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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 AND CONNECTED TRANSACTION  
IN RELATION TO THE ACQUISITION OF ZUNG FU CHINA  
INVOLVING ISSUE OF CONSIDERATION SHARES  
UNDER SPECIFIC MANDATE**

**Financial Adviser to the Company**

**BofA SECURITIES** 

**Independent Financial Adviser**

 **SOMERLEY CAPITAL LIMITED**

**The Transaction**

On 1 July 2021, the Company entered into the Share Purchase Agreement with Fu Tung Holdings Limited as the Seller and Jardine Motors as the guarantor, pursuant to which the Seller has conditionally agreed to sell and the Company has conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of Zung Fu China.

Zung Fu China is a company incorporated in Hong Kong with limited liability and is principally engaged in the motor sales and servicing business in the PRC. Zung Fu China is one of the largest dealership networks of Mercedes-Benz in Southern and Western China. As a strategic partner with Mercedes-Benz, the business of Zung Fu China covers the sale and aftersales services of Mercedes-Benz, AMG, Mercedes-Maybach and Denza and other car related businesses.

The Consideration payable by the Company for the Acquisition is US\$1,300 million, subject to Closing Adjustments.

On Closing, the Company will settle the Closing Consideration by paying the Seller US\$900 million, being the Cash Portion, in cash; with the balance of the Closing Consideration, being the Share Portion, to be settled by the issuance of the Consideration Shares at the Issue Price of HK\$63.3964 per Share. The actual number of Consideration Shares to be issued to the Seller will depend on the final amount of the Share Portion to be determined on the Closing Date. Assuming a Share Portion in the amount of US\$400 million (equivalent to approximately HK\$3,105 million), a total of 48,975,021 Consideration Shares will be issued to the Seller at the Issue Price. Such new Shares represent (a) approximately 2.12% of the issued share capital of the Company as at the date of this announcement; and (b) approximately 2.07% of the issued share capital of the Company as enlarged by the issue and allotment of such number of Consideration Shares (assuming there will be no change in the total number of Shares in issue between the date of this announcement and the issue and allotment of the Consideration Shares). The Consideration Shares will be allotted and issued under the Specific Mandate to be sought at the EGM.

The Consideration is subject to adjustments following the determination of the final Closing Adjustments after Closing.

The Group intends to fund the Cash Portion of the Closing Consideration and any further cash payment required to be made by the Group following the determination of the Closing Adjustments by internal resources of the Group and bank financing.

Immediately after Closing, the Company will hold 100% of the issued share capital of Zung Fu China and Zung Fu China will become a subsidiary of the Company and its financial results will be consolidated with those of the Company.

### **Listing Rules Implications**

As the highest applicable percentage ratio as set out in Rule 14.07 of the Listing Rules in respect of the Transaction exceeds 5%, but all of the applicable percentage ratios are less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

As at the date of this announcement, JSH holds 453,412,844 Shares, representing approximately 19.58% of the issued share capital the Company, and therefore is a substantial shareholder and a connected person of the Company. JSH is a wholly-owned subsidiary of Jardine Matheson. Given the Seller and Jardine Motors are subsidiaries of Jardine Matheson, each of the Seller and Jardine Motors is therefore an associate of JSH and a connected person of the Company. Accordingly, the Transaction constitutes a connected transaction of the Company under the Listing Rules, and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors had any material interest in the Transaction and thus no Director was required to abstain from voting on the Board resolutions approving the Share Purchase Agreement and the transactions contemplated thereunder. Nevertheless, Mr. David Alexander Newbigging and Mr. Hsu David, each being an executive director of Jardine Matheson, have voluntarily abstained from attending the meeting of the Board at which the relevant Board resolutions in relation to the Share Purchase Agreement and the related transactions were considered and voted on.

### **EGM and Circular**

The EGM will be convened for the purpose of seeking the Independent Shareholders' approval by way of poll of the Share Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares pursuant to the Specific Mandate). JSH and its associates will abstain from voting with respect to the relevant resolutions at the EGM.

A circular containing, among other things, (i) further details of the Share Purchase Agreement and the Acquisition (including the grant of the Specific Mandate for the allotment and issue of the Consideration Shares); (ii) a letter from the Independent Board Committee; (iii) a letter from Somerley Capital as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a notice of the EGM and the proxy form; and (v) other information concerning the Company as required under the Listing Rules is expected to be despatched to the Shareholders on or before 22 July 2021.

The Transaction is subject to the fulfilment or wavier of a number of Conditions which are summarised in the paragraph headed “The Share Purchase Agreement — Conditions Precedent” in this announcement, including obtaining merger control clearance from the SAMR and the approval by the Independent Shareholders at the EGM for the Transaction and the Specific Mandate. As the Transaction may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

## **THE SHARE PURCHASE AGREEMENT**

### **Date**

1 July 2021

### **Parties**

- (1) Fu Tung Holdings Limited, as the Seller
- (2) The Company, as the purchaser
- (3) Jardine Motors, as the guarantor

Each of the Seller and Jardine Motors is a subsidiary of Jardine Matheson. JSH, a wholly-owned subsidiary of Jardine Matheson, is a substantial shareholder of the Company and as at the date of this announcement, holds 453,412,844 Shares, representing approximately 19.58% of the issued share capital the Company. Accordingly, JSH is a connected person of the Company and the Seller and Jardine Motors, each being an associate of JSH, are also connected persons of the Company.

### **Acquisition**

Pursuant to the Share Purchase Agreement, the Seller has conditionally agreed to sell and the Company has conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of Zung Fu China.

Zung Fu China is a company incorporated in Hong Kong with limited liability and is principally engaged in the motor sales and servicing business in the PRC. Zung Fu China began operations in the PRC in 1994, being one of the largest dealership networks of Mercedes-Benz in Southern and Western China. As a strategic partner with Mercedes-Benz, the business of Zung Fu China covers the sale and aftersales services of Mercedes-Benz, AMG, Mercedes-Maybach and Denza and other car related businesses.

## Consideration and Payment Terms

### *The Consideration*

The Consideration payable by the Company for the Acquisition is US\$1,300 million (the “**Base Consideration**”), and to be adjusted as follows:

- (a) by adding an amount equals to the cash balance of the Zung Fu China Group as at the Closing Date;
- (b) by deducting an amount equals to the amount of debt of the Zung Fu China Group outstanding as at the Closing Date; and
- (c) by adding or deducting (as the case may be) an amount equals to the difference between the amounts of the agreed level of working capital and the actual working capital of the Zung Fu China Group as at the Closing Date,

(collectively, the “**Closing Adjustments**”).

For the purposes of the settlement of the Consideration on the Closing Date, the Company and the Seller will agree an estimated amount of the Closing Adjustments. On the Closing Date, the Company will settle the Base Consideration as adjusted by such estimated Closing Adjustments (such amount referred to as the “**Closing Consideration**”).

### *Payment Terms*

On the Closing Date, the Company will satisfy the Closing Consideration as follows:

- (a) the Company will pay to the Seller in cash US\$900 million, being the Cash Portion. The Company will deduct from the Cash Portion (i) the Seller’s share of Hong Kong stamp duty payable in connection with the sale and purchase of the Sale Shares, and (ii) the Escrow Amount representing 10% of the Closing Consideration (such amount to be deposited by the Company with an escrow agent on the Closing Date until evidence of determination of the PRC tax payable by the Seller arising from the sale of the Sale Shares has been provided to the Company); and
- (b) the Company will allot and issue to the Seller (or to an Affiliate of the Seller as the Seller may direct) such number of Consideration Shares at the Issue Price representing the Share Portion. The Share Portion shall be an amount equals to the difference between the Closing Consideration and the Cash Portion.

Following the Closing Date, the final amounts of the Closing Adjustments and the Consideration will be determined in accordance with the terms of the Share Purchase Agreement, and any difference between the Consideration and the Closing Consideration will be settled as follows:

- (a) if the Consideration is greater than the Closing Consideration by US\$500,000 or more, the Company shall pay the Seller an amount in cash equals to the difference;
- (b) if the Consideration is less than the Closing Consideration by US\$500,000 or more, the Seller shall pay the Company an amount in cash equals to the difference; and
- (c) if the difference between the Consideration and the Closing Consideration is less than US\$500,000, the final consideration for the Acquisition payable by the Company to the Seller shall be the Closing Consideration and no adjustment payment is payable by either the Company or the Seller to the other party.

### ***Basis of the Consideration***

The Group intends to fund the Cash Portion of the Closing Consideration and any further cash payment required to be made by the Group following the determination of the Closing Adjustments by internal resources of the Group and bank financing. The consideration and payment terms for the Acquisition were determined on an arm's length basis and are on normal commercial terms following negotiation between the Company and the Seller after taking into account, among others, the historical results and performance of the Zung Fu China Group; and the synergies expected to be derived from the Acquisition, as further described in the paragraph headed "Reasons for and Benefits of the Transaction" in this announcement. The Directors are of the view that the terms of the Transaction (including the issue of the Consideration Shares and the Issue Price) are fair and reasonable. There is no original acquisition cost of the Sale Shares as the business of the Zung Fu China Group was established and developed by the Seller. The audited book value of the net assets of Zung Fu China recorded in the financial statements of the Seller as at 31 December 2020 was approximately HK\$5,339.2 million.

The Issue Price of the Consideration Shares of HK\$63.3964 per Share represents:

- (a) the volume weighted average price per Share for the 30 consecutive trading days preceding and including the Price Reference Date; and
- (b) a discount of approximately 2.39% to the closing price of HK\$64.950 per Share as quoted on the Stock Exchange on the Price Reference Date.

The Consideration Shares will be allotted and issued under the Specific Mandate to be sought at the EGM. The Consideration Shares, when allotted and issued, will be credited as fully paid and free from all encumbrances; and will rank *pari passu* in all respects among themselves and with all the Shares then in issue.

The actual number of Consideration Shares to be issued to the Seller (or to an Affiliate of the Seller as the Seller may direct) will depend on the final amount of the Share Portion as further described in the paragraph headed “Consideration and Payment Terms — Payment Terms” in this announcement. Solely for illustration purpose only, assuming a Share Portion in the amount of US\$400 million (equivalent to approximately HK\$3,105 million), a total of 48,975,021 Consideration Shares will be issued at the Issue Price. Such new Shares represent:

- (a) approximately 2.12% of the issued share capital of the Company as at the date of this announcement; and
- (b) approximately 2.07% of the issued share capital of the Company as enlarged by the issue and allotment of such number of Consideration Shares (assuming there will be no change in the total number of Shares in issue between the date of this announcement and the issue and allotment of the Consideration Shares).

An application for the listing of, and permission to deal in, the Consideration Shares will be made by the Company to the Stock Exchange.

#### **Lock-up undertaking by the Seller in respect of the Consideration Shares**

The Seller has undertaken that it will not, and will procure that none of its nominees and Affiliates will, without the prior written consent of the Company, (i) offer, sell, contract to sell, pledge, grant any option over or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) of) by the Seller or any its Affiliates, directly or indirectly, any of the Consideration Shares or any securities convertible into, or exercisable, or exchangeable for, any of the Consideration Shares, (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of the Consideration Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Consideration Shares or such other securities, in cash or otherwise, or (iii) publicly announce an intention to effect any such transaction, during a period of 18 months after the Closing Date (the “**Lock-up Period**”).

#### **Lock-up undertaking by the Company in respect of Zung Fu China Group**

The Company has undertaken that it will not, and will procure that none of its nominees and Affiliates will, without the prior written consent of the Seller, offer, sell, contract to sell, pledge, grant any option over or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) of) by the Company or any its Affiliates, directly or indirectly, any members of the Zung Fu China Group during the Lock-up Period except for granting encumbrances for the purpose of financing.

## Conditions Precedent

Closing is conditional upon the satisfaction or, if applicable, waiver of the following conditions (together, the “**Conditions**”):

- (a) **Compliance with Listing Rules:** the Shareholders having passed the resolutions to approve the Transaction (including the issue of the Consideration Shares) in accordance with the relevant requirements of the Listing Rules and the articles of association of the Company;
- (b) **Listing approval from the Listing Committee:** the Listing Committee having granted approval for the listing of, and permission to deal in, the Consideration Shares;
- (c) **Merger control notification:** a merger control notification having been submitted to, and accepted by, the SAMR under the AML and the Transaction having been cleared by the SAMR under the AML;
- (d) **Hong Kong Property Carve-Out:** the Hong Kong Property Carve-Out, as further described in the paragraph headed “Information of the Zung Fu China Group — Pre-Closing Reorganisation” in this announcement, having been completed;
- (e) **Change in ownership consent:** Mercedes-Benz (China) Limited having given its unconditional written consent to the change in indirect ownership of the members of the Zung Fu China Group operating as Mercedes-Benz dealers in the PRC;
- (f) **Assignment of intellectual properties:** the Seller or its relevant Affiliate(s) having assigned to a member of the Zung Fu China Group certain of its intellectual properties in respect of the operation of Mercedes-Benz dealers in the PRC;
- (g) **Termination of foreign exchange derivative transactions:** all foreign exchange derivative transactions entered into by any members of the Zung Fu China Group having been terminated;
- (h) **Escrow agreement:** an escrow agreement having been entered into among the Company, the Seller and an escrow agent, and that the escrow account in respect of the Escrow Amount having been set up;
- (i) **No material adverse change:** there having been no material adverse change to the Zung Fu China Group since the date of the Share Purchase Agreement;
- (j) **No prohibition of law:** there being no applicable law that would prohibit, prevent, make illegal, or restrict the Transaction; and
- (k) **No lawsuit to prohibit the Transaction:** there being no lawsuit commenced by any governmental authority that seeks to prohibit or otherwise enjoin, challenge or interfere with the consummation of the Transaction.

The conditions set out in paragraphs (a) to (c), (j) and (k) above cannot be waived. The Company may at any time waive any of the Conditions set out in paragraphs (d) to (i). If any of the Conditions are not satisfied or waived by the Long Stop Date, the Company or the Seller may, in its sole discretion, terminate the Share Purchase Agreement, provided that the right to terminate the Share Purchase Agreement shall not be available to any party whose action or failure to perform any obligation under the Share Purchase Agreement has been a principal cause of or resulted in the failure of any Condition to have been satisfied by the Long Stop Date.

As of the date of this announcement, no Conditions have been satisfied or waived under the Share Purchase Agreement.

### **Guarantee**

Subject to the terms of the Share Purchase Agreement, the Guarantor agrees to guarantee the obligations of the Seller under the Share Purchase Agreement.

### **Closing**

Subject to the satisfaction or waiver (as the case may be) of all the Conditions, Closing is scheduled to take place on the tenth Business Day following notification of the satisfaction or waiver of the last of the Conditions to be satisfied or waived (other than Conditions which can only be satisfied on the date of Closing, but subject to the satisfaction or waiver of such Conditions) (or on such other date as may be agreed between the Company and the Seller).

Immediately after Closing, the Company will hold 100% of the issued share capital of Zung Fu China and Zung Fu China will become a subsidiary of the Company and its financial results will be consolidated with those of the Company.

## EFFECT ON THE SHAREHOLDING STRUCTURE AND SUFFICIENCY OF PUBLIC FLOAT

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the existing shareholding structure of the Company as at the date of this announcement and the effect on the shareholding structure of the Company upon the allotment and issue of the Consideration Shares (assuming there is no other change in the shareholding structure of the Company before the allotment and issue of the Consideration Shares) is set out as follows:

Shareholders	As at the date of this announcement		Immediately after the allotment and issue of the Consideration Shares*	
	Number of Shares	% of issued share capital of the Company (approximate)	Number of Shares	% of issued share capital of the Company (approximate)
Light Yield Ltd. <sup>(1)</sup>	152,678,504	6.59	152,678,504	6.46
Blue Natural Development Ltd. <sup>(2)</sup>	186,842,000	8.07	186,842,000	7.90
Mountain Bright Limited <sup>(3)</sup>	486,657,686	21.02	486,657,686	20.58
Vintage Star Limited <sup>(4)</sup>	486,657,686	21.02	486,657,686	20.58
Companies jointly controlled by Mr. Huang Yi and Mr. Li Guoqiang	1,312,835,876	56.70	1,312,835,876	55.53
JSH	453,412,844	19.58	453,412,844	19.18
Seller	—	—	48,975,021	2.07
Public Shareholders	549,135,871	23.72	549,135,871	23.23
Total	2,315,384,591	100.00	2,364,359,612	100.00

Notes:

\* The actual number of Consideration Shares to be issued to the Seller (or to an Affiliate of the Seller as the Seller may direct) will depend on the final amount of the Share Portion. Solely for illustration purpose only, this table assumes the Share Portion is US\$400 million (equivalent to approximately HK\$3,105 million) and on that basis, a total of 48,975,021 Consideration Shares will be issued to the Seller at the Issue Price.

- (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) The Company is subject to maintaining a minimum public float of 17.24% as agreed by the Stock Exchange pursuant to Rule 8.08(1)(a) of the Listing Rules. Please refer to the prospectus of the Company dated 16 March 2010 and the Company's announcement dated 26 March 2010 for further details. It is expected that the Company will be able to maintain its public float following the allotment and issue of the Consideration Shares.

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

The Company currently holds a leading position in automobile distribution in the PRC, and is keen to capitalise on strategic opportunities to expand its business in the luxury passenger vehicle market. The Transaction is expected to significantly benefit the Company and the Shareholders for the following reasons:

### **1. Uphold the Group's "Brand + Region" strategy and reinforce the Group's market position in the Mercedes-Benz brand in the PRC and achieve further economies of scale**

Zung Fu China began operations in the PRC in 1994 and has an established headquarters in Guangzhou. It is one of the largest Mercedes-Benz dealership networks in the PRC with a leading market share in terms of volume of new car sales in Southern and Western China. As a strategic partner of Mercedes-Benz, Zung Fu China covers the sale and aftersales services of Mercedes-Benz, AMG, Mercedes-Maybach, G- Class, EQ and Denza.

The Acquisition demonstrates the Group's "Brand + Region" strategy by expanding its core Mercedes-Benz brand sales network in higher-tier cities and their surrounding cities with future growth potential. Following the Acquisition, the Group will add to its portfolio new licensed brands and car dealerships, as well as 37 outlets in 18 cities across five provinces/municipals in the PRC, including Guangdong, Hunan, Sichuan, Chongqing and Guizhou, thereby reinforcing the Group's market position in the PRC market for Mercedes-Benz dealership.

The Acquisition will further reinforce the Group's elite market position in the PRC by enhancing the Group's presence in Southern and Western China, in 10 key cities/municipals including Guangzhou, Shenzhen, Dongguan, Foshan, Chongqing and Chengdu, and will also extend the Group's Mercedes-Benz footprint to eight new cities/municipals. The enlarged market share will contribute to further economies of scale and increased profitability and return.

**2. Create significant revenue synergies and cost saving with complementary value chain capabilities and strong strategic-fit**

The Acquisition is expected to generate significant revenue upside from regional clusters and deeper auto finance, insurance, aftersales and used car penetrations. In addition, the Group is expected to generate cost synergies from savings on overlapping supporting functions in the back office. The Company is confident that the combination of the Company's elite position in the PRC automobile dealership market, coupled with Zung Fu China's resources and capabilities in the same sector will create a solid and powerful platform and achieve positive synergies for further expansion in the PRC market, enabling the Group to outperform in the future.

**3. Benefit from the healthy cash flows of mature stores as well as the growth potential of the infant and pipeline stores of Zung Fu China**

Zung Fu China has a well-balanced portfolio of mature and infant/pipeline dealerships. The majority of the mature dealerships has been operating for over 10 years, and are highly profitable and generate strong and steady streams of cash flow. As one of the top performing Mercedes-Benz dealership networks, Zung Fu China has recorded an industry leading return on sales in recent years, and will therefore further enhance the Group's cash flow profile.

The infant and pipeline stores will provide future growth potential in new car sales, aftersales, and other segments. Zung Fu China currently has a strong pipeline of around ten planned outlets, which is expected to bring future sales growth in the coming years.

**4. Benefit from the stable operation environment from the self-owned properties of Zung Fu China**

Being one of the leading Mercedes-Benz dealerships in the PRC, Zung Fu China has 20 self-owned properties (excluding the property in Hong Kong discussed in the paragraph headed "Information of the Zung Fu China Group — Pre-Closing Reorganisation" in this announcement) with a market value of approximately RMB1.7 billion as at 21 June 2021, as further described in the paragraph headed "Financial and Operational Information of Zung Fu China — Segment Information" in this announcement. Following the Acquisition, given Zung Fu China will become a wholly-owned subsidiary of the Company, the fact that Zung Fu China is able to operate in a stable environment partly through such self-owned properties which are conveniently located in key PRC cities including Guangzhou, Dongguan, Zhuhai, Chongqing and Chengdu is highly attractive to the Company.

**5. Integrating the PRC dealership operations of the Company and Jardine Matheson, and strengthen Jardine Matheson's long-term commitment to the Company as our strategic investor**

The Transaction combines the Company's and Jardine Matheson's PRC dealership operations into one diverse and extensive platform, and firmly aligns the business interest, vision and strategy of the Company and Jardine Matheson. Jardine Matheson initially invested in the Company in 2014, and currently has two Board seats and approximately 19.58% shareholding in the Company. Through the Transaction, Jardine Matheson will further increase its shareholding and strengthen its long-term commitment and support to the Company.

Both companies shall ensure a smooth and responsible transition to sustain the high quality operations and provision of premium services to customers of Zung Fu China.

In light of the above, the Directors (save for the independent non-executive Directors, whose views will be set out in a letter from the Independent Board Committee to be included in the circular to be despatched to the Shareholders) consider that the Transaction is made on normal commercial terms, and that the terms of the Share Purchase Agreement are fair and reasonable and that entering into of the Share Purchase Agreement is in the best interest of the Company and the Shareholders as a whole.

**INFORMATION OF THE PARTIES**

**Information on the Company**

The Company is a leading national automobile distribution group in the PRC 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, BMW and Audi and mid-to-high end automobile brands including Toyota, Nissan and Honda.

**Information on the Seller and Jardine Motors**

The Seller is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding.

Jardine Motors is a company incorporated in the British Virgin Islands with limited liability and, through its subsidiaries, is principally engaged in automotive businesses across China and the United Kingdom. The ultimate beneficial owner of the Seller and Jardine Motors is Jardine Matheson.

## INFORMATION OF THE ZUNG FU CHINA GROUP

### The Zung Fu China Group

Zung Fu China is a company incorporated in Hong Kong with limited liability and is principally engaged in the motor sales and servicing business in the PRC. Zung Fu China began operations in the PRC in 1994, and has the largest dealership network of Mercedes-Benz in Southern and Western China. It has 37 outlets across five provinces/municipals in the PRC including Guangdong, Hunan, Sichuan, Chongqing and Guizhou, and 18 cities, with a leading market share in terms of volume of new car sales in Southern and Western China. As a strategic partner with Mercedes-Benz, the business of Zung Fu China covers the sale and aftersales services of Mercedes-Benz, AMG, Mercedes-Maybach and Denza and other car related businesses.

Zung Fu China is an indirect wholly-owned subsidiary of Jardine Matheson. Jardine Matheson is a diversified Asian-based business group with unsurpassed experience in the region. Its interests include Jardine Pacific, Jardine Motors, Hongkong Land, Dairy Farm, Mandarin Oriental, Jardine Cycle & Carriage and Astra. These companies are active in the fields of motor vehicles and related operations, property investment and development, food retailing, health & beauty, home furnishings, engineering and construction, transport services, restaurants, luxury hotels, financial services, heavy equipment, mining and agribusiness.

### Pre-Closing Reorganisation

The Acquisition does not include the Seller's Mercedes-Benz dealership in Hong Kong and Macau carried out under the brand "Zung Fu". Following Closing, the Seller will continue its Mercedes-Benz dealership in Hong Kong and Macau. Prior to Closing, Zung Fu China will transfer a real property located in Hong Kong, which is unrelated to its PRC operations, to a subsidiary of Jardine Matheson (the "**Hong Kong Property Carve-Out**"). Based on the management accounts of Zung Fu China, as at 31 March 2021, such property had a carrying amount of HK\$574.0 million. As at 31 March 2021, Zung Fu China had an amount of HK\$615.5 million due to a related party, being the acquisition cost of the Hong Kong property to be disposed of which remained unpaid as at 31 March 2021. Such amount will be settled prior to Closing.

## FINANCIAL AND OPERATIONAL INFORMATION OF ZUNG FU CHINA

### Historical Financials

Based on information provided by the Seller, the table below sets out certain financial information of Zung Fu China for the years ended 31 December 2019 and 2020, as extracted from the audited financial statements of Zung Fu China for the respective year, and for the three months ended 31 March 2021, as extracted from the management accounts of Zung Fu China for such period:

	For the year ended/ As at 31 December		For the three months ended/ As at 31 March
	2019	2020	2021
	(HK\$ million)	(HK\$ million)	(HK\$ million) (unaudited)
Revenue	19,735.0	21,624.4	6,307.2
Operating profit	852.5	965.3	327.2
Profit before tax	863.6	980.0	334.6
Profit after tax	710.3	719.4	249.0
Cash and bank balances	1,101.7	1,866.6	2,664.9
External interest-bearing debt	—	—	—
Total assets	8,526.0	8,970.2	9,466.4
Net assets	4,306.6	5,339.2	5,560.0

### Excluded Items

As discussed in the paragraph headed “Information of the Zung Fu China Group — Pre-Closing Reorganisation”, Zung Fu China will dispose of its real property in Hong Kong to a subsidiary of Jardine Matheson prior to Closing. In addition, Zung Fu China has been paying certain management fees to certain subsidiaries of Jardine Matheson for management consultancy services, and such payment will cease following Closing. Zung Fu China has also been paid certain service fees by a related party of the Seller for the provision of finance, legal, and IT services, and such payment will also cease following Closing.

Based on information provided by the Seller, the aggregate net amount charged to the operating profit of Zung Fu China for the years ended 31 December 2019 and 2020 and the three months ended 31 March 2021 related to (i) the real property in Hong Kong to be disposed of, (ii) the cost of the management consultancy functions to certain subsidiaries of Jardine Matheson and (iii) the service fees payment from the related party of the Seller to Zung Fu China (collectively, the “**Excluded Items**”) was HK\$12.7 million,

HK\$47.2 million and HK\$19.4 million, respectively. Following Closing, it is expected that the Excluded Items will not have recurring impact on the operation and financial results of Zung Fu China.

### Segment Information

Based on information provided by the Seller, the table below sets out a breakdown of the revenue of Zung Fu China by segment for the years ended 31 December 2019 and 2020, based on the audited financial statements of Zung Fu China for the respective year, and for the three months ended 31 March 2021, based on the management accounts of Zung Fu China for such period, and selected operational data by segment for the same periods:

	<b>For the year ended/ as at 31 December 2019</b>	<b>2020</b>	<b>For the three months ended/ as at 31 March 2021 (unaudited)</b>
Dealership store count ( <i>units</i> )	23	24	26
New car sales volume ( <i>units</i> )	40,473	44,312	12,056
New car sales revenue ( <i>RMB million</i> )	14,724.5	16,367.1	4,505.1
New car sales gross profit ( <i>RMB million</i> )	620.5	626.9	223.5
After-sales volume ( <i>units</i> )	377,398	387,137	106,935
After-sales & accessories revenue ( <i>RMB million</i> )	1,887.7	1,981.2	513.2
After-sales & accessories gross profit ( <i>RMB million</i> )	953.8	934.8	254.4
Net income from auto financing and insurance ( <i>RMB million</i> )	241.0	251.8	52.8

*Note:* The new car sales and after-sales segments include Mercedes-Benz passenger vehicles, commercial vehicles, and Denza.

Of Zung Fu China's existing 26 dealership stores as at 31 March 2021, 26 are authorised for Mercedes-Benz; 10 are authorised for CV; 17 are authorised for EQ; eight are authorised for Denza; seven are authorised for Mercedes-Maybach; five are authorised for AMG; and eight are authorised for G-Class. Further, Zung Fu China has a strong pipeline of around ten planned outlets, which is expected to bring future sales growth in the coming years.

A valuation of the 20 real properties owned by Zung Fu China (excluding the property in Hong Kong discussed in the paragraph headed "Information of the Zung Fu China Group — Pre-Closing Reorganisation" in this announcement) has been conducted by

Cushman and Wakefield, an independent valuer. According to the valuation certificates, as of 21 June 2021, the total market value of such 20 properties was approximately RMB1.7 billion.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio as set out in Rule 14.07 of the Listing Rules in respect of the Transaction exceeds 5%, but all of the applicable percentage ratios are less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

As at the date of this announcement, JSH holds 453,412,844 Shares, representing approximately 19.58% of the issued share capital the Company, and therefore is a substantial shareholder and a connected person of the Company. JSH is a wholly-owned subsidiary of Jardine Matheson. Given the Seller and Jardine Motors are subsidiaries of Jardine Matheson, each of the Seller and Jardine Motors is therefore an associate of JSH and a connected person of the Company. Accordingly, the Transaction constitutes a connected transaction of the Company under the Listing Rules, and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors had any material interest in the Transaction and thus no Director was required to abstain from voting on the Board resolutions approving the Share Purchase Agreement and the transactions contemplated thereunder. Nevertheless, Mr. David Alexander Newbigging and Mr. Hsu David, each being an executive director of Jardine Matheson, have voluntarily abstained from attending the meeting of the Board at which the relevant Board resolutions in relation to the Share Purchase Agreement and the related transactions were considered and voted on.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising all independent non-executive Directors, has been established in compliance with Rule 14A.41 of the Listing Rules for the purpose of making a recommendation to the Independent Shareholders in respect of the Transaction.

Somerley Capital has been appointed as the Independent Financial Adviser of the Company to advise the Independent Board Committee and the Independent Shareholders on the terms of the Transaction.

## **EGM AND CIRCULAR**

The EGM will be convened for the purpose of seeking the Independent Shareholders' approval by way of poll of the Share Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares pursuant to the Specific Mandate). JSH and its associates will abstain from voting with respect to the relevant resolutions at the EGM. As at the date of this announcement, to the best knowledge and belief of the Directors having made all reasonable enquiries, save as disclosed herein, no other Shareholders will be required to abstain from voting in respect of the relevant resolutions.

A circular containing, among other things, (i) further details of the Share Purchase Agreement and the Acquisition (including the grant of the Specific Mandate for the allotment and issue of the Consideration Shares); (ii) a letter from the Independent Board Committee; (iii) a letter from Somerley Capital as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a notice of the EGM and the proxy form; and (v) other information concerning the Company as required under the Listing Rules is expected to be despatched to the Shareholders on or before 22 July 2021.

The Transaction is subject to the fulfilment or wavier of a number of Conditions which are summarised in the paragraph headed "The Share Purchase Agreement — Conditions Precedent" in this announcement, including obtaining merger control clearance from the SAMR and the approval by the Independent Shareholders at the EGM for the Transaction and the Specific Mandate. As the Transaction may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

## **DEFINITIONS**

Unless the context otherwise requires, capitalised terms used in this announcement have the following meanings:

"Acquisition" the proposed acquisition by the Company of the Sale Shares, representing the entire issued share capital of Zung Fu China, from the Seller in accordance with the terms of the Share Purchase Agreement

"Affiliates" in relation to any person, any subsidiary or holding company of that person and any subsidiary of any such holding company

"AML" the Anti-Monopoly Law of the PRC

"Base Consideration" US\$1,300 million

"Board" the board of Directors

“Business Day”	a day (other than a Saturday, a Sunday or a public holiday in Hong Kong or the PRC) on which banks are generally open for regular banking business in Hong Kong and the PRC
“Cash Portion”	the portion of the Consideration to be settled on Closing in cash
“Closing”	completion of the Acquisition in accordance with the terms of the Share Purchase Agreement
“Closing Adjustments”	the adjustments to be made to the Base Consideration to determine the Consideration, as described in the paragraph headed “The Share Purchase Agreement — Consideration and Payment Terms — The Consideration” in this announcement
“Closing Consideration”	the consideration for the Acquisition payable by the Company to the Seller on the Closing Date, being the Base Consideration as adjusted by the estimated amount of the Closing Adjustments
“Closing Date”	the date on which Closing takes place
“Company”	Zhongsheng Group Holdings Limited, a limited liability company incorporated under the laws of Cayman Islands whose Shares are listed on the Main Board of the Stock Exchange
“Consideration”	the total consideration for the Acquisition payable by the Company to the Seller
“Consideration Shares”	the new Shares to be issued by the Company to settle part of the Consideration, further details of which are set out in the paragraph headed “The Share Purchase Agreement — Consideration and Payment Terms — Payment Terms” in this announcement
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting to be held by the Company to consider and, if thought fit, approve the Share Purchase Agreement and the transactions contemplated thereunder, including the Specific Mandate for the issue and allotment of the Consideration Shares
“Escrow Amount”	an escrow amount representing 10% of the Closing Consideration

“Financial Adviser”	Merrill Lynch (Asia Pacific) Limited, a corporation licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities and being a financial adviser to the Company in respect of the Transaction
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the Transaction
“Independent Financial Adviser” or “Somerley Capital”	Somerley Capital Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities and being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Transaction
“Independent Shareholders”	Shareholders other than JSH and its associates
“Issue Price”	the issue price for the Consideration Shares, being HK\$63.3964 per Share
“Jardine Matheson”	Jardine Matheson Holdings Limited, a limited liability company incorporated under the laws of Bermuda which has a standard listing on the London Stock Exchange (JAR) and a secondary listing on each of the Bermuda Stock Exchange (JMHBD.BH) and the Singapore Exchange (J36)
“Jardine Motors” or the “Guarantor”	Jardine Motors Holdings Limited, a limited liability company incorporated under the laws of British Virgin Islands and a wholly-owned subsidiary of Jardine Matheson
“JSH”	JSH Investment Holdings Limited, a limited liability company incorporated under the laws of British Virgin Islands, and a wholly-owned subsidiary of Jardine Matheson. JSH is a substantial shareholder of the Company

“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	the date falling 15 months after the date of the Share Purchase Agreement
“PRC” or “China”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“Price Reference Date”	29 June 2021
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	100,000,000 ordinary shares in, representing the entire issued share capital of, Zung Fu China
“SAMR”	the State Administration for Market Regulation of the PRC
“Seller”	Fu Tung Holdings Limited, a limited liability company incorporated under the laws of Hong Kong, wholly-owned by Jardine Motors
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Portion”	the portion of the Consideration to be settled on Closing by the issue of Consideration Shares
“Share Purchase Agreement”	the share purchase agreement dated 1 July 2021 and entered into among the Seller, the Company and Jardine Motors
“Share(s)”	the ordinary share(s) with par value of HK\$0.0001 each in the share capital of the Company
“Shareholder(s)”	Holder(s) of the Shares
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM for the allotment and issue of the Consideration Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Transaction”	the sale and purchase of the Sale Shares and the related transactions under the Share Purchase Agreement, including the allotment and issue of Consideration Shares
“US\$”	United States dollars, the lawful currency of the United States of America
“Zung Fu China”	Zung Fu (China) Limited, a limited liability company incorporated under the laws of Hong Kong
“Zung Fu China Group”	Zung Fu China and its subsidiaries
“%”	per cent.

*The terms “associate”, “connected person”, “connected transaction”, “discloseable transaction”, “subsidiary” and “substantial shareholder” have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.*

*Unless otherwise specified, this announcement contains certain translations at the exchange rate of US\$1.00 to HK\$7.7621. These translations and exchange rate are provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in US\$ or HK\$ can be or could have been converted at the above rates or any other rates or at all.*

By order of the Board of  
**Zhongsheng Group Holdings Limited**  
**HUANG YI**  
*Chairman*

Hong Kong, 1 July 2021

*As at the date of this announcement, the executive Directors are Mr. Huang Yi, Mr. Li Guoqiang, Mr. Du Qingshan, Mr. Zhang Zhicheng, Mr. Li Guohui and Mr. Tang Xianfeng; the non-executive Directors are Mr. David Alexander Newbigging and Mr. Hsu David; and the independent non-executive Directors are Mr. Shen Jinjun, Mr. Ying Wei, Mr. Chin Siu Wa Alfred and Mr. Li Yanwei.*