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中升集團控股有限公司  
**Zhongsheng Group Holdings Limited**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock code: 881)**

## **Discloseable Transaction**

### **Acquisition of a 55% Equity Interest in New Wing Enterprises Limited**

The Board is pleased to announce that on 22 December 2010, the Transferee and the Transferor entered into the Equity Transfer Agreement in relation to the acquisition of a 55% equity interest in the Target Company. The Target Group mainly engages in businesses relating to automobile sales and services, hold a total of 15 4S dealerships and distribute automobile brands including DF-Nissan, GAC-Toyota and DF-Honda in China. Further details of the Acquisition are set out in this announcement.

Since the Transferor is not the Company's Connected Person under the Listing Rules and for the purpose of the Acquisition, the maximum percentage ratio in respect of the Acquisition under the Listing Rules is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction under Rule 14.06(2) of the Listing Rules and is therefore, subject to the reporting and announcement requirements under the Listing Rules but is exempted from Shareholders' approval.

## **INTRODUCTION**

The Board is pleased to announce that on 22 December 2010, the Transferee (the Company's indirect wholly-owned subsidiary) and the Transferor entered into the Equity Transfer Agreement in relation to the acquisition of a 55% equity interest in the Target Company. The Target Group mainly engages in businesses relating to automobile sales and services, hold a total of 15 4S dealerships and distribute automobile brands including DF-Nissan, GAC-Toyota and DF-Honda in China.

## PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT

Principle terms of the Equity Transfer Agreement are summarized as follows:

**Date of the Equity Transfer Agreement** : 22 December 2010

**Parties** : Noble Villa Investments Ltd. (the Company's indirect wholly-owned subsidiary) as the Transferee; and  
Loyal Fine Limited as the Transferor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Transferor and their ultimate beneficial owners are third parties independent of the Company and the Connected Persons of the Company and not related to them.

**Subject Matter of the Equity Transfer Agreement** : Acquisition of 55 ordinary shares in the Target Company held by the Transferor accounting for 55% of the equity interest in the Target Company and the Acquisition covering all of the Target Group's current businesses and assets relating to automobile sales and services.

**Consideration of the Equity Transfer Agreement** : RMB260 million

**Payment Terms of the Equity Transfer Agreement** : The consideration of this acquisition shall be paid by the Transferee by instalments in Renminbi or equivalent foreign exchange to the Transferor or any company designated thereby.

The down payment totaling RMB100,000,000 or equivalent foreign exchange will be paid on or before 29 December 2010.

The payment of RMB150,000,000 or equivalent foreign exchange will be paid on or before 30 January 2011.

The balance of RMB10,000,000 will be reserved as cash retention and will be paid within 7 days upon obtaining of relevant governmental approvals and the updated business license of the relevant domestic subsidiaries of the Target Company.

**Other Terms and Conditions of the Equity Transfer Agreement** : From 1 January 2011 onwards, the Transferee and the Transferor will assume profit and loss of the Target Group in proportion to their shareholdings respectively.

The board of directors of the Target Company and its domestic subsidiaries will consist of three members respectively, two of which will be appointed by the Transferee, and one of which will be appointed by the Transferor.

Subject to compliance with the Hong Kong laws and the Listing Rules, each shareholder of the Target Company shall grant a right of first refusal to the other shareholder of the Target Company upon the transfer of any equity interest in the Target Company to any third party (other than to the Connected Person of each shareholder of the Target Company).

Upon the completion of the Acquisition, the Target Company will become a non-wholly owned subsidiary of the Group.

## **BASIS OF CONSIDERATION**

The total consideration for the Acquisition is RMB260 million payable in cash which will be satisfied by the Company's internal resources. The consideration was agreed between the Company and the Transferor upon arm's length negotiation by taking into account a combination of factors, including the goodwill attached to the brand(s) of automobiles distributed by the Target Company, customer base, potential earning capacity and net asset value.

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

In view of the strong demand for automobiles sales in China, in line with the Company's development strategy of expanding its 4S dealership distribution network in Liaoning and Shaanxi Provinces, for the purposes of enhancing the Company's position in the areas where the Target Group operates and provides services to the customers in the above-mentioned areas, the Company entered into the Equity Transfer Agreement to expand the Company's operational scale and competitive advantages in the above-mentioned areas. Following the Acquisition, the Company will further increase its market share in northeastern and northwestern regions from its current presence in the domestic market.

The Board (including the independent non-executive Directors) is of the view that the terms of the Equity Transfer Agreement are fair and reasonable and the entering into of the Equity Transfer Agreement is in the interests of the Company and the Shareholders as a whole.

## FURTHER DETAILS ON THE ACQUISITION

The following table sets out the details of the shareholding structure of the Target Company before and after the completion of the Acquisition pursuant to the Equity Transfer Agreement.

|                | <b>Before the Acquisition</b>        | <b>After the Acquisition</b>  |
|----------------|--------------------------------------|---|
| Target Company | Transferor held 100% equity interest | Transferor will hold a 45% equity interest; and<br><br>Transferee will hold a 55% equity interest |

## FINANCIAL INFORMATION OF THE TARGET GROUP

The table below sets out certain unaudited financial information (prepared under the PRC GAAP) of the Target Group on the aggregate basis for the financial years ended 31 December 2008 and 2009 as well as the six months ended 30 June 2010.

(in RMB million)

|                        | <b>For the year<br/>ended 31<br/>December 2008<br/>(unaudited)</b> | <b>For the year<br/>ended 31<br/>December 2009<br/>(unaudited)</b> | <b>For the six<br/>months ended 30<br/>June 2010<br/>(unaudited)</b> |
|------------------------|--|--|--|
| Profit before taxation | 0.29   | 2.82   | 5.12   |
| Profit after taxation  | 0.19   | 1.90   | 3.45   |
| Net assets             | 18.04  | 19.25  | 22.01  |

## GENERAL INFORMATION

The Company is a leading national automobile distribution group in China and operates automobile brands, consisting of luxury automobile brands including Mercedes-Benz, Lexus Porsche and Audi and mid-to-high end automobile brands including Toyota, Nissan, Honda, with 83 4S dealerships being operated in cities with relatively affluent populations in the northeastern, eastern, north China and southern coastal regions of China, as well as selected inland areas of China as at the date of this announcement. Upon the completion of the Acquisition, the number of 4S dealerships operated by the Company will reach 98.

The Transferor, namely Loyal Fine Limited, is engaged in businesses relating to automobile sales and service in Liaoning and Shaanxi Provinces through its wholly-owned subsidiaries. As at the date of this announcement, the Target Group held by the Transferor owns a total of 15 4S dealerships and distributes automobile brands including DF-Nissan, GAC-Toyota and DF-Honda in the foregoing areas.

## LISTING RULES IMPLICATIONS

Since the Transferor is not the Company's Connected Person under the Listing Rules and for the purpose of the Acquisition, the maximum percentage ratio in respect of the Acquisition under the Listing Rules is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction under Rule 14.06(2) of the Listing Rules and is therefore, subject to the reporting and announcement requirements under the Listing Rules but is exempted from Shareholders' approval.

## DEFINITIONS

Unless the context requires otherwise, the capitalized terms used in the announcement shall have the following meanings:

|                             |  |
|-----------------------------|--|
| “Acquisition”               | the proposed acquisition as contemplated under the Equity Transfer Agreement   |
| “Board”                     | the board of directors of the Company  |
| “Company”                   | Zhongsheng Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Hong Kong Stock Exchange under the stock code of 881 |
| “Connected Person(s)”       | shall have the meaning as ascribed to it under the Listing Rules   |
| “Director(s)”               | the director(s) of the Company   |
| “Equity Transfer Agreement” | the equity transfer agreement entered into between the Transferee and the Transferor on 22 December 2010   |
| “Group”                     | the Company and its subsidiaries   |
| “Hong Kong Stock Exchange”  | The Stock Exchange of Hong Kong Limited  |
| “Hong Kong”                 | the Hong Kong Special Administrative Region of the PRC   |
| “Listing Rules”             | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited   |
| “PRC GAAP”                  | People's Republic of China Generally Accepted Accounting Principles  |
| “PRC” or “China”            | the People's Republic of China, but for the purposes of this announcement only, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan           |

|                    |   |
|--------------------|---|
| “RMB”              | Renminbi, the lawful currency of the PRC  |
| “Shareholder(s)”   | the holder(s) of the shares of the Company  |
| “Target Company”   | New Wing Enterprises Limited (新榮企業有限公司), a company incorporated in the British Virgin Islands with limited liability  |
| “Target Group”     | Target Company and its subsidiaries   |
| “Transferee”       | Noble Villa Investments Ltd (明威投資有限公司), the Company’s wholly-owned subsidiary incorporated in the British Virgin Islands  |
| “Transferor”       | Loyal Fine Limited (錦明有限公司), a company incorporated in Hong Kong with limited liability   |
| “4S dealership(s)” | A dealership authorized to sell the products of a single brand of automobiles. Such dealership integrates four standard automobile related businesses: sales, spare parts, service and survey |
| “%”                | per cent  |

By Order of the Board of  
**Zhongsheng Group Holdings Limited**  
**Huang Yi**  
*Chairman*

Hong Kong, 22 December 2010

*As at the date of this announcement, the executive directors of the Company are Messrs. Huang Yi, Li Guoqiang, Du Qingshan and Yu Guangming; the non-executive director of the Company is Mr. Leng Xuesong; and the independent non-executive directors of the Company are Messrs. Shigeno Tomihei, Ng Yuk Keung and Shen Jinjun.*