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.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

On 13 April 2017, the Company entered into a subscription agreement with Jardine Strategic Holdings Limited (the “**Investor**”), according to which the Company agreed to issue, and the Investor agreed to subscribe for, 120,557,263 shares of the Company (the “**Private Placement Subscription Shares**”) at an aggregate subscription price of HK\$1,344,290,639 (the “**Private Placement**”). The Private Placement was completed on 26 June 2017 and the Private Placement Subscription Shares were successfully placed and issued to JSH Investment Holdings Limited, a wholly-owned subsidiary of the Investor and an existing shareholder of the Company. The net proceeds from the Private Placement amounted to approximately HK\$1,343,000,000, of which approximately 58% has been utilised for developing the dealership network and approximately 42% has been utilised for general working capital purposes.

On 11 October 2017, the Company entered into a bond subscription agreement with J.P. Morgan Securities plc whereby J.P. Morgan Securities plc agreed to subscribe for the Existing Convertible Bonds issued by the Company at an aggregate subscription price of HK\$2,350 million. The issuance of the Existing Convertible Bonds was completed on 30 October 2017. The net proceeds from the issue of Existing Convertible Bonds after deduction of commission and expenses amounted to approximately HK\$2,300 million, among which, (1) approximately 50% of the proceeds has been used to open new 4S stores in order to further expand the Company’s network coverage and for potential mergers and acquisitions when such opportunities arise; (2) approximately 25% of the proceeds has been used for working capital purpose to strengthen the financial position of the Group; and (3) approximately 25% has been used for repayment of offshore debt.

Completion of the Bond Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein and as set out in the Dealer Manager Agreement. In addition, the Bond Subscription Agreement may be terminated in certain circumstances. Please refer to the paragraph headed “The Bond Subscription Agreement” above for further information. Shareholders and potential investors 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:

“2023 Convertible Bonds”	means the HK\$3,925 million in aggregate principal amount of zero coupon convertible bonds due 2023 to be issued by the Company
“Affiliate”	of any specified Person means any other Person, directly or indirectly, Controlling or Controlled by or under direct or indirect common Control with such specified Person
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bondholders”	holder(s) of the 2023 Convertible Bonds from time to time
“Bond Issue”	the issue of the 2023 Convertible Bonds by the Company
“Bond Subscription Agreement”	the subscription agreement dated 4 May 2018 entered into among the Company and the Manager in respect of the issue of the 2023 Convertible Bonds
“Change of Control”	a “Change of Control” occurs when: <ul style="list-style-type: none">(i) any Person or Persons (other than the Permitted Holders) singly or acting together acquire Control of the Company, if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Company on the Firm Bonds Issue Date or Option Bonds Issue Date (if any); or(ii) the Company consolidates with or merges into or sells or transfers all or substantially all of the assets of the Company 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; or(iii) the Permitted Holders at any time and for any reason ceases to Control the Company
“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

“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“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
“Control”	the acquisition or holding of legal or beneficial ownership or control of more than 50% of the voting rights of the issued share capital of the Company or the right to appoint and/or remove all or the majority of the members of the Company’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise
“Dealer Manager Agreement”	the dealer manager agreement dated 3 May 2018 entered into between the Company and the Dealer Manager in respect of the repurchase of the 2018 Convertible Bonds
“Director(s)”	director(s) of the Company
“Early Redemption Amount”	means an amount in respect of each 2023 Convertible Bond, together with unpaid accrued interest, which represents a gross yield of 2.75% per annum for the holders of the 2023 Convertible Bonds, calculated on a semi-annual basis up to the Maturity Date by an independent investment bank
“Existing Convertible Bonds”	means the HK\$2,350 million in aggregate principal amount of zero coupon convertible bonds due 2018 issued by the Company on 30 October 2017
“Firm Bonds Issue Date”	means 23 May 2018, or such other date, not being later than 6 June 2018, as the Company and the Manager may agree
“General Mandate”	the general mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the annual general meeting held on 12 June 2017
“Global Certificate”	a global bond certificate representing the 2023 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
“Initial Conversion Price”	means such conversion price representing the higher of (i) HK\$22.75 per Share and (ii) the VWAP, multiplied by 127.5%
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Manager”	J.P. Morgan Securities plc
“New Shares”	means Shares to be allotted and issued by the Company upon conversion of the 2023 Convertible Bonds
“NDRC”	the National Development and Reform Commission of the PRC or its competent local counterpart
“NDRC Circular”	the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (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
“Offering Circular”	means the circular which the Company is required to provide to prospective Bondholder(s) or investors in relation to the Bond Issue
“Option Bonds Issue Date”	at least two business days before the date of the Option Bonds are to be issued by the Company against payment for the Option Bonds

“Permitted Holder(s)”	means any or all of the Permitted Huang Holders or Permitted Li Holders; where “Permitted Huang Holders” means any or all of the following: (i) Mr Huang Yi; (ii) the estate and any spouse or immediate family member of Mr Huang Yi or the legal representatives of any of the foregoing (including any trust for which Mr Huang Yi, his spouse or immediate family member is a settlor or a beneficiary); (iii) any Affiliate of the Persons specified in clauses (i) and (ii); and (iv) any Person both the capital stock and the voting stock of which are wholly owned by Persons specified in (i), (ii) and (iii); where “Permitted Li Holders” means any or all of the following: (i) Mr Li Guoqiang; (ii) the estate and any spouse or immediate family member of Mr Li Guoqiang or the legal representatives of any of the foregoing (including any trust for which Mr Li Guoqiang, his spouse or immediate family member is a settlor or a beneficiary); (iii) any Affiliate of the Persons specified in clauses (i) and (ii); and (iv) any Person both the capital stock and the voting stock of which are wholly owned by Persons specified in (i), (ii) and (iii)
“Person”	includes any individual, company, corporation, partnership, limited liability company, joint venture, trust, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include (i) the board of directors of the Company or any other governing board or (ii) the Company’s direct or indirect Subsidiaries
“PRC”	the People’s Republic of China (for the purpose of this announcement excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“Publication Date”	means the date of the Offering Circular, which shall be no later than three business days prior to the Firm Bonds Issue Date or Option Bonds Issue Date (if any) or such other date as may be agreed between the Company and the Manager

“Reference Share Price”	means the higher of (i) HK\$22.75, being the closing price of the Shares on 3 May 2018 and (ii) the VWAP
“Regulation S”	Regulation S under the Securities Act
“Repurchase Price”	$(115.25\% \times \text{Reference Share Price} / \text{HK\$}22.75) + 1\%$
“Securities Act”	the US Securities Act of 1933, as amended
“Settlement Date”	23 May 2018, being the date on which the Existing Convertible Bonds are 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
“Sole Dealer Manager”	J.P. Morgan Securities plc
“Subsidiary(ies)”	means, in relation to any Person (the “ first Person ”) at any particular time, any other Person (the “ second Person ”): <ul style="list-style-type: none"> (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person
“substantial shareholders”	has the meaning ascribed to it under the Listing Rules
“Terms and Conditions”	means the terms and conditions in relation to the 2023 Convertible Bonds
“trading day”	a day when the Hong Kong Stock Exchange or, as the case may be an alternative Stock Exchange is open for dealing business, provided that if no Closing Price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days
“United States”	the United States of America

“VWAP” means the volume weighted average price per Share (referenced via Bloomberg of the Shares (881 HK)) for the full trading day of 4 May 2018

“%” per cent.

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

Hong Kong, 4 May 2018

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. Pang Yiu Kai and Mr. Cheah Kim Teck; and the independent non-executive directors of the Company are Mr. Shen Jinjun, Mr. Lin Yong, Mr. Shoichi Ota and Mr. Ying Wei.