

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to any action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Zhongsheng Group Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.



中升集團控股有限公司
Zhongsheng Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 881)

PROPOSED ISSUE OF CONVERTIBLE BONDS
PROPOSED ELECTION OF DIRECTOR
AND
NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Financial Advisor to the Company

J.P.Morgan

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A letter from the Board is set out on pages 24 to 25 of this circular.

A notice convening the EGM of the Company to be held at 35th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong, on Tuesday, 11 March 2014 at 3:00 p.m. is set out on pages 24 to 25 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to attend the EGM in person, you are encouraged to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

22 February 2014

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	6
Notice of the EGM	24

DEFINITIONS

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

“Affiliate”	in relation to a person, any entity that directly or indirectly Controls such person or is directly or indirectly Controlled by such person, or any entity that is under direct or indirect common Control with such person
“Board”	the board of Directors of the Company
“Bondholder”	the person in whose name a Convertible Bond is registered on the register of Bondholders of the Company
“Business Day”	a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong and on which the Stock Exchange is open for business of dealing in securities in Hong Kong
“Company”	Zhongsheng Group Holdings Limited, a limited liability company incorporated under the laws of Cayman Islands whose registered address is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and whose shares are listed on the main board of the Stock Exchange
“Control”	possession, directly or indirectly, of the power to direct or cause the direction of the operations and management or policies of an entity, whether through the ownership of voting securities, by contract or otherwise, and “Controlled” and “Controls” shall be construed accordingly
“Conversion Price”	initially being HKD12.95899 per Conversion Share subject to adjustment
“Conversion Shares”	the Shares to be issued on the conversion of the Convertible Bonds in accordance with the Subscription Agreement
“Convertible Bonds”	HKD3,091,500,000 2.85 per cent convertible bonds due 2017, which are convertible into Shares in accordance with the terms and conditions as set out in the Subscription Agreement and the Convertible Bonds Conditions

DEFINITIONS

- “Convertible Bonds Completion Date” two Business Days after the date on which the Company notifies the Investor that all conditions to the subscription of the Convertible Bonds have been fulfilled or waived or such other date as agreed to in writing between the Company and the Investor, but in any case no later than 30 April 2014
- “Convertible Bonds Conditions” the terms and conditions of the Convertible Bonds as set out in the Subscription Agreement
- “Current Market Price” in respect of a Share on a particular date, the average of the closing prices for one Share (being a Share carrying a full entitlement to dividends) for the 30 consecutive trading days ending on and including the trading day immediately preceding such date; provided that if at any time during the said 30 trading days’ period the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:
- (i) if the Shares to be issued in such circumstances do not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the fair market value of that dividend per Share; or
 - (ii) if the Shares to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by the fair market value of that dividend per Share,

and provided further that if the Shares on each of the said 30 trading days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share

DEFINITIONS

“Directors”	the directors of the Company
“EBITDA”	earnings before interest, tax, depreciation, and amortization
“Existing PRC Indebtedness”	any Financial Indebtedness owed by the Company and any member of the Group which is incorporated, registered or resident in the PRC to any lenders (including branches) or other creditors incorporated, registered or resident in the PRC, including without limitation, (i) RMB denominated short term bank loans and facilities entered into by subsidiaries of the Company with local branches of PRC banks; and (ii) RMB denominated short term corporate bonds issued by Zhongsheng (Dalian) Group Co. Ltd., in each case, which remain outstanding on the date of the issue of the Convertible Bonds
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be convened on Tuesday, 11 March 2014 at 3:00 p.m. to consider and, if thought fit, approve the issue of the Convertible Bonds, and the election of Mr. Adam Keswick as a non-executive Director of the Company
“Financial Indebtedness”	any obligation (whether present or future, actual or contingent) for the payment or repayment of money which has been borrowed or raised, including without limitation all obligations evidenced by bonds, debentures, notes or similar debt instruments, and all obligations in respect of any letter of credit, banker’s acceptance, leasing or similar credit transactions
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Investor”	Jardine Strategic Holdings Limited, a limited liability company incorporated under the laws of Bermuda whose registered address is at Jardine House, 33–35 Reid Street, Hamilton, Bermuda

DEFINITIONS

“Last Trading Day”	17 January 2014, being the last trading day of the Shares on the Stock Exchange before the date of the Subscription Agreement
“Latest Practicable Date”	19 February 2014
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Majority Bondholders”	means, at any time, any one or more holders holding Convertible Bonds or being proxies or representatives in respect of Convertible Bonds and representing, in the aggregate, more than 50 per cent of the aggregate principal amount of all Convertible Bonds then outstanding
“Placing”	the placing of 238,560,162 Shares to the Investor (or its nominee) pursuant to the Subscription Agreement, which completed on 24 January 2014 with the Investor nominating JSH Investment Holdings Limited as Subscriber of the Placing Shares, more details of which are set out in the announcement of the Company dated 24 January 2014
“Placing Price”	HKD10.79916 per Placing Share
“Placing Shares”	238,560,162 new Shares
“PRC”	the People’s Republic of China, excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region and Taiwan
“Relevant Event”	means (i) a Delisting Event; (ii) a Change of Control; or (iii) a Key Business Event. A “ Delisting Event ” occurs when (i) the Shares cease to be traded on the Stock Exchange or (ii) trading in the Shares is suspended for more than ten consecutive days on which normal trading of securities is carried out A “ Change of Control ” occurs when Mr. Huang Yi and Mr. Li Guoqiang, cease to be the ultimate beneficial holders of, and unconditionally control the voting rights attaching to, in aggregate more than 50 per cent of the voting rights in the Company

DEFINITIONS

	<p>A “Key Business Event” occurs if there is a substantial change in the general nature of the Company’s business or the business of any of its subsidiaries, including where the Company, or any of its subsidiaries, fails to maintain their principal dealership relationships with any of Mercedes-Benz, Toyota, Nissan and Audi</p>
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Share(s)
“Shares”	ordinary shares with a par value of HKD0.0001 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the agreement entered into between the Company and the Investor on 19 January 2014, pursuant to which the Company agrees to issue the Placing Shares and the Convertible Bonds to the Investor (or its nominee), and the Investor agrees to subscribe (or procure its nominee to subscribe) for the Placing Shares and the Convertible Bonds

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Huang Yi (*Chairman*)
Mr. Li Guoqiang
(President and Chief Executive Officer)
Mr. Du Qingshan
Mr. Yu Guangming
Mr. Si Wei

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Non-executive Director:

Mr. Leng Xuesong

Principal place of business in Hong Kong:

Room 3504-12
35th Floor, Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

Independent Non-executive Directors:

Mr. Ng Yuk Keung
Mr. Shen Jinjun
Mr. Shigeno Tomihei

22 February 2014

To the Shareholders

Dear Sir or Madam,

**PROPOSED ISSUE OF CONVERTIBLE BONDS
PROPOSED ELECTION OF DIRECTOR
AND
NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Company's announcement dated 19 January 2014 in relation to the Subscription Agreement and the Proposed Issue of the Convertible Bonds. On 19 January 2014, the Company entered into the Subscription Agreement with the Investor according to which, the Company conditionally agreed to issue to the Investor (or its nominee), and the Investor conditionally agreed to subscribe for (or procure its nominee to subscribe for), the Placing Shares at the subscription price of HKD10.79916 per Placing Share and the Convertible Bonds in an aggregate principal amount of

LETTER FROM THE BOARD

HKD3,091,500,000 on and subject to the terms and conditions set out in the Subscription Agreement and the Convertible Bonds Conditions.

Completion of the subscription of the Placing Shares took place on 24 January 2014.

The purpose of this circular is to provide you with (i) further details of the Subscription Agreement and the transactions contemplated thereunder; (ii) the principal terms of the Convertible Bonds; and (iii) a notice convening the EGM at which the issue of the Convertible Bonds, among other things, will be considered by the Shareholders.

I. PROPOSED ISSUE OF THE CONVERTIBLE BONDS

(I) The Subscription Agreement

Date

19 January 2014

Parties to the Subscription Agreement

- (1) the Company; and
- (2) Jardine Strategic Holdings Limited

Subscription of the Placing Shares

Pursuant to the Subscription Agreement, the Company agreed to issue to the Investor (or its nominee), and the Investor agreed to subscribe for (or procure its nominee to subscribe for), the Placing Shares on the terms and conditions set out in the Subscription Agreement. The Placing was completed on 24 January 2014 and JSH Investment Holdings Limited, as nominee of the Investor, subscribed for the Placing Shares. Please refer to the Company's announcements on 19 January 2014 and 24 January 2014 for detailed information about the Placing.

Subscription of the Convertible Bonds

Pursuant to the Subscription Agreement, the Company conditionally agreed to issue to the Investor (or its nominee), and the Investor conditionally agreed to subscribe for (or procure its nominee to subscribe for), HKD3,091,500,000 2.85 per cent convertible bonds due 2017 convertible into Shares on the terms and conditions set out in the Subscription Agreement and the Convertible Bonds Conditions.

Conditions Precedent of the Issue of the Convertible Bonds

Completion of the issue of the Convertible Bonds is conditional on:

1. completion of the Placing having occurred;

LETTER FROM THE BOARD

2. the resolution approving the issue of the Convertible Bonds having been duly approved by the Shareholders;
3. the Stock Exchange granting listing of, and permission to deal in, the Conversion Shares;
4. the Company providing evidence satisfactory to the Investor that the RMB1,250,000,000 4.75% senior notes due 21 April 2014 issued by the Company on 25 April 2011 have been repaid in full in accordance with their terms;
5. a legal opinion dated the Convertible Bonds Completion Date from the Company's PRC counsel (in a form satisfactory to the Investor) having been delivered at the Company's own cost to the Investor setting out, amongst other things, the business of the Company and confirming that the issue of the Convertible Bonds would not result in an event of default or a breach of the terms and conditions of any of the Company's Existing PRC Indebtedness;
6. where applicable, written consent from the relevant lenders, creditors or investors in respect of the Company's Existing PRC Indebtedness to the issue of the Convertible Bonds having been delivered to the Investor in the form and substance to its reasonable satisfaction;
7. a certificate from the chief financial officer of the Company dated the Convertible Bonds Completion Date having been delivered to the Investor stating that the Company is in compliance with all of the Company's Existing PRC Indebtedness, including as a result of the issue of the Convertible Bonds; and
8. on the Convertible Bonds Completion Date:
 - (i) the representations, warranties and undertakings of the Company in the Subscription Agreement being true, accurate and correct in all material respects and not misleading at, and as if made on, such date; and
 - (ii) the Company having performed or satisfied all of its agreements, undertakings and obligations under the Subscription Agreement to be performed on or before such date in all material respects.

The Company shall promptly give notice to the Investor (i) if it becomes aware that any of the abovementioned conditions may not be satisfied and (ii) of the satisfaction of the abovementioned conditions and provide copies of documents evidencing such satisfaction, where appropriate, in any event,

LETTER FROM THE BOARD

within two Business Days of becoming aware of the same. The Investor may, at its discretion and upon such terms as it thinks fit, waive compliance with the whole or any part of the abovementioned conditions (except conditions 1 and 2). As at the Latest Practicable Date, conditions 2 to 7 above have not been fulfilled yet.

If the conditions set out above are not satisfied or waived on or before 30 April 2014, the Investor may in its sole and absolute discretion terminate its obligation under the Subscription Agreement to subscribe for the Convertible Bonds.

Completion of the Subscription of the Convertible Bonds

Completion will take place on the Convertible Bonds Completion Date after all the conditions set out above have been fulfilled or waived.

The Company's Lock-up Undertaking

The Company has undertaken that for a period from the date of the Subscription Agreement to the date which is 90 days after the Convertible Bonds Completion Date (both dates inclusive), neither the Company nor any person acting on its behalf will, other than the Placing Shares and the Convertible Bonds to be issued pursuant to the Subscription Agreement:

- (i) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any (a) Shares, (b) securities of the same class as the Convertible Bonds or the Shares, (c) any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Convertible Bonds, the Shares or securities of the same class as the Convertible Bonds or the Shares, or (d) other instruments representing interests in the Convertible Bonds, the Shares or other securities of the same class as either of them;
- (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of Shares;
- (iii) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in paragraph (i), (ii), or this paragraph is to be settled by delivery of Shares or other securities, in cash or otherwise; or
- (iv) announce or otherwise make public an intention to do any of the transactions described in paragraph (i) to (iii) above.

LETTER FROM THE BOARD

The Company has further undertaken that for a period from the date of the Subscription Agreement to the Convertible Bonds Completion Date (both dates inclusive), neither the Company nor any person acting on its behalf will make any changes to the Company's share capital, other than the Placing Shares and the Convertible Bonds to be issued pursuant to the Subscription Agreement.

The Investor's Lock-up Undertaking

The Investor has undertaken to the Company that without the prior written consent of the Company, it will not and will procure that its Affiliates shall not, whether directly or indirectly, at any time during the period of 18 months starting from and inclusive of 24 January 2014, dispose of any of the Placing Shares or Conversion Shares (except for any disposal to an Affiliate of the Investor or any disposal pursuant to a general or partial offer for the Shares, a scheme of reconstruction under applicable insolvency laws in relation to the Company, or a compromise, scheme of arrangement, amalgamation or merger which a majority of the Directors have recommended to the Shareholders).

The Investor has also undertaken to the Company that after expiry of the abovementioned lock-up period, the Investor will not, and will procure that its Affiliates shall not, without the prior written consent of the Company, directly or indirectly dispose of any Placing Shares or Conversion Shares to any entity (or any Affiliate of such entity) the business of which includes the ownership and operation of automobile dealerships in the PRC but which does not include Affiliates of the Investors nor financial investors, except for any disposal pursuant to a general or partial offer for the Shares, a scheme of reconstruction under applicable insolvency laws in relation to the Company, or a compromise, scheme of arrangement, amalgamation or merger which a majority of the Directors have recommended to the Shareholders.

The Investor has further undertaken to the Company that the Convertible Bonds or interests in such Convertible Bonds are transferable only to the Affiliates of the Investor.

The Investor's Right of Termination

If at any time prior to payment of the principal amount of the Convertible Bonds to the Company any of the events set out below occurs:

- (i) the Company is in breach of its obligations under the Subscription Agreement;
- (ii) the Company is in breach of any representation, warranties or undertakings given by it in the Subscription Agreement in any material respect;

LETTER FROM THE BOARD

- (iii) there shall develop, occur, exist or come into effect a suspension of dealings in any of the Shares or listing of any of the Shares on the Stock Exchange for a consecutive period of two trading days or more;
- (iv) a statute, rule, regulation, order, decree, ruling or injunction has been enacted, entered, promulgated, endorsed, threatened or is pending by or before any governmental entity or regulatory authority which in any material respect restricts, prohibits or threatens to restrict or prohibit the consummation of any of the transactions contemplated by the Subscription Agreement or the Convertible Bonds Conditions;
- (v) there is any change which gives rise to a material adverse effect; or
- (vi) there shall have occurred any of the following:
 - (a) a suspension or material limitation in trading in securities generally on the Stock Exchange;
 - (b) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authorities, or a material disruption in commercial banking or securities settlement or clearance services in Hong Kong; or
 - (c) the outbreak or escalation of hostilities in Hong Kong or the PRC or the declaration by Hong Kong or the PRC of a national emergency or war;

then the Investor shall be entitled (but not bound) by written notice to the Company to elect to treat such event, breach or failure as terminating its obligations under the Subscription Agreement to subscribe for the Convertible Bonds, notwithstanding any other provisions of the Subscription Agreement.

(II) Principal Terms of the Convertible Bonds

The principal terms of the Convertible Bonds are summarized below:

<i>Aggregate principal amount</i>	HKD3,091,500,000
<i>Denomination</i>	HKD500,000

LETTER FROM THE BOARD

<i>Issue Date</i>	Two Business Days after the date on which the Company notifies the Investor that all conditions to the issue of the Convertible Bonds have been satisfied or waived pursuant to the Subscription Agreement
<i>Issue price</i>	100%
<i>Interest</i>	The Convertible Bonds bear interest from and including the Issue Date at the rate of 2.85 per cent per annum payable semi-annually in arrear
<i>Maturity Date</i>	Third anniversary of the date of issue of the Convertible Bonds
<i>Status</i>	The Convertible Bonds constitute direct, unsubordinated, unconditional and (subject to the negative pledge and other covenants mentioned below) unsecured obligations of the Company and shall at all times rank pari passu and without any preference or priority among themselves. The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable legislation and subject to the negative pledge and other covenants mentioned below, at all times rank at least equally with all of its other present and future direct, unsubordinated, unconditional and unsecured obligations.
<i>Transfer</i>	The Convertible Bonds or interests in such Convertible Bonds are transferable only to an Affiliate of the Investor.
<i>Conversion Period</i>	Subject to and upon compliance with the Convertible Bonds Conditions, the conversion right in respect of a Convertible Bond may be exercised, at the option of the holder thereof, at any time on or after 180 days after the Issue Date up to the close of business on the date falling ten days prior to the maturity date as mentioned above.

LETTER FROM THE BOARD

<i>Contingent Mandatory Conversion</i>	<p>At any time after 18 months from Issue Date, but not less than seven days prior to their maturity date, the Company may, having given a notice of conversion to the Bondholders within 10 trading days of the occurrence of the trigger event as mentioned below, mandatorily convert all but not some only of the Convertible Bonds outstanding into Shares at the prevailing Conversion Price on the date specified in the Company's notice. A trigger event occurs if the closing price of the Shares, for 20 out of 30 consecutive trading days ending on a date not more than ten days prior to the date of such notice, was at least 130 per cent of the applicable Conversion Price then in effect.</p>
<i>Number of Conversion Shares issuable</i>	<p>The number of Shares to be issued on exercise of the conversion right will be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price in effect on the relevant conversion date.</p>
<i>Conversion Price</i>	<p>The initial conversion price of HKD12.95899 per Conversion Share was arrived at after an arm's length negotiation between the Company and the Investor.</p> <p>The price of HKD12.95899 represents (i) a premium of approximately 12.5% over the closing price of the Shares of HKD11.52 as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 11.6% over the average closing price of HKD11.61 per Share for the last five consecutive trading days up to and including the Last Trading Day; and (iii) a premium of approximately 20.0% over the Placing Price.</p>
<i>Adjustment to the Conversion Price</i>	<p>The Conversion Price shall from time to time be subject to adjustment in accordance with the Convertible Bonds Conditions if, whilst any of the Convertible Bonds remains outstanding, any of the following events or circumstances in relation to the Shares shall occur:</p> <ul style="list-style-type: none">(i) consolidation, reclassification or subdivision in relation to the Shares;

LETTER FROM THE BOARD

- (ii) issue of Shares by the Company by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) which would not have constituted a distribution as described in (iii) below;
- (iii) any distribution of assets in specie by the Company (including an issue of Shares or other securities credited as fully or partly paid) other than Shares credited as fully paid by way of capitalisation of reserves or a scrip dividend to the extent an adjustment to the Conversion Price is made in accordance with (i) or (ii) above respectively, or any cash dividend or distribution unless such cash dividend does not, when taken together with any other cash dividend previously made or paid in respect of the same fiscal year, exceed 25 per cent of the Company's most recently published annual or interim consolidated net profits attributable to Shareholders after deducting minority interest and tax;
- (iv) rights issues of Shares or issues or grants of options, warrants or other rights over Shares in each case at a price per Share which is less than 93 per cent of the Current Market Price;
- (v) rights issues of securities other than Shares or issues or grants of options, warrants or other rights by the Company to subscribe for, purchase or otherwise acquire Shares;
- (vi) issues of Shares or issues or grants of any options, warrants or other rights by the Company to subscribe for, purchase or otherwise acquire any Shares (other than as mentioned in (iv) and (v) above) at less than 93 per cent of the Current Market Price;
- (vii) issues by any member of the Group other than (iv)–(vi) above or by any company, person or entity with terms of issue which carry rights of conversion into, exchange or subscription for Shares at less than 93 per cent of the Current Market Price;

LETTER FROM THE BOARD

- (viii) modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such securities (other than the Convertible Bonds) as are mentioned in (vii) above (other than in accordance with the terms (including terms as to adjustment) applicable to such securities upon issue) so that following such modification the consideration per Share receivable has been reduced and is less than 93 per cent of the Current Market Price per Share on the date of the first public announcement of the proposals for such modification;
- (ix) other offers by the Company, its subsidiaries or any other company, person or entity to Shareholders of any securities in connection with which Shareholders as a class are entitled to participate in arrangements whereby such securities may be acquired by them, except where the Conversion Price is adjusted under (ii) to (vii) above; or
- (x) other events the Company reasonably determines or following a written request from the Bondholder that an adjustment should be made to the Conversion Price as a result of one or more circumstances not referred to in the circumstances above (even if the relevant circumstance is specifically excluded from (i) to (ix) above). In this event, the Company shall, at its own expense, request an independent investment bank to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, and the date on which such adjustment (if any) should take effect.

The Company will make further announcements in compliance with the relevant Listing Rules when the adjustment events are triggered.

Conversion Shares

If all the Convertible Bonds are converted at the initial Conversion Price of HKD12.95899 each, there will be 238,560,258 Conversion Shares (subject to adjustment), representing approximately 11.1% of the issued share capital of the Company as at the date of this circular, and 10.0% of the issued share capital of the Company as enlarged by the Placing Shares and the Conversion Shares.

LETTER FROM THE BOARD

*Redemption at
maturity*

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem each Convertible Bond on the maturity date at its principal amount together with accrued and unpaid interest thereon.

*Redemption for
taxation reasons*

The Company may, having given not less than 45 nor more than 60 days' notice to the Bondholders, redeem all but not some only of the Convertible Bonds for the time being outstanding on the date specified in the notice at their principal amount, together with accrued but unpaid interest to such date if (i) the Company has or will become obliged to pay additional amounts in respect of payments of interest on the Convertible Bonds as a result of any change in the laws or regulations of the Cayman Islands or Hong Kong in relation to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the execution of the Subscription Agreement, and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it.

*Redemption on
Relevant Events*

Following the occurrence of a Relevant Event, the Bondholders will have the right to require the Company to redeem each Convertible Bond at its principal amount, together with accrued and unpaid interest to such date.

*Negative pledge and
other covenants*

The Company will not, and will ensure that none of its subsidiaries will create, or have outstanding, any encumbrance upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any relevant indebtedness, or any guarantee or indemnity in respect of any relevant indebtedness, without at the same time or prior thereto according to the Convertible Bonds the same security as is created or subsisting to secure any such relevant indebtedness, guarantee or indemnity or such other security as shall be approved by an resolution passed by the Majority Bondholders.

LETTER FROM THE BOARD

The Company is also subject to certain covenants relating to certain leveraging ratios of the Group, including consolidated net debt to consolidated net worth, and consolidated total net debt to consolidated EBITDA.

Events of Default

The Convertible Bonds are subject to routine events of defaults, such as non-payment, failure to delivery shares, breach of other obligations, insolvency of the Company and its principal subsidiaries, cross default of the Company and its principal subsidiaries, enforcement proceeding, security being enforced, winding up against the Company or its principal subsidiaries, cessation, nationalization, authorisation and consents, illegality and any other analogous events.

(III) Effect on the Shareholding Structure

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and, assuming no other changes to the shareholding structure, upon full conversion of the Convertible Bonds assuming no adjustment to the Conversion Price:

Name of Shareholder	As at the Latest Practicable Date		Immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds	
	No. of ordinary Shares	Approximate percentage of issued share capital	No. of ordinary Shares	Approximate percentage of issued share capital
Blue Natural Development Ltd. <i>(Note 1)</i>	134,181,000	6.25	134,181,000	5.62
Light Yield Ltd. <i>(Note 2)</i>	152,678,504	7.11	152,678,504	6.40
Mountain Bright Limited <i>(Note 3)</i>	486,657,686	22.67	486,657,686	20.40
Vintage Star Limited <i>(Note 4)</i>	486,657,686	22.67	486,657,686	20.40

LETTER FROM THE BOARD

Name of Shareholder	As at the Latest Practicable Date		Immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds	
	No. of ordinary Shares	Approximate percentage of issued share capital	No. of ordinary Shares	Approximate percentage of issued share capital
Shareholdings of companies jointly controlled by Mr. Huang Yi and Mr. Li Guoqiang	<u>1,260,174,876</u>	<u>58.69</u>	<u>1,260,174,876</u>	<u>52.82</u>
The Investor <i>(Note 5)</i>	0	0	238,560,258	10.00
JSH Investment Holdings Limited <i>(Note 5)</i>	238,560,162	11.11	238,560,162	10.00
Aggregate shareholdings of the Investor and JSH Investment Holdings Limited	<u>238,560,162</u>	<u>11.11</u>	<u>477,120,420</u>	<u>20.00</u>
Public Shareholders	<u>648,306,419</u>	<u>30.20</u>	<u>648,306,419</u>	<u>27.18</u>
Total	<u><u>2,147,041,457</u></u>	<u><u>100.00</u></u>	<u><u>2,385,601,715</u></u>	<u><u>100.00</u></u>

Notes:

1. Blue Natural Development Ltd. is owned by Light Yield Ltd. (62.3%), which is wholly-owned by Mr. Huang Yi, and Vest Sun Ltd. (37.7%), which is wholly-owned by Mr. Li Guoqiang. Mr. Huang Yi and Mr. Li Guoqiang are directors of Blue Natural Development Ltd.
2. Light Yield Ltd. is wholly-owned by Mr. Huang Yi, who is also the sole director of Light Yield Ltd.
3. Mountain Bright Limited is wholly owned by RBC Trustees (CI) Limited 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 RBC Trustees (CI) Limited as trustee of a trust settlement for Mr. Li Guoqiang (the settler of the trust) and his family.

LETTER FROM THE BOARD

- Jardine Strategic Holdings Limited holds 100% of the issued share capital of JSH Investment Holdings Limited.

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

(IV) Information of the Investor

Jardine Strategic Holdings Limited is a holding company which takes long-term strategic investments in multinational businesses, particularly those with an Asian focus, and in other high quality companies with existing or potential links with the Jardine Matheson Group. Its principal attributable interests are in Jardine Matheson Holdings Limited (56%), Hongkong Land Holdings Limited (50%), Dairy Farm International Holdings Limited (78%), Mandarin Oriental International Limited (74%) and Jardine Cycle & Carriage Limited (73%), which in turn has a 50% interest in PT Astra International Tbk. Jardine Strategic Holdings Limited is 83% held by Jardine Matheson Holdings Limited. Jardine Strategic Holdings Limited is incorporated in Bermuda and has a premium listing on the London Stock Exchange, with secondary listings in Bermuda and Singapore. The interests of Jardine Strategic Holdings Limited are managed from Hong Kong by Jardine Matheson Holdings Limited.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Subscription Agreement, Jardine Strategic Holdings Limited and its ultimate beneficial owners are independent third parties to the Company and its connected persons.

(V) Use of Proceeds

The maximum amount of net proceeds (after deduction of all applicable costs and expenses payable by the Company) from the issue of the Convertible Bonds will be approximately HKD3.05 billion. The Company shall use the net proceeds from the issue of the Convertible Bonds for developing the dealership network, mainly including acquisition of dealerships or establishing new 4S dealerships (for example, acquisition or lease of land or buildings for new dealerships, construction and renovation of showrooms and after-sales service workshops, purchase of machinery, etc.), and for general working capital purposes (such as purchase of new automobiles, overhead expenses and staffing cost) which is currently estimated to be in the proportion of approximately 60% and 40% respectively subject to change in market conditions. The Conversion Price for each Conversion Share is initially set at HKD12.95899 subject to adjustment and the net price per Conversion Share is estimated to be HKD12.78503.

(VI) Reasons for and Benefits of the Transaction

The Investor has a diversified business portfolio with very rich experience in automobile and automobile dealership industry of the PRC market as well as in-depth understanding of this industry. The combination of the Company's leading position in the PRC's automobile dealership market, coupled with the Investor's

LETTER FROM THE BOARD

experience in this sector across Asia and its long-term vision, represents a powerful long-term strategic partnership and we are very confident with our substantial and sustainable development in the future.

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

(VII) Equity Fund Raising Activities in the Past 12 Months

Set out below is the fund raising activity conducted by the Company in the past twelve months prior to the date of this circular:

Date of announcement	Description of the fund raising activity	Net proceeds raised (approximately)	Intended use of proceeds
19 January 2014	Placing of the Placing Shares to JSH Investment Holdings Limited	HKD2.55 billion	To be used for developing the dealership network and for general working capital purposes

The net proceeds raised from the Placing have not been utilized and are now in terms of bank deposit, and the actual use of proceeds will be in line with the intended use.

Save for the above, the Company had not conducted any other fund raising activities in the past twelve months immediately prior to the date of this circular.

(VIII) Application for Listing

Application will be made to the Stock Exchange for listing of, and permission to deal in the Conversion Shares on the Stock Exchange.

(IX) Financial Advisor

J.P. Morgan is the financial advisor of the Company in relation to the proposed transactions under the Subscription Agreement.

LETTER FROM THE BOARD

II. PROPOSED ELECTION OF DIRECTOR

JSH Investment Holdings Limited, one of our shareholders, the nominee of the Investor for subscription of the Placing Shares, nominated Mr. Adam Keswick as a non-executive Director of the Company according to Article 85 of the articles of association of the Company. The biographic particulars of Mr. Adam Keswick are set out as follows:

Position & experience

Mr. Adam Keswick, aged 41, is Deputy Managing Director of Jardine Matheson Holdings Limited. Mr. Keswick was appointed to this role in April 2012. He is the chairman and chief executive of Jardine Motors Group Limited and is also the chairman of Jardine Pacific Limited. He has held a number of executive positions since joining the Jardine Matheson Group from N M Rothschild & Sons in 2001, including group strategy director and, thereafter, group managing director of Jardine Cycle & Carriage Limited between 2003 and 2007. Mr. Keswick is also the deputy chairman of Jardine Matheson Limited, and a director of Dairy Farm International Holdings Limited, Hongkong Land Holdings Limited, Jardine Strategic Holdings Limited, Mandarin Oriental International Limited and OHTL Public Company Limited. Mr. Keswick attended Eton College and Edinburgh University, where he received his Master of Arts degree in 1995.

Save as disclosed herein, Mr. Keswick did not hold any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Interests in Shares

As far as the Directors are aware, as at the Latest Practicable Date, Mr. Adam Keswick does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Relationships

Except the information set out above, as far as the Directors are aware, Mr. Adam Keswick does not have any relationships with other directors, senior management, other substantial shareholders (as defined in the Listing Rules) other than JSH Investment Holdings Limited, or controlling shareholders (as defined in the Listing Rules) of the Company.

Director's emolument

Mr. Adam Keswick will serve as a non-executive Director without any emolument. He will be subject to retirement by rotation and re-election pursuant to the articles of association of the Company.

LETTER FROM THE BOARD

Other information and matters that need to be disclosed or brought to the attention of the Shareholders

As far as the Directors are aware, there is no information of Mr. Adam Keswick to be disclosed pursuant to any of the requirements under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules; and there are no other matters concerning Mr. Adam Keswick that need to be brought to the attention of the Shareholders.

III. EXTRAORDINARY GENERAL MEETING AND PROXY ARRANGEMENT

The notice of the Extraordinary General Meeting is set out on pages 24 to 25 of this circular. At the Extraordinary General Meeting, resolutions will be proposed to approve, inter alia, the issue of the Convertible Bonds and the election of Mr. Adam Keswick, nominated by the JSH Investment Holdings Limited, as a non-executive Director of the Company.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, all the proposed resolutions will be put to vote by way of poll at the Extraordinary General Meeting. An announcement on the poll vote results will be made by the Company after the Extraordinary General Meeting in the manner prescribed under Rule 13.39(5) of the Listing Rules.

A form of proxy for use at the Extraordinary General Meeting is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zs-group.com.cn) respectively. Whether or not you are able to attend the Extraordinary General Meeting, please complete and sign the form of proxy in accordance with the instructions printed thereon and return it, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority, to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queens Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the Extraordinary General Meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting or any adjournment thereof if you so wish and in such event, the proxy form shall be deemed to be revoked.

The ultimate controlling shareholders of the Company, Mr. Huang Yi and Mr. Li Guoqiang, have irrevocably undertaken to the Investor that (1) they shall not, and shall procure the registered holders not to, sell, transfer, cancel, dispose of, charge, pledge or otherwise encumber or grant any option or other right over or otherwise deal in any of such Shares until after the earlier of the conclusion of the Extraordinary General Meeting or 30 April 2014, and (2) shall exercise, and procure the registered holders of the Shares in which they hold beneficial interest to exercise, the voting rights attaching to such Shares to vote in favour of the resolutions for the issue of the Convertible Bonds and the election of Mr. Adam Keswick as a non-executive Director of the Company.

LETTER FROM THE BOARD

As JSH Investment Holdings Limited, one of the existing Shareholders holding 238,560,162 Shares of the Company upon completion of the Placing, is a wholly owned subsidiary of the Investor, it has a material interest in the proposed issue of the Convertible Bonds to the Investor and it is required to abstain from voting on the resolutions approving the issue of the Convertible Bonds pursuant to Rule 2.15 of the Listing Rules. Save for the above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the proposed issue of the Convertible Bonds and no Shareholder is required to abstain from voting on the resolution(s) to be proposed at the Extraordinary General Meeting.

RECOMMENDATION

The Directors consider that the issue of the Convertible Bonds and the election of Mr. Adam Keswick as a non-executive Director of the Company are in the interests of the Company, the Group and the Shareholders as a whole. Accordingly, the Directors unanimously recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the Extraordinary General Meeting.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Yours faithfully,
By Order of the Board of
Zhongsheng Group Holdings Limited
Huang Yi
Chairman

NOTICE OF THE EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Zhongsheng Group Holdings Limited (the “Company”) will be held at 35th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Tuesday, 11 March 2014 at 3:00 p.m. to consider and, if thought fit, pass with or without amendments, the following resolutions of the Company as ordinary resolutions:

- (1) **“THAT:**
 - (a) the execution, delivery and performance by the Company of a subscription agreement dated 19 January 2014 entered into between the Company and Jardine Strategic Holdings Limited (the “Subscriber”) in relation to the issue of convertible bonds by the Company with an aggregate principal amount of HK\$3,091,500,000 (the “Convertible Bonds”) entitling the holders thereof to convert the principal amount thereof into ordinary shares of the Company (the “Conversion Shares”) at an initial conversion price of HK\$12.95899 (subject to adjustment) per Conversion Share (the “Subscription Agreement”) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
 - (b) subject to the fulfilment or waiver of the conditions precedent set out in the Subscription Agreement, the directors of the Company be and are hereby authorised to issue the Convertible Bonds in accordance with the terms and conditions of the Subscription Agreement and the Convertible Bonds Conditions;
 - (c) the directors of the Company be and are hereby granted a specific mandate to exercise the powers of the Company to allot and issue the Conversion Shares; and
 - (d) the directors of the Company be and are hereby authorised to exercise all powers of the Company and take all steps as might in their opinion be desirable, necessary or expedient to give effect to or in connection with the Subscription Agreement including without limitation:
 - (i) the execution, amendment, supplement, delivery, submission and/or implementation of any further documents or agreements in relation to the Subscription Agreement, the issue of the Convertible Bonds and the issue and allotment of the Conversion Shares; and

NOTICE OF THE EGM

- (ii) the taking of all necessary actions to implement the transactions contemplated under the Subscription Agreement.”
- (2) “THAT Mr. Adam Keswick be elected as a non-executive director of the Company with immediate effect.”

Yours faithfully,
By Order of the Board of
Zhongsheng Group Holdings Limited
Huang Yi
Chairman

Hong Kong, 22 February 2014

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote instead of him/her/it. A member who is the holder of two or more shares may appoint more than one proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he/she/it so wishes.
3. In order to be valid, the form of proxy must be duly lodged at the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is duly signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or any adjourned meeting.
4. For determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from Friday, 7 March to Tuesday, 11 March (both dates inclusive) during which period no transfer of shares will be registered. In order to be entitled to attend the EGM, the unregistered holders of shares of the Company should ensure all transfers documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 6 March 2014.
5. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
6. The voting on the resolutions at the EGM will be conducted by way of a poll.