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

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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)**

**CONNECTED TRANSACTION – SUBSCRIPTION AGREEMENT  
BY A CONNECTED PERSON  
AND  
NOTICE OF THE EGM**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



**Gram Capital Limited**  
**嘉林資本有限公司**

A letter from the Board is set out on pages 4 to 15 of this circular. A letter from Gram Capital containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on page 17 to 28 of this circular and a letter from the Independent Board Committee is set out on pages 16 of this circular.

A notice convening the EGM of the Company to be held at Conference Room, 35th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong, on Thursday, 1 June 2017 at 2:00 p.m. is set out on pages 33 to 34 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 and sign 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 (i.e., not later than 2:00 p.m. on Tuesday, 30 May 2017) before the time appointed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

References to dates and time in this circular are to Hong Kong dates and time.

9 May 2017

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## DEFINITIONS

*In this circular, unless the context otherwise requires, the following terms and expression have the meaning set forth below:*

“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
“Business Day”	a day other than a Saturday, Sunday or public holiday in Hong Kong 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
“Company”	Zhongsheng Group Holdings Limited, a limited liability company incorporated under the laws of Cayman Islands whose registered address is at P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands and whose Shares are listed on the Main Board of the Stock Exchange
“Completion Date”	two Business Days after the date on which all conditions (if applicable) in respect of the subscription of the Subscription Shares have been fulfilled or waived in accordance with the Subscription Agreement
“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
“Convertible Bonds”	the HK\$3,091,500,000 2.85%. Convertible bonds due 2017 issued by the Company to JSH on 25 April 2014 which matured on 25 April 2017
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be held on 1 June 2017 for Shareholders to vote for or against the resolution in respect of the Subscription Agreement and the Proposed Placing

## DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee established by the Company (comprising Mr. Shen Jinjun, Mr. Lin Yong, Mr. Shoichi Ota and Mr. Ying Wei) to advise the Independent Shareholders in connection with the Subscription Agreement and the Proposed Placing
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the Proposed Placing
“Independent Shareholder(s)”	Shareholder(s) other than JSH, a wholly-owned subsidiary of the Investor, who is a party to the Subscription Agreement
“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
“JSH”	JSH Investment Holdings Limited, a limited liability company incorporated under the laws of British Virgin Islands, who is a substantial Shareholder of the Company holding 332,855,581 Shares, representing 15.51% of the issued share capital of the Company as at the Latest Practicable Date and a wholly-owned subsidiary of the Investor
“Latest Practicable Date”	8 May 2017, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange

## DEFINITIONS

“PRC” or “China”	the People’s Republic of China, which (for the purpose of this circular) excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Placing”	the proposed placing of 120,557,263 Shares to the Investor pursuant to the Subscription Agreement
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) with a par value of HK\$0.0001 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) 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 13 April 2017, pursuant to which the Company agrees to issue the Subscription Shares to the Investor (or its nominee), and the Investor agrees to subscribe (or procure its nominee to subscribe) for the Subscription Shares
“Subscription Price”	HK\$11.15064 per Subscription Share
“Subscription Shares”	120,557,263 new Shares

*In this circular, unless the context otherwise requires, the terms “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.*

*Certain amounts and percentage figures included in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

*\* The English translation or transliteration of the Chinese name(s) in this circular, where indicated, is included for information purposes only, and should not be regarded as the official English name(s) of such Chinese name(s).*

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  
Mr. Zhang Zhicheng

*Non-executive Director:*

Mr. Pang Yiu Kai

*Independent non-executive Directors:*

Mr. Shen Jinjun  
Mr. Lin Yong  
Mr. Shoichi Ota  
Mr. Ying Wei

*Registered Office and Principal Place  
of Business in Cayman Islands:*

P.O. Box 10008  
Willow House  
Cricket Square  
Grand Cayman KY1-1001  
Cayman Islands

*Principal Place of Business in Hong Kong:*

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

9 May 2017

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION – SUBSCRIPTION AGREEMENT  
BY A CONNECTED PERSON**

**INTRODUCTION**

We refer to the Company's announcements dated 19 January 2014, 24 January 2014 and 25 April 2014 and the circular dated 22 February 2014 in relation to the issue of 238,560,162 Shares and the Convertible Bonds to JSH. The Convertible Bonds matured on 25 April 2017 and none of the Convertible Bonds was converted into any Shares.

We also refer to the announcement of the Company dated 13 April 2017 (the "**Announcement**") in relation to the Subscription Agreement entered into between the

## LETTER FROM THE BOARD

Company and the Investor on 13 April 2017, according to which the Company agrees to issue 120,557,263 Shares at the aggregate subscription price of HK\$1,344,290,639 to the Investor (or its nominee). The purpose of this circular is to provide you with, among other things, (i) further details of the Subscription Agreement and the Proposed Placing; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement and the Proposed Placing; (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the Proposed Placing; and (iv) a notice convening the EGM.

### THE SUBSCRIPTION AGREEMENT AND THE PROPOSED PLACING

#### I. The Subscription Agreement

##### *Date*

13 April 2017

##### *Parties to the Subscription Agreement*

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

##### *Subscription Shares*

The Investor agrees to subscribe for (or to procure its nominee to subscribe for), and the Company agrees to issue to the Investor (or its nominee), the Subscription Shares on the terms and conditions set out in the Subscription Agreement.

##### *The Company's Lock-up Undertaking*

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

##### *The Investor's Undertaking*

The Investor has undertaken that, from the date of the Subscription Agreement to the Completion Date, the Investor shall not, and shall procure that its affiliates shall not, without the prior written consent of the Company, acquire (including contract or agree to acquire) directly or indirectly any Share (including equity derivatives of which a Share is an underlying asset or object) or enter into any transaction with the same economic effect as any transaction described above,

## LETTER FROM THE BOARD

provided that nothing in this undertaking shall prevent the Investor or any of its affiliates entering into or performing any contract that is solely between any of them and the Investor or another affiliate or affiliates (the “**Pre-Completion No Acquisition Undertaking**”).

The Investor has further undertaken to the Company that it will not, and will procure that its affiliates shall not, for a period of three years following the Completion Date, without the prior written consent of the Company, acquire (including contract or agree to acquire) directly or indirectly any Share (including the Subscription Shares and equity derivatives of which a Share is an underlying asset or object) which results in the Investor and its affiliates being, directly or indirectly, the legal or beneficial holders of such number of Shares in aggregate representing more than 25% of the then issued share capital of the Company, or enter into any transaction with the same economic effect as any transaction described above, provided that this undertaking shall not restrict the increase of the Investor’s direct and indirect shareholding percentage beyond 25% of the then issued share capital of the Company to the extent this arises solely as a result of any share buyback conducted by the Company or any taking up of its pro-rata Shares or rights or entitlements to Shares by the Investor or its affiliates in any issuance or offer of Shares or rights or entitlements to Shares by the Company to all its Shareholders on a pro-rata basis, such as any bonus issue, capitalisation issue or other capital reorganisation carried out by the Company, any scrip dividends made or paid by the Company, any dividend reinvestment plan, or any other voluntary action of the Company or opportunity provided by the Company to all its Shareholders on a pro-rata basis. (For the avoidance of doubt, the proviso above will not apply to the extent the Investor or any of its affiliates becomes directly or indirectly the legal or beneficial holder of Shares as a result of any voluntary action by it to acquire more Shares than those to which it is entitled as a result of the relevant issue, reorganisation or other corporate action of the Company.)

After the expiry of the three-year period mentioned above, the Investor shall not, and shall procure that its affiliates shall not, without the prior written consent of the Company, acquire (including contract or agree to acquire) directly or indirectly any Share if the acquisition would result in the number of issued Shares of the Company held by the public falling below 17.24% of the total number of issued Shares of the Company at the time so that the Company ceases to be in compliance with the minimum public shareholding requirements of the Listing Rules (as modified or waived by the Stock Exchange).

### *Nomination of Director*

It is agreed by both parties that the Company shall procure, for so long as the Investor (or its nominee) and its affiliates in aggregate hold (directly or indirectly) no less than 19.5% of the Shares, that two persons designated by the Investor (or its nominee) are nominated and recommended to be appointed (and re-appointed, as required) as non-executive Directors of the Company at or before the next general meeting of the Company after the date of the Investor’s (or its nominee’s) designation.

## LETTER FROM THE BOARD

The nomination and recommendation of the director candidate will follow the procedures as stipulated in the articles of association of the Company, the terms of reference for the nomination committee of the Company and relevant rules and regulations.

### *Right of Termination*

If at any time prior to payment of the aggregate Subscription Price to the Company:

- (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;
- (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;
- (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 the Subscription Agreement notwithstanding any other provisions of the Subscription Agreement.

## LETTER FROM THE BOARD

If at any time prior to payment of the aggregate Subscription Price to the Company, the Investor is in breach of certain representations, warranties or undertakings given by it in the Subscription Agreement (including the Pre-Completion No Acquisition Undertaking), then the Company shall be entitled (but not bound) by written notice to the Investor to elect to treat such event, breach or failure as terminating the Subscription Agreement notwithstanding any other provisions of the Subscription Agreement.

### II. The Proposed Placing

According to the Subscription Agreement, the Investor agrees to subscribe for (or to procure its nominee to subscribe for), and the Company agrees to issue to the Investor (or its nominee), the Subscription Shares. Details of the Proposed Placing are as follows:

#### 1. *Numbers of Subscription Shares*

The Subscription Shares comprise 120,557,263 ordinary Shares of HK\$0.0001 each in the share capital of the Company to be issued by the Company.

The Subscription Shares represent 5.62% of the current issued share capital of the Company as at the Latest Practicable Date and will represent approximately 5.32% of the total issued share capital of the Company as enlarged by the Proposed Placing, as a result of which, the Investor will directly and indirectly hold, together with the Shares held by the Investor through its wholly-owned subsidiary JSH as at the date of the Subscription Agreement, exactly 20% of the issued share capital of the Company as enlarged by the Proposed Placing.

The aggregate nominal value of the Subscription Shares under the Proposed Placing will be HK\$12,055.7263.

#### 2. *Subscription Price*

The Subscription Price of HK\$11.15064 per Subscription Share represents:

- (i) a premium of approximately 0.1% to the closing price of HK\$11.14 per Share as quoted on the Stock Exchange on 13 April 2017, being the date of the Subscription Agreement; and
- (ii) a premium of approximately 2% to the average closing price of HK\$10.932 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 12 April 2017.

The Subscription Price was determined after arm's length negotiation between the Company and the Investor which has taken into account the recent market price of the Shares and the current market conditions.

## LETTER FROM THE BOARD

### 3. *Conditions Precedent of the Proposed Placing*

Completion of the subscription and issue of the Subscription Shares and the Proposed Placing is conditional on:

- (i) the resolution regarding the Proposed Placing having been duly approved by the Company's Shareholders (other than the Investor and its associates and any other Shareholders who are required by the Listing Rules to abstain from voting in respect of the resolution) as an ordinary resolution at the EGM;
- (ii) the conversion period of the Convertible Bonds having lapsed;
- (iii) obtaining the approval from the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares;
- (iv) publication of the Announcement;
- (v) on the Completion Date:
  - (a) the representations, warranties and undertakings of the Company in the Subscription Agreement being true, accurate and correct (in all material respects, if applicable) and not misleading at, and as if made on, such date; and
  - (b) 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 respect, if applicable);and
- (vi) on the Completion Date:
  - (a) the representations, warranties and undertakings of the Investor in the Subscription Agreement being true, accurate and correct (in all material respects, if applicable) and not misleading at, and as if made on, such date; and
  - (b) the Investor 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 respect, if applicable);

## LETTER FROM THE BOARD

The Company shall promptly give notice to the Investor (1) if it becomes aware that any of the abovementioned conditions (i), (iii) and (v) may not be satisfied and (2) of the satisfaction of the abovementioned conditions (i), (iii) and (v) and provide copies of documents evidencing such satisfaction, where appropriate, in any event, 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 (iii) to (v). The Company may, at its discretion and upon such terms as it thinks fit, waive compliance with the whole or any part of the abovementioned conditions (ii) and (vi). For the avoidance of doubt, neither the Company nor the Investor may waive compliance with the abovementioned condition (i). As at the Latest Practicable Date, conditions (ii) and (iv) above have been fulfilled.

If the abovementioned conditions are not satisfied or waived on or before thirty (30) Business Days from the date of the Subscription Agreement, either the Company (subject to it having satisfied all of its obligations in respect of the fulfilment of the abovementioned conditions (i), (iii) and (v)) or the Investor may in its sole and absolute discretion terminate the Subscription Agreement or effect completion so far as practicable in accordance with the terms of the Subscription Agreement.

#### **4. Completion**

Subject to the satisfaction or waiver of the conditions to the Proposed Placing, the completion of the Proposed Placing is expected to take place on the Completion Date, or such other date as agreed to in writing between the Company and the Investor provided that if dealings in any of the Shares or listing of any of the Shares on the Stock Exchange is suspended on the Completion Date, the completion of the Proposed Placing shall be delayed until the next date on which dealings in, and the listing of, the Shares on the Stock Exchange are not suspended.

## LETTER FROM THE BOARD

### 5. *Effect of the Proposed Placing on the Shareholding Structure*

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Proposed Placing assuming no other change in the share capital of the Company:

Name of Shareholder	As at the Latest Practicable Date		On the Completion Date	
	No. of ordinary Shares	Approximate percentage of issued share capital	No. of ordinary Shares	Approximate percentage of issued share capital
Blue Natural Development Ltd. (Note 1)	181,613,500	8.46%	181,613,500	8.01%
Light Yield Ltd. (Note 2)	152,678,504	7.11%	152,678,504	6.73%
Mountain Bright Limited (Note 3)	486,657,686	22.67%	486,657,686	21.47%
Vintage Star Limited (Note 4)	486,657,686	22.67%	486,657,686	21.47%
<b>Shareholdings of companies jointly controlled by Mr. Huang Yi and Mr. Li Guoqiang</b>				
Li Guoqiang	1,307,607,376	60.92%	1,307,607,376	57.68%
The Investor (Note 5)	332,855,581	15.51%	453,412,844	20.00%
Public Shareholders	506,044,000	23.58%	506,044,000	22.32%
<b>Total</b>	<b>2,146,506,957</b>	<b>100.00%</b>	<b>2,267,064,220</b>	<b>100%</b>

*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.
5. The Investor is interested in 332,855,581 Shares through its wholly-owned subsidiary JSH.

The Company has as at the Latest Practicable Date complied and will comply as at the Completion Date with the minimum public shareholding requirements of the Listing Rules and as modified or waived by the Stock Exchange, which is 17.24% of the total number of issued Shares of the Company.

## LETTER FROM THE BOARD

### 6. *Ranking of the Subscription Shares*

The Subscription Shares will rank pari passu in all respects with the existing Shares in issue as at the Completion Date including the right to receive all dividends declared, made, or paid on or after the Completion Date.

### III. **Use of Proceeds**

The maximum amount of net proceeds (after deduction of all applicable costs and expenses) from the Proposed Placing will be approximately HK\$1,343,000,000. The net price (after deducting all applicable costs and expenses, including the legal fees) raised per Share upon completion of the Proposed Placing will be approximately HK\$11.14. The Company shall use the net proceeds from the issue of the Subscription Shares: (i) as to approximately 70%, being HK\$940,100,000, for developing the dealership network; and (ii) as to approximately 30%, being HK\$402,900,000, for the working capital of the Group.

### IV. **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, among others, the Mainland market as well as in-depth understanding of this industry. The combination of the Company's leading position in China's automobile dealership market, coupled with the Investor's 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.

### V. **Information of Parties to the Subscription Agreement**

#### *Information of the Investor*

The Investor is a holding company within the Jardine Matheson group 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 group. Its principal attributable interests are in Jardine Matheson (57%), Hongkong Land (50%), Dairy Farm (78%), Mandarin Oriental (77%) and Jardine Cycle & Carriage (75%), which in turn has a 50% interest in Astra. The Investor is incorporated in Bermuda and has a standard listing on the London Stock Exchange, with secondary listings in Bermuda and Singapore. The Investor's interests are managed from Hong Kong by Jardine Matheson Limited.

The Investor is 84% held by Jardine Matheson. Jardine Matheson is a diversified business group focused principally on Asia. Its businesses comprise a combination of cash generating activities and long-term property assets. In addition to its interest in the Investor, Jardine Matheson holds interests directly in Jardine Pacific (100%), Jardine Motors (100%) and Jardine Lloyd Thompson (42%). Jardine Matheson is incorporated in Bermuda and has a standard listing on the London Stock Exchange, with secondary listings in Bermuda and Singapore.

## LETTER FROM THE BOARD

### *Information of the Company*

The Company is a leading national dealership group in China which principally engaged in providing one-stop services including sales of new and second-hand automobiles, after-sales, refitting, accessories, financial, insurance and leasing services. It currently operates automobile brands, consisting of luxury automobile brands such as Mercedes-Benz, Lexus and Audi and mid-to-high end automobile brands such as Toyota, Nissan and Honda. The ultimate beneficial owners of the Company are Mr. Huang Yi and Mr. Li Guoqiang.

### **VI. Equity Fund Raising Activities in the Past 12 Months**

There has not been any equity fund raising activity or any issue of equity securities of the Company in the 12 months preceding the Latest Practicable Date.

### **VII. Application for Listing**

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

### **VIII. Board Confirmation**

The Board (including the independent non-executive Directors) are of the view that the terms of Subscription Agreement are on normal commercial terms and fair and reasonable and are also in the interest of the Company and its Shareholders as a whole.

As Mr. Pang Yiu Kai currently holds a position as an executive director in the Investor, he has abstained from voting on the relevant Board resolution in relation to the Subscription Agreement.

### **IX. Listing Rules Implication**

As of the Latest Practicable Date, the Investor, through its wholly-owned subsidiary JSH, indirectly holds 332,855,581 Shares, representing 15.51% of the issued share capital the Company, and therefore is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Proposed Placing constitutes a connected transaction of the Company.

The Subscription Agreement will be subject to the Independent Shareholders' approval at the EGM. JSH will be required to abstain from voting on the relevant resolution in respect of the Subscription Agreement at the EGM.

## LETTER FROM THE BOARD

### **X. Independent Board Committee and Independent Financial Adviser**

The Independent Board Committee (comprising Mr. Shen Jinjun, Mr. Lin Yong, Mr. Shoichi Ota and Mr. Ying Wei) has been established to advise the Independent Shareholders in connection with the Subscription Agreement and the Proposed Placing. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement and the Proposed Placing.

### **THE EGM AND PROXY ARRANGEMENT**

The notice of the EGM is set out on pages 33 to 34 of this circular. At the EGM, resolution will be proposed to approve the Subscription Agreement.

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

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.zs-group.com.cn](http://www.zs-group.com.cn)) respectively. In order to be valid, whether or not you are able to attend the EGM, 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 EGM (i.e., not later than 2:00 p.m. on Tuesday, 30 May 2017). Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM 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 exercise, and procure the registered holders of the 1,307,607,376 Shares in which they hold beneficial interest to exercise, the voting rights attaching to such Shares to vote in favour of the relevant resolution at the EGM; and (2) 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 EGM or 31 July 2017.

JSH will be required to abstain from voting on the resolution in respect of the Proposed Placing at the EGM. Save for the above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, other than JSH, no Shareholder has a material interest in the Proposed Placing and no Shareholder is required to abstain from voting on the resolution to be proposed at the EGM.

## LETTER FROM THE BOARD

### RECOMMENDATIONS

The Independent Board Committee, having taken into account the advice of Gram Capital, considers that the terms of Subscription Agreement and the Proposed Placing are on normal commercial terms and fair and reasonable and are also in the interest of the Company and its Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution in relation to the Subscription Agreement and the Proposed Placing to be proposed at the EGM. The text of the letter from the Independent Board Committee is set out on page 16 of this circular.

### OTHER INFORMATION

Your attention is drawn to other sections of and appendix to this circular.

Yours faithfully  
By order of the Board  
**Zhongsheng Group Holdings Limited**  
**HUANG Yi**  
*Chairman*



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)**

9 May 2017

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION – SUBSCRIPTION AGREEMENT  
BY A CONNECTED PERSON**

We refer to the circular issued by the Company to the Shareholders dated 9 May 2017 (the “**Circular**”) which this letter forms a part of. Terms defined in the Circular shall have the same meanings as those used in this letter unless the context otherwise requires.

We have been appointed by the Board as the members of the Independent Board Committee to consider the Subscription Agreement and the Proposed Placing and to advise the Independent Shareholders in respect of the Subscription Agreement and the Proposed Placing. Gram Capital has been appointed as the Independent Financial Adviser in this regard.

We wish to draw your attention to the “Letter from the Board” and the “Letter from Gram Capital” as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, Gram Capital as set out in their letter of advice, we consider that the Subscription Agreement, although is not conducted in the ordinary and usual course of business of the Company, is on normal commercial terms and the terms of which are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote in favour of the relevant resolution approving the Subscription Agreement and the Proposed Placing at the EGM.

Yours faithfully

For and on behalf of the Independent Board Committee of  
**Zhongsheng Group Holdings Limited**

**Shen Jinjun**  
*Independent  
Non-Executive  
Director*

**Lin Yong**  
*Independent  
Non-Executive  
Director*

**Shoichi Ota**  
*Independent  
Non-Executive  
Director*

**Ying Wei**  
*Independent  
Non-Executive  
Director*

## LETTER FROM GRAM CAPITAL

*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Placing for the purpose of inclusion in this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

9 May 2017

*To: The independent board committee and the independent shareholders  
of Zhongsheng Group Holdings Limited*

Dear Sirs,

### **CONNECTED TRANSACTION – SUBSCRIPTION AGREEMENT BY A CONNECTED PERSON**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Placing, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 9 May 2017 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 13 April 2017, the Company entered into a Subscription Agreement with the Investor, pursuant to which the Company agrees to issue 120,557,263 Shares at the aggregate subscription price of HK\$1,344,290,639 to the Investor (or its nominee), and the Investor agrees to subscribe (or procure its nominee to subscribe) for the Subscription Shares.

With reference to the Board Letter, Investor is a connected person of the Company. Accordingly, the Proposed Placing constitutes a non-exempt connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and independent shareholders’ approval requirements pursuant to Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Shen Jinjun, Mr. Lin Yong, Mr. Shoichi Ota and Mr. Ying Wei (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Proposed Placing is in

## LETTER FROM GRAM CAPITAL

the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### INDEPENDENCE

As at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Besides, apart from the advisory fee and expenses payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/ arrangements or implied understanding with anyone concerning the Subscription Agreement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The 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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the 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

## LETTER FROM GRAM CAPITAL

make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Investor or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Proposed Placing. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Proposed Placing, we have taken into consideration the following principal factors and reasons:

#### **(1) Background and reasons for the Proposed Placing**

##### *Information on the Group*

With reference to the Board Letter, the Company is a leading national dealership group in China which principally engaged in providing one-stop services including sales of new and second-hand automobiles, after-sales, refitting, accessories, financial, insurance and leasing services. It currently operates automobile brands, consisting of luxury automobile brands such as Mercedes-Benz, Lexus and Audi and mid-to-high end automobile brands such as Toyota, Nissan and Honda.

## LETTER FROM GRAM CAPITAL

Set out below is a summary of the audited consolidated financial information on the Group for the two years ended 31 December 2016 as extracted from the Company's annual report for the year ended 31 December 2016 (the "2016 Annual Report"):

	<b>For the year ended 31 December 2016</b>	<b>For the year ended 31 December 2015</b>	<b>Year on year change</b>
	<i>RMB'000</i>	<i>RMB'000</i>	%
Revenue	71,599,221	59,142,607	21.06
Profit for the year	2,041,738	481,309	324.21
	<b>As at 31 December 2016</b>	<b>As at 31 December 2015</b>	<b>Year on year change</b>
	<i>RMB'000</i>	<i>RMB'000</i>	%
Cash and cash equivalents	4,157,264	4,464,517	(6.88)
Net assets	13,098,959	12,615,995	3.83

As illustrated by the above table, the Group's revenue and net profit for the year ended 31 December 2016 ("FY2016") increased by approximately 21.06% and 324.21% respectively as compared to the year ended 31 December 2015 ("FY2015"). With reference to the 2016 Annual Report, the said increase in revenue and net profit was mainly due to (i) the increase in revenue from new automobiles sales; (ii) the increase in revenue from after-sales and accessories business; and (iii) improved margin of both the new automobiles sales business and the after-sales and accessories business. Furthermore, we also noted that revenue from the sale of motor vehicles represented over 80% of total revenue of the Group for the recent two financial years. As at 31 December 2016, the Group recorded cash and cash equivalents of approximately RMB4.16 billion.

As at 31 December 2016, the total number of 4S dealerships of the Group reached 251, including 120 luxury brand dealerships and 131 mid-to-high-end brand dealerships, which were mainly located in regions with higher consumption power or great potential for car purchasing and covered 22 provinces and regions and more than 80 cities across the PRC.

During 2016, the Group's new automobiles sales volume reached 300,753 units, representing a year-on-year increase of 23.4%. The sales volume of new automobiles of luxury brands accounted for 39% of total new automobile sales volume. In terms of aftersales and accessories business, the Group realized an output value of RMB9,139.7 million for the year of 2016, representing a year-on-year increase of 25.2%.

With reference to the 2016 Annual Report, although the automobile industry of China is still facing multiple challenges, it is also facing opportunities arising

## LETTER FROM GRAM CAPITAL

from the challenges. By adhering to its firm belief and following its original aspiration, the Group will continue to enhance its strengths in terms of brand and geographical portfolio, further extend its industry chain, consolidate its advantages in the after-sales market, uphold the people-oriented and customer-oriented principle, enhance its operational and management efficiency and efficiency per capita, carry out delicacy management, maintain a steady growth in the traditional dominant business segment and consistently seek new profit growth points.

### *Information on Investor*

With reference to the Board Letter, the Investor 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 Investor group. Its principal attributable interests are in Jardine Matheson (57%), Hongkong Land (50%), Dairy Farm (78%), Mandarin Oriental (77%) and Jardine Cycle & Carriage (75%), which in turn has a 50% interest in Astra. The Investor is 84% held by Jardine Matheson. The Investor is incorporated in Bermuda and has a standard listing on the London Stock Exchange, with secondary listings in Bermuda and Singapore. The Investor's interests are managed from Hong Kong by Jardine Matheson Limited ("**Jardine Matheson**").

According to the annual report of Jardine Matheson for the year ended 31 December 2016, Jardine Matheson held 100% equity interests in Jardine Motors Group Holdings Limited ("**Jardine Motors**"). Jardine Motors is engaged in the sales and service of motor vehicles and related activities and has operations in Hong Kong, Macau and the United Kingdom, and a large and growing presence in Southern China.

According to public information, Zung Fu Company Limited, being a subsidiary of Jardine Motors, is the exclusive retailer of Mercedes-Benz automobiles in Hong Kong and Macau, with four showrooms and seven service centres. Zung Fu is expanding its presence in the markets across Southern and Western China where it has some 34 Mercedes-Benz outlets, including 20 4S full-service dealers, 11 showrooms and three service workshops as at 20 May 2016.

### *Reasons for and benefits of the Proposed Placing and the use of proceeds*

With reference to the Board Letter, the Investor has a diversified business portfolio with very rich experience in automobile and automobile dealership industry of, among other things, the Mainland market as well as in-depth understanding of this industry. The combination of the Company's leading position in China's automobile dealership market, coupled with the Investor's experience in this sector across Asia and its long-term vision, represents a powerful long-term strategic partnership and the Company is confident with its substantial and sustainable development in the future.

### *Financing alternatives available to the Group*

There has not been any equity fund raising activity or any issue of equity securities of the Company in the 12 months preceding the Latest Practicable Date.

## LETTER FROM GRAM CAPITAL

We have enquired into the Directors and were informed by the Directors that the Group has considered various methods, namely debt financing and equity financing, for fund raising. Nevertheless, the Directors advised us that upon comprehensive consideration, the Company prefers equity financing which could save the financial cost, and further optimize the gearing ratio and the financial position, enabling the Company to expand sustainably in the future.

With regard to equity financing, the Directors advised us that although both open offer and rights issue would allow Shareholders to maintain their respective pro-rata shareholdings in the Company and at the same time to strengthen the capital base of the Company, such fund raising exercises require the Company to procure commercial underwriting and would also be relatively time consuming as compared with the subscription of new Shares (i.e. the Proposed Placing).

The Directors are hence of the opinion that the Proposed Placing is a more preferable method of fund raising for the Group according to the proposed use of proceeds.

### *Use of proceeds*

The maximum amount of net proceeds (after deduction of all applicable costs and expenses) from the Proposed Placing will be approximately HK\$1,343,000,000. The net price (after deducting all applicable costs and expenses, including the legal fees) raised per Share upon completion of the Proposed Placing will be approximately HK\$11.14. The Company shall use the net proceeds from the issue of the Subscription Shares for (i) as to approximately 70%, being HK\$940,100,000, will be used for developing the dealership network; and (ii) as to approximately 30%, being HK\$402,900,000, will be used for the working capital of the Group.

With reference to the 2016 Annual Report, in light of the successive introduction of policies for the automobile industry in 2016, the consolidation of the automobile distribution network further advanced and the transformation and upgrade of the industry accelerated. The Group actively capitalized on the favourable policies and seized market opportunities. Based on the thorough understanding of the demands and consumption habit of customers in different markets, the Group has not only explored and strengthened its position in various major strategic regions, but also further expanded its market share, enhanced its market awareness and strengthened its industrial position through establishment of new networks as well as mergers and acquisitions.

## LETTER FROM GRAM CAPITAL

Furthermore, with the gradual release of the rigid demand in the automobile industry and the upgrade of the demand for update and replacement, the production volume and sales volume of automobiles in China reached another peak. Driven by the issue of the Certain Opinions on Promoting the Second-hand Vehicles Trade\* (《關於促進二手車便利交易的若干意見》), the secondhand automobile market started to boost. In 2016, the total trading volume of the second-hand automobiles in China exceeded ten million units for the first time. The continual swift increase in automobile ownership also facilitated the increasing demand for after-sales services. High quality talents, high quality assurance and high-standard services and products became the fundamental elements of the development for after-sales services. We consider that the future prospects of the automobile industry to be positive.

In light of (i) the principal business of the Group; (ii) the future prospects of the automobile industry to be positive; (iii) revenue from the sale of motor vehicles represented over 80% of total revenue of the Group for the recent two financial years; and (iv) the development strategy of the Group, we consider that the proposed use of proceeds from the Proposed Placing to be acceptable.

Having considered (i) the Proposed Placing being the most appropriate fund raising method currently available to the Group due to the reasons as set forth under the sub-section headed “Financing alternatives available to the Group” above; (ii) the proposed use of the net proceeds from the Proposed Placing; and (iii) the background of the Investor as mentioned above, we consider that the reasons for the Proposed Placing is justifiable and the Proposed Placing is in the interests of the Company and the Shareholders as a whole.

### (2) Principal terms of the Subscription Agreement

The table below summarises the major terms of the Subscription Agreement, details of which are set out under the sub-section headed “The Subscription Agreement” of the Board Letter:

**Date:**

13 April 2017

**Parties:**

- (i) the Company; and
- (ii) Investor

**Subscription Shares:**

The Investor agrees to subscribe for (or to procure its nominee to subscribe for), and the Company agrees to issue to the Investor (or its nominee), 120,557,263 Subscription Shares.

## LETTER FROM GRAM CAPITAL

### Analysis on the Subscription Price

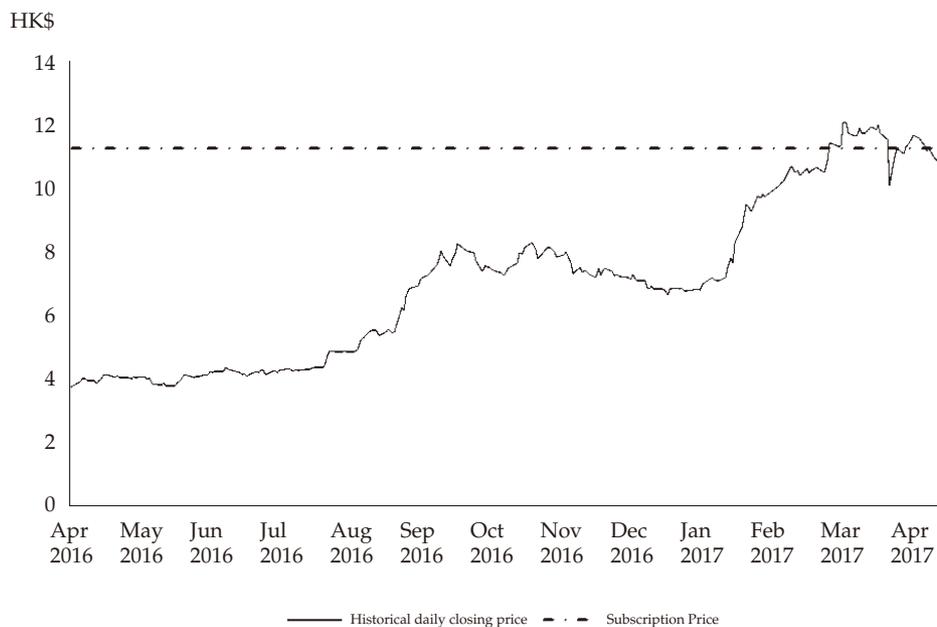
The Subscription Price of HK\$11.15064 represents:

- (a) a premium of approximately 3.44% over the closing price of HK\$10.78 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 0.1% over the closing price of HK\$11.14 per Share as quoted on the Stock Exchange on 13 April 2017, being the date of the Subscription Agreement (the “**Subscription Premium**”); and
- (c) a premium of approximately 2.0% over the average closing price of approximately HK\$10.932 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the 12 April 2017.

As advised by the Directors, the Subscription Price was determined after arm’s length negotiation between the Company and the Investor which has taken into account the recent market price of the Shares and the current market conditions.

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 1 April 2016 up to and including 13 April 2017 (the “**Review Period**”), being approximately one year prior to the date of the Subscription Agreement, which is commonly used for analysis purpose. The comparison of daily closing prices of the Shares and the Subscription Price is illustrated as follows:

#### Historical daily closing price per Share



Source: the Stock Exchange’s website

## LETTER FROM GRAM CAPITAL

During the Review Period, the closing prices of the Shares showed a general increasing trend. The lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK\$3.70 recorded on 1 April 2016 and HK\$11.98 recorded on 1 March 2017 respectively during the Review Period. The Subscription Price is within the range of the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Review Period. In addition, during the Review Period, the Subscription Price was above the daily closing prices of the Shares on 230 trading days out of the total 256 trading days.

As part of our analysis, we have also identified transactions regarding subscription of new shares under specific mandate during the period from 1 February 2017 up to the date of the Subscription Agreement as announced by companies listed on the Stock Exchange (the “**Subscription Comparables**”). To the best of our knowledge and as far as we are aware of, we found 10 transactions which met the said criteria. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the Subscription Comparables and thus the Subscription Comparables are only used to provide a general reference for the recent common market practice of Hong Kong listed companies in the subscription of new shares under specific mandate. Summarised below is our relevant findings:

Company name	Stock code	Date of announcement	Premium/(Discount) of the issue price over/to closing price per share on the last trading day prior to/the date of announcement/ agreement in relation to the respective subscription of share %
Runway Global Holdings Company Limited	1520	15 February 2017	(70.25)
C Cheng Holdings Limited	1486	24 February 2017	(36.83)
Skyway Securities Group Limited	1141	8 March 2017	(89.84)
Jinchuan Group International Resources Company Limited	2362	20 March 2017	(31.62)
Flyke International Holdings Limited (“ <b>Flyke International</b> ”)	1998	20 March 2017	(74.08) <i>(Note)</i>
Jutal Offshore Oil Services Limited	3303	21 March 2017	(40.00)
Northeast Electric Development Company Limited	42	5 April 2017	Nil
CASH Financial Services Group Limited	510	6 April 2017	(18.84)

**LETTER FROM GRAM CAPITAL**

Company name	Stock code	Date of announcement	Premium/(Discount) of the issue price over/to closing price per share on the last trading day prior to/the date of announcement/ agreement in relation to the respective subscription of share %
REXLot Holdings Limited	555	7 April 2017	15.52
Grand T G Gold Holdings Limited	8299	10 April 2017	(72.22)
<b>Maximum</b>			<b>15.52</b>
<b>Minimum</b>			<b>(89.84)</b>
<b>Average</b>			<b>(41.82)</b>
<b>The Company</b>	<b>881</b>	<b>13 April 2017</b>	<b>0.10</b>

*Note: With reference to the announcement of Flyke International (the "Flyke Announcement"), the issue price for subscription shares represent a discount of approximately 74.08% to the theoretical quoted price per Adjusted Ordinary Share (as defined in the Flyke Announcement) on 28 March 2014, being the last trading date before the suspension of trading in the shares of the company.*

As shown by the above table, the subscription prices of the Subscription Comparables ranged from a discount of approximately 89.84% to a premium of approximately 15.52% to/over the respective closing prices of their shares on the last trading days prior to/on the date of the announcements/agreement in relation to the relevant share subscription (the "**Market Range**"), with an average of a discount of approximately 41.82%. The Subscription Premium is thus within the Market Range and above the average of the Subscription Comparables.

Having taken into account that (i) the Subscription Price of HK\$11.15064 is within the range of the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Review Period; (ii) during the Review Period, the Subscription Price was above the daily closing prices of the Shares on 230 trading days out of the total 256 trading days; and (iii) the Subscription Premium is within the Market Range and above the average of the Subscription Comparables, we consider that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

## LETTER FROM GRAM CAPITAL

### *Undertakings*

With reference to the Board Letter, the Company has undertaken that neither the Company nor any person acting on its behalf will between the date of the Subscription Agreement and the Completion Date (both dates inclusive), make any changes to the Company's share capital, other than the Subscription Shares to be issued pursuant to the Subscription Agreement.

The Investor also made the Pre-Completion No Acquisition Undertaking and after-completion no acquisition undertaking, details of which are set out under the sub-section headed "The Investor's Undertaking" of the Board Letter.

### *Nomination of Director*

With reference to the Board Letter, it is agreed by both parties that the Company shall procure for so long as the Investor (or its nominee) and its affiliates in aggregate hold (directly or indirectly) no less than 19.5% of the Shares (the "**Minimum Shareholding**"), that two persons designated by the Investor (or its nominee) are nominated and recommended to be appointed (and re-appointed, as required) as non-executive Directors of the Company at or before the next general meeting of the Company after the date of the Investor's (or its nominee's) designation (the "**Nomination Rights**").

As at the Latest Practicable Date, the Company had 11 Directors (including Mr. Pang Yiu Kai, who was nominated and recommended by JSH). In the event that the Investors meets the Minimum Shareholding, the Investor could nominate and recommend an additional non-executive Director (together with Mr. Pang Yiu Kai, the "**Investor Directors**"). The number of Investor Directors represents approximately 16.67% of the total number of the then Directors, assuming there will be no other change of number of Directors. In light of that the proportion of number of Investor Directors to the total number of the then Directors (including the Investor Directors and assuming there will be no other change of number of Directors) are in line with the Minimum Shareholding, we consider that the Nomination Rights to be acceptable.

Taking into account the principal terms of the Subscription Agreement as highlighted above, we are of the view that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

## RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Proposed Placing is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM

**LETTER FROM GRAM CAPITAL**

to approve the Subscription Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

*Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in investment banking industry.*

## 1. 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 Company. 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.

## 2. DISCLOSURE OF INTERESTS

### Director and chief executive's interests and short positions in Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules were as follows:

#### Long Positions in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in the total share capital of the Company
Mr. Huang Yi	Deemed Interest/Interest of Controlled Company	334,292,004	15.57%
	Founder of a discretionary trust/Beneficiary of a Trust	486,657,686	22.67%
	Agreement to acquire interests	486,657,686	22.67%
Mr. Li Guoqiang	Deemed Interest/Interest of Controlled Company	181,613,500	8.46%
	Founder of a discretionary trust/Beneficiary of a Trust	486,657,686	22.67%
	Agreement to acquire interests	639,336,190	29.78%

Save as disclosed above, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations as at the Latest Practicable Date.

### 3. DIRECTORSHIP AND EMPLOYMENT OF DIRECTORS AND CHIEF EXECUTIVE IN SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As of the Latest Practicable Date, save as disclosed below, none of the Directors is a director or employee of the companies which have an interest or short position in the Shares and underlying Shares of the Company.

<b>Name</b>	<b>Positions in the Company</b>	<b>Other interests</b>
Mr. Pang Yiu Kai	Non-executive Director	Director of the Investor

### 4. COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any direct or indirect interests in any businesses that constitutes or may constitute a competing business of the Company.

### 5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Director had entered into any service contract or letter of appointment with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

### 6. DIRECTORS' INTEREST IN ASSETS / CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, save as disclosed in this circular:

- a) none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or are proposed to be acquired, disposed of by, or leased to any member of the Group; and
- b) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

## 7. QUALIFICATIONS OF EXPERTS AND CONSENTS

The qualifications of the experts who have given an opinion or advice in this circular are as follows:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As of the Latest Practicable Date, Gram Capital: (i) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion and the references to its names included herein in the form and context in which it is respectively included; (ii) has no direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group; and (iii) has no direct or indirect interests in any assets which have been, since 31 December 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

## 8. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there had been no material adverse change in the financial or trading position of the Company since 31 December 2016, the date to which the latest published audited consolidated financial statements of the Company have been made up.

## 9. MISCELLANEOUS

- a) The registered office of the Company is situated at P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands.
- b) The joint company secretaries of the Company are Ms. Kam Mei Ha Wendy and Ms. Mak Sze Man.
- c) The principal place of business of the Company in Hong Kong is situated at Room 3504-12, 35th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.
- d) In the event of inconsistency, the English text of this circular will prevail over the Chinese text.

**10. DOCUMENTS AVAILABLE FOR PUBLIC INSPECTION**

A copy of each of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Room 3504–12, 35th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong for a period of 14 days from the date of this circular:

- a) the letter from the Independent Board Committee dated 9 May 2017, the text of which is set out on page 16 of this circular;
- b) the letter from Gram Capital dated 9 May 2017, the text of which is set out on pages 17 to 28 of this circular;
- c) the written consent of Gram Capital referred to in the section headed “Qualification of Experts and Consent” in this appendix;
- d) the Subscription Agreement; and
- e) a copy of this circular.

## 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 OF THE EGM

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of Zhongsheng Group Holdings Limited (the “Company”) will be held at Conference Room, 35th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Thursday, 1 June 2017 at 2:00 p.m. to consider and, if thought fit, pass with or without amendments, the following resolution of the Company as ordinary resolution:

**“THAT:**

- (a) the execution, delivery and performance by the Company of a subscription agreement dated 13 April 2017 entered into between the Company and Jardine Strategic Holdings Limited (the “Investor”) in relation to the issue of 120,557,263 new shares (the “Subscription Share(s)”) by the Company at the subscription price of HK\$11.15064 per Subscription Share (the “Subscription Agreement”) and the transaction 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 Subscription Shares in accordance with the terms and conditions of the Subscription Agreement;
- (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 Subscription 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, and the issue and allotment of the Subscription Share; and

## NOTICE OF THE EGM

- (ii) the taking of all necessary actions to implement the transaction contemplated under the Subscription Agreement.”

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

Hong Kong, 9 May 2017

*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 sign 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, 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 (i.e., not later than 2:00 p.m. on Tuesday, 30 May 2017).
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, 26 May 2017 to Thursday, 1 June 2017 (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, 25 May 2017.
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 resolution at the EGM will be conducted by way of a poll.
7. References to dates and time in this notice are to Hong Kong dates and time.