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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)

FURTHER INFORMATION IN RELATION TO
(I) PROPOSED REPURCHASE OF
THE EXISTING CONVERTIBLE BONDS
(II) 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

Reference is made to the announcements of the Company dated 3 May 2018 and 4 May 2018 in relation to the proposed repurchase of the Existing Convertible Bonds and the proposed issue of the 2023 Convertible Bonds. Unless the context otherwise requires, capitalised words and expressions used herein shall have the same meanings as defined in the announcement dated 4 May 2018 (the “**Announcement**”).

FURTHER INFORMATION IN RELATION TO (I) PROPOSED REPURCHASE OF THE EXISTING CONVERTIBLE BONDS AND (II) PROPOSED ISSUE OF HK\$3,925 MILLION ZERO COUPON CONVERTIBLE BONDS DUE 2023

The Company would like to provide further information in relation to the proposed repurchase of the Existing Convertible Bonds and proposed issue of the 2023 Convertible Bonds as set out below.

I. 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 that, based on the Reference Share Price of HK\$23.5398, being the number representing the higher of HK\$22.75 or the VWAP (i.e. HK\$23.5398), the Repurchase Price of the Existing Convertible Bonds has been set at 120.25% of the principal amount of the Existing Convertible Bonds.

As at the date of this announcement, the Company has, through the Sole Dealer Manager, received commitments from holders of the Existing Convertible Bonds to sell approximately HK\$1,958 million in aggregate principal amount of the Existing Convertible Bonds to the Company. The remaining outstanding Existing Convertible Bonds amount to approximately HK\$392 million (the “**Remaining Outstanding Existing Convertible Bonds**”).

The Company may, through the Sole Dealer Manager, continue to purchase the Existing Convertible Bonds from time to time in the open market or otherwise pursuant to the terms and conditions of the Existing Convertible Bonds.

II. Proposed Issue of HK\$3,925 Million Zero Coupon Convertible Bonds Due 2023

On 3 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. In addition, 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 convertible bonds (the “**Option Bonds**”, together with the 2023 Convertible Bonds, the “**New Convertible Bonds**”), the terms of which are identical to that of the 2023 Convertible Bonds. As at the date of this announcement, no option has been exercised to subscribe for any of the Option Bonds. Further announcement will be made by the Company if and when the option to subscribe for the Option Bonds, in full or in part, is exercised.

The Board announces that, based on the Reference Share Price of HK\$23.5398, being the number representing the higher of HK\$22.75 or the VWAP (i.e. HK\$23.5398), the Initial Conversion Price of the 2023 Convertible Bonds and the Option Bonds has been set at HK\$30.0132 per Share.

The Initial Conversion Price of HK\$30.0132 per Share is subject to adjustments in the following events as set out in the Terms and Conditions:

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 intends to apply for the listing of the 2023 Convertible Bonds on the Hong Kong Stock Exchange, and will also apply to the Hong Kong Stock Exchange for the listing of, and permission, to deal in the Shares which may fall to be issued by the Company on the conversion of the 2023 Convertible Bonds. Upon the exercise of the option to subscribe for any of the Option Bonds, the Company intends to apply for the listing on the Hong Kong Stock Exchange the portion of the Option Bonds to be subscribed for, and will also apply to the Hong Kong Stock Exchange for the listing of, and permission, to deal in the Shares which may fall to be issued by the Company on the conversion of such portion of the Option Bonds.

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

Assuming full conversion of the Remaining Outstanding Existing Convertible Bonds at the initial conversion price of HK\$20.2860, the Remaining Outstanding Existing Convertible Bonds will be convertible into approximately 19,323,671 Shares (the “**Existing Conversion Shares**”), representing approximately 0.852% of the issued share capital of the Company as at the date of this announcement and approximately 0.845% 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 Remaining 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 at the Initial Conversion Price is HK\$30.0132, the 2023 Convertible Bonds will be convertible into approximately 130,775,791 Shares (the “**2023 Conversion Shares**”), representing approximately 5.77% of the issued share capital of the Company as at the date of this announcement and approximately 5.45% of the issued share capital of the Company as enlarged by the issue of the 2023 Conversion Shares. The 2023 Conversion Shares to be issued upon conversion of the 2023 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 Option Bonds at the Initial Conversion Price of HK\$30.0132, the Option Bonds will be convertible into approximately 25,821,971 Shares (the “**Option Conversion Shares**”), representing approximately 1.14% of the issued share capital of the Company as at the date of this announcement and approximately 1.13% of the issued share capital of the Company as enlarged by the issue of the Option Conversion Shares. The Option Conversion Shares to be issued upon conversion of the Option Bonds will rank *pari passu* in all respects with the Shares then in issue on the relevant conversion date.

The following table summarises the shareholding structure of the Company (i) as at the date of this announcement; (ii) assuming full conversion of the Remaining Outstanding Existing Convertible Bonds at the initial conversion price of HK\$20.2860; (iii) assuming

full conversion of the New Convertible Bonds (not including the Option Bonds) at the initial conversion price of HK\$30.0132; (iv) assuming full conversion of the New Convertible Bonds (including the Option Bonds) at the initial conversion price of HK\$30.0132; and (v) assuming full conversion of the Remaining Outstanding Existing Convertible Bonds and the New Convertible Bonds at their respective initial conversion prices:

Shareholder	Existing (as of the date of this announcement)	Assuming the Remaining Outstanding Existing Convertible Bonds are fully converted into Shares at an initial conversion price of HK\$20.2860 per Share (subject to adjustments)		Assuming the New Convertible Bonds (not including the Option Bonds) are fully converted into Shares at an Initial Conversion Price of HK\$30.0132 per Share (subject to adjustments)		Assuming the New Convertible Bonds (including the Option Bonds) are fully converted into Shares at an Initial Conversion Price of HK\$30.0132 per Share (subject to adjustments)		Assuming the Remaining Outstanding Existing Convertible Bonds are fully converted into Shares at the initial conversion price of HK\$20.2860 per Share (subject to adjustments) and the New Convertible Bonds are fully converted into Shares at an Initial Conversion Price of HK\$30.0132 per Share (subject to adjustments)		
		<i>% of issued ordinary share capital of the Company</i>	<i>% of issued ordinary share capital of the Company</i>	<i>% of issued ordinary share capital of the Company</i>	<i>% of issued ordinary share capital of the Company</i>	<i>% of issued ordinary share capital of the Company</i>	<i>% of issued ordinary share capital of the Company</i>	<i>% of issued ordinary share capital of the Company</i>	<i>% of issued ordinary share capital of the Company</i>	
	<i>No. of shares (approximate)</i>	<i>No. of shares (approximate)</i>	<i>No. of shares (approximate)</i>	<i>No. of shares (approximate)</i>	<i>No. of shares (approximate)</i>	<i>No. of shares (approximate)</i>	<i>No. of shares (approximate)</i>	<i>No. of shares (approximate)</i>	<i>No. of shares (approximate)</i>	
Light Yield Ltd. ⁽¹⁾	152,678,504	6.73	152,678,504	6.68	152,678,504	6.37	152,678,504	6.30	152,678,504	6.25
Blue Natural Development Ltd. ⁽²⁾	182,026,000	8.03	182,026,000	7.96	182,026,000	7.59	182,026,000	7.51	182,026,000	7.45
Mountain Bright Limited ⁽³⁾	486,657,686	21.47	486,657,686	21.29	486,657,686	20.30	486,657,686	20.08	486,657,686	19.92
Vintage Star Limited ⁽⁴⁾	486,657,686	21.47	486,657,686	21.29	486,657,686	20.30	486,657,686	20.08	486,657,686	19.92
Shareholders of companies jointly controlled by Mr. Huang Yi and Mr. Li Guoqiang										
Guoqiang	1,308,019,876	57.70	1,308,019,876	57.21	1,308,019,876	54.55	1,308,019,876	53.97	1,308,019,876	53.54
JSH Investment Holdings Limited	453,412,844	20	453,412,844	19.83	453,412,844	18.91	453,412,844	18.71	453,412,844	18.56
Public Shareholders	505,631,500	22.30	524,955,171	22.96	636,407,291	26.54	662,229,262	27.32	681,552,933	27.90
Total	<u>2,267,064,220</u>	<u>100</u>	<u>2,286,387,891</u>	<u>100</u>	<u>2,397,840,011</u>	<u>100</u>	<u>2,423,661,982</u>	<u>100</u>	<u>2,442,985,653</u>	<u>100</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 25% of the Existing Convertible Bonds and New Convertible Bonds (including the Option Bonds) at their respective initial conversion price. 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 61% 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 14% of the proceeds will be used for working capital purpose to strengthen the financial position of the Group; and (4) approximately 10% will be used for repayment of offshore debt.

GENERAL MANDATE

The issue of the New Convertible Bonds and the Shares which may fall to be issued by the Company on the conversion of the New Convertible Bonds (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.

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” in the Announcement. 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.

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

Hong Kong, 6 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.