

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

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company and neither this announcement nor anything herein forms the basis for any contract or commitment whatsoever. Neither this announcement nor any copy hereof may be taken into or distributed in the United States of America (the “United States”).

The securities referred to herein have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any state of the United States or other jurisdiction and the securities may not be offered, sold or delivered into or within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws.



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)

ISSUE OF NEW SHARES UNDER GENERAL MANDATE

On 4 July 2021, the Company and the Subscribers entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue and the Subscribers have conditionally agreed to subscribe for an aggregate of 47,253,000 Subscription Shares at the Subscription Price of HK\$63.3964 per Subscription Share. The aggregate of 47,253,000 Subscription Shares represent approximately 2.04% of the existing issued share capital of the Company as at the date of this announcement and approximately 2.00% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. The Subscription Price is HK\$63.3964 per Share. The Subscription Price is of the same price as the new Shares are agreed to be issued by the Company to Fu Tung Holdings Limited pursuant to the terms of the share purchase agreement dated 1 July 2021 in relation to the Company's Acquisition of Zung Fu (China) Limited (further details of which are disclosed in the announcement of Company dated 1 July 2021) and represents a discount of approximately 8.98% to the closing price of HK\$69.65 per Share as quoted on the Stock Exchange on the Last Trading Day and a discount of approximately 1.76% to HK\$64.53, being the average closing price as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day.

Pursuant to a general mandate granted by the Shareholders at the annual general meeting of the Company held on 18 June 2021, the Directors may issue, allot and deal with additional Shares not exceeding 20% of the total number of the issued shares of the Company as at the date of that annual general meeting. As at the date of this announcement, no Shares have been allotted and issued pursuant to such general mandate. Accordingly, such general mandate is sufficient for the issue of the Subscription Shares and therefore the issue of the Subscription Shares is not subject to separate Shareholders' approval.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

Each of the Subscribers is a limited partnership formed under the laws of the Cayman Islands. Hillhouse serves as the sole investment manager of each of the Subscribers.

Completion of the Subscription is subject to the satisfaction or waiver of certain conditions set out in the Subscription, and therefore may or may not take place. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

THE SUBSCRIPTION AGREEMENT

On 4 July 2021, the Company and the Subscribers entered into the Subscription Agreement, the principal terms of which are set out below:

Date: 4 July 2021

Parties: (i) the Company; and
(ii) the Subscribers.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, each of the Subscribers and their respective ultimate beneficial owners are independent of, and not connected with, the Company and the connected persons of the Company.

NUMBER OF SUBSCRIPTION SHARES

Details of the Subscription Shares to be subscribed by each of the Subscribers are as follows:

Subscriber	<i>Number of Subscription Shares</i>	<i>Approximate % of issued share capital of the Company as at the date of this announcement</i>	<i>Approximate % of issued share capital of the Company as enlarged by the issue of the Subscription Shares</i>	<i>Total Subscription Price HK\$ (million)</i>
HHLR Fund, L.P.	45,620,500	1.97	1.93	2,892.18
YHG Investment, L.P.	1,632,500	0.07	0.07	103.49
Total:	47,253,000	2.04	2.00	2,995.67

The 47,253,000 Subscription Shares of aggregate nominal value of HK\$4,725.30 represent:

- (a) approximately 2.04% of the existing issued share capital of the Company as at the date of this announcement; and
- (b) approximately 2.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement to completion of the Subscription, other than the allotment and issue of the Subscription Shares).

The Subscription Shares will be fully paid and will rank *pari passu* in all aspects with, and having the same rights in all aspects as the other Shares.

SUBSCRIPTION PRICE

The Subscription Price of HK\$63.3964 per Subscription Share represents:

- (i) a discount of approximately 8.98% to the closing price of HK\$69.65 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 1.76% to HK\$64.53, being the average closing price as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 0.36% to HK\$63.62, being the average closing price as quoted on the Stock Exchange for the last 20 consecutive trading days up to and including the Last Trading Day; and

- (iv) the same issue price (the “**Issue Price**”) as the new Shares are agreed to be issued by the Company to Fu Tung Holdings Limited pursuant to the terms of the share purchase agreement dated 1 July 2021 in relation to the Company’s Acquisition of Zung Fu (China) Limited, further details of which are set out in the Acquisition Announcement.

The Subscription Price was arrived at after arm’s length negotiations between the Company and the Subscribers with reference to the trading prices of the Shares, the Issue Price and the results and prospects of the Company.

CONDITIONS

Completion of the Subscription is conditional upon the following conditions having been satisfied or waived:

- (i) the Board having sufficient capability to approve the allotment and issue of the Subscription Shares without further Shareholders’ approval pursuant to a general mandate granted to the Board by the Shareholders in accordance with the Listing Rules;
- (ii) the Listing Committee of the Stock Exchange having granted the listing of and the permission to deal in the Subscription Shares, and such approval and granting of permission not having been withdrawn or revoked; and
- (iii) no material adverse effect to the Group or the ability of the Company to perform its obligations under the Subscription Agreement having occurred.

None of the conditions stated above can be waived, except the Subscribers may waive the condition set out in paragraph (iii) above.

In the event that the conditions are not fulfilled within 45 days from the date of the Subscription Agreement (or such later date as may be agreed between the parties), the obligations and liabilities of the Company and the Subscribers under the Subscription Agreement shall be null and void and neither the Company and the Subscribers shall have any claim against the other in respect of any matter or thing arising out of or in connection with the Subscription Agreement.

Completion

Completion of the Subscription is expected to take place on the second business day after satisfaction of the above conditions, or at such date and time as agreed by the Company and the Subscribers.

GENERAL MANDATE

Pursuant to a general mandate granted by the Shareholders at the annual general meeting of the Company held on 18 June 2021, the Directors may issue, allot and deal with additional Shares not exceeding 20% of the total number of the issued shares of the Company as at the date of that annual general meeting. As at the date of this announcement, no Shares have been allotted and issued pursuant to such general mandate. Accordingly, such general mandate is sufficient for the issue of the Subscription Shares and therefore the issue of the Subscription Shares is not subject to separate Shareholders' approval.

APPLICATION FOR LISTING

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

FUND RAISING ACTIVITIES BY THE COMPANY IN THE LAST 12 MONTHS

The Company has not conducted any equity fund raising activity during the 12 months immediately preceding the date of this announcement.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Directors consider that the Subscription and having the Subscribers as strategic investors of the Company will significantly bolster its shareholder base. The Board believes that the timing of the Subscription, which follows the Company's announcement of the Acquisition, is a testimony to the market's recognition of the Group's development strategy.

As disclosed in the Acquisition Announcement, the consideration for the Acquisition will be partly paid in cash and partly satisfied by the Company issuing new Shares to Fu Tung Holdings Limited (or to its affiliate). The Company intends to utilise its internal resources and external bank financing to fund the cash portion of the consideration payable for the Acquisition. In this regard, the Company has already arranged a bank facility for such purpose. The Board considers that the Subscription will provide the Company with the ability to rebalance its debt to equity ratio to a stronger level and thereby empowering the Company to continue to pursue its development strategy.

The Directors consider that the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds from the Subscription are expected to be approximately HK\$2,995.67 million. The net proceeds from the issue of the Subscription Shares, after deducting all related fees and expenses, are expected to be approximately HK\$2,995.48 million. The net price per Subscription Share, after deducting all such related fees and expenses, is approximately HK\$63.3923.

The Company intends to apply such net proceeds for general corporate purpose and may also apply part of the proceeds towards the satisfaction of the consideration payable for the Acquisition.

EFFECT ON SHAREHOLDING STRUCTURE

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the table below sets out a summary of the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Subscription (assuming there is no other change in the shareholding structure of the Company save for the issuance of the Subscription Shares); (iii) immediately after completion of the Subscription and the Acquisition (assuming there is no other change in the shareholding structure of the Company save for the issuance of the Subscription Shares and the Consideration Shares); and (iv) immediately after completion of the Subscription and the Acquisition (assuming (a) there is no other change in the shareholding structure of the Company save for the issuance of the Subscription Shares and the Consideration Shares; and (b) the full conversion of the 2025 Convertible Bonds into Shares at a conversion price of HK\$45.61 per Share):

	(I)		(II)		(III)		(IV)	
	As at the date of this announcement		Immediately after completion of the Subscription		Immediately after completion of the Subscription and the Acquisition*		Immediately after completion of the Subscription and the Acquisition* and assuming the full conversion of the 2025 Convertible Bonds into Shares	
	Number of Shares	% of issued share capital of the Company (approx.)	Number of Shares	% of issued share capital of the Company (approx.)	Number of Shares	% of issued share capital of the Company (approx.)	Number of Shares	% of issued share capital of the Company (approx.)
Shareholders								
Light Yield Ltd. ⁽¹⁾	152,678,504	6.59	152,678,504	6.46	152,678,504	6.33	152,678,504	6.08
Blue Natural Development Ltd. ⁽²⁾	186,842,000	8.07	186,842,000	7.91	186,842,000	7.75	186,842,000	7.44
Mountain Bright Limited ⁽³⁾	486,657,686	21.02	486,657,686	20.60	486,657,686	20.18	486,657,686	19.38
Vintage Star Limited ⁽⁴⁾	486,657,686	21.02	486,657,686	20.60	486,657,686	20.18	486,657,686	19.38
<i>Companies controlled by Mr. Huang Yi and/or Mr. Li Guoqiang</i>								
	1,312,835,876	56.70	1,312,835,876	55.57	1,312,835,876	54.44	1,312,835,876	52.27
Subscribers								
— HHLR Fund, L.P.	—	—	45,620,500	1.93	45,620,500	1.89	45,620,500	1.82
— YHG Investment, L.P.	—	—	1,632,500	0.07	1,632,500	0.07	1,632,500	0.06
<i>Sub-total</i>	—	—	47,253,000	2.00	47,253,000	1.96	47,253,000	1.88
JSH Investment Holdings Limited ⁽⁵⁾	453,412,844	19.58	453,412,844	19.19	453,412,844	18.80	453,412,844	18.05
Fu Tung Holdings Limited ⁽⁵⁾	—	—	—	—	48,975,021	2.03	48,975,021	1.95
<i>Companies controlled by Jardine Matheson Holdings Limited</i>								
	453,412,844	19.58	453,412,844	19.19	502,387,865	20.83	502,387,865	20.00
Holders of the 2025 Convertible Bonds	—	—	—	—	—	—	99,978,074	3.98
Other public Shareholders	549,135,871	23.72	549,135,871	23.24	549,135,871	22.77	549,135,871	21.86
Total	2,315,384,591	100.00	2,362,637,591	100.00	2,364,359,612	100.00	2,511,590,686	100.00

Notes:

* The actual number of new Shares to be issued to Fu Tung Holdings Limited (or to its affiliate) will depend on the final amount of the share portion of the consideration in respect of the Acquisition. Solely for illustration purpose only, this table assumes a total of 48,975,021 new Shares will be issued to Fu Tung Holdings Limited at the issue price of HK\$63.3964 per Share. For further details, please refer to the Acquisition Announcement.

- (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) Each of JSH Investment Holdings Limited and Fu Tung Holdings Limited is a subsidiary of Jardine Matheson Holdings Limited.
- (6) 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.

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 Subscribers

Each of the Subscribers is a limited partnership formed under the laws of the Cayman Islands. HHLR Advisors, Ltd. ("**Hillhouse**") serves as the sole investment manager of each of the Subscribers.

Founded in 2005, Hillhouse is a global firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse's investment approach. Hillhouse partners with exceptional entrepreneurs and management teams to create value, often with a focus on enacting innovation and technological transformation. Hillhouse invests in the healthcare, consumer, consumer technology, financial and business services sectors in companies across all equity stages. Hillhouse and its group members manage assets on behalf of global institutional clients.

TERMS AND DEFINITIONS

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

"2025 Convertible Bonds"	the HK\$4,560 million in aggregate principal amount of zero coupon convertible bonds due 2025 issued by the Company on 21 May 2020 entitling the holders to convert such convertible bonds into Shares at a conversion price of HK\$45.61 per Share
--------------------------	---

“Acquisition”	the proposed acquisition by the Company of the entire issued share capital of Zung Fu (China) Limited from Fu Tung Holdings Limited, further details of which are disclosed in the Acquisition Announcement
“Acquisition Announcement”	the announcement of the Company dated 1 July 2021 in respect of the Acquisition
“Board”	the board of Directors
“Company”	Zhongsheng Group Holdings Limited, a limited liability company incorporated under the laws of the Cayman Islands whose Shares are listed on the Main Board of the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company together with its subsidiaries
“HHLR Fund, L.P.”	HHLR Fund, L.P., a limited partnership formed under the laws of the Cayman Islands
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	2 July 2021, being the last trading day immediately prior to the date of the Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	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)
“Shareholder(s)”	holders of the Shares
“Share(s)”	the ordinary share(s) with par value of HK\$0.0001 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	HHLR Fund, L.P. and YHG Investment, L.P.
“Subscription”	the subscription of the Subscription Shares pursuant to the terms of the Subscription Agreement

“Subscription Agreement”	the subscription agreement dated 4 July 2021 entered into between the Company and the Subscribers
“Subscription Price”	HK\$63.3964 per Subscription Share
“Subscription Shares”	the aggregate of 47,253,000 new Shares to be issued by the Company to the Subscribers under the Subscription Agreement
“YHG Investment, L.P.”	YHG Investment, L.P., a limited partnership formed under the laws of the Cayman Islands
“%”	per cent.

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

Hong Kong, 4 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.