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本公告及隨附上市文件僅作參考用途，並不構成收購、購買或認購證券的邀請或要約。

本公告所述證券並無且不會根據一九三三年美國證券法(經修訂)(「證券法」)或美國任何州份或其他司法權區的證券法登記，且除非根據證券法及適用州份或當地證券法律登記規定獲豁免或無須遵守證券法及適用州份或當地證券法律的登記規定進行的交易，否則不可向或在美國境內提呈發售、出售或交付證券。

本公告及隨附上市文件乃僅按香港聯合交易所有限公司證券上市規則(「上市規則」)之規定而刊發作參考用途且並不構成出售任何證券之要約及要約購買任何證券之招攬。本公告及本公告所述任何事項(包括隨附上市文件)並不構成任何合約或承諾之基準。為免生疑問，刊發本公告及隨附上市文件不應被視為根據發行人(定義見下文)或代表發行人刊發之招股章程作出之證券要約(就香港法例第32章公司(清盤及雜項條文)條例而言)，亦不構成載有邀請公眾訂立或要約訂立協議以收購、出售、認購或包銷證券之廣告、邀請或文件(就香港法例第571章公司證券及期貨條例而言)。

致香港投資者之通知：就於聯交所上市之債券(定義見下文)而言，發行人確認債券僅擬由專業投資者(定義見香港聯交所證券上市規則第37章及香港法例第571章證券及期貨條例)購買並將按該基準於聯交所上市。因此，發行人確認，債券並不適合香港散戶投資者作投資用途。投資者應仔細考慮有關風險。

於香港聯合交易所有限公司上市之通知



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

(於開曼群島註冊成立的有限公司) (「發行人」)

(股份代號：881)

發行於二零二六年到期之450百萬美元年利率3.00%之債券(「債券」)
(股份代號：40529)

聯席全球協調人及聯席賬簿管理人

BofA SECURITIES 

MIZUHO 

 建銀國際
CCB International

 MUFG

Morgan Stanley

本公告乃根據上市規則第37.39A條而刊發。

茲提述發行人所刊發日期為二零二一年一月十三日之債券於香港聯合交易所有限公司上市之通知。

本公告隨附日期為二零二一年一月六日有關債券之發售通函。

承董事會命
中升集團控股有限公司
主席
黃毅

香港，二零二一年一月十四日

於本公告日期，本公司執行董事為黃毅先生、李國強先生、杜青山先生、張志誠先生、李國輝先生及唐憲峰先生；本公司非執行董事為David Alexander Newbigging (紐壁堅) 先生及許立慶先生；以及本公司獨立非執行董事為沈進軍先生、應偉先生、錢少華先生及李顏偉先生。

附錄一 — 發售通函

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the “Offering Circular”). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: This Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to Merrill Lynch (Asia Pacific) Limited, Mizuho Securities Asia Limited, CCB International Capital Limited, MUFG Securities Asia Limited and Morgan Stanley & Co. International plc as Joint Global Coordinators and Joint Bookrunners (each, a “Joint Lead Manager”, together the “Joint Lead Managers”) that (1) you and any customers you represent are not U.S. persons (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the “Securities Act”)) and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and (2) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither the Joint Lead Managers nor any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls the Joint Lead Managers or their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES. THIS OFFERING IS MADE SOLELY TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the issuer of the securities or the Joint Lead Managers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any of their respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the issuer in such jurisdiction.

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession the attached Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached.

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this transmission, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notification under Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”): In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies any relevant persons (as defined in Section 309A(1) of the SFA), the classification of the Bonds as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

UK MiFIR product governance/Professional investors and ECPs only target market — Solely for the purposes of the manufacturer’s product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“COBS”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“UK MiFIR”); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a “distributor”) should take into consideration the manufacturer’s target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “UK MiFIR Product Governance Rules”) is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer’s target market assessment) and determining appropriate distribution channels.

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

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Zhongsheng Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 881)

U.S.\$450,000,000 3.0 per cent. Bonds due 2026
Issue Price: 99.581 per cent.

The U.S.\$450,000,000 aggregate principal amount of 3.0 per cent. Bonds due 2026 (the “**Bonds**”) will be issued by Zhongsheng Group Holdings Limited (the “**Issuer**”, the “**Company**” or “**we**”).

The Bonds will bear interest from 13 January 2021 at the rate of 3.0 per cent. per annum payable semi-annually in arrear in equal instalments on the Interest Payment Dates (as defined in “*Terms and Conditions of the Bonds*”) falling on 13 July and 13 January in each year, commencing on 13 July 2021.

The Bonds will constitute direct, unconditional, unsubordinated and, subject to Condition 4 of the Terms and Conditions of the Bonds (the “**Terms and Conditions**” or the “**Conditions**”), unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4 of the Terms and Conditions, at all times rank at least equally with all of the Issuer’s other present and future unsecured and unsubordinated obligations.

Pursuant to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (the “**NDRC Notice**”) issued by the National Development and Reform Commission of the PRC (as defined below) or its local counterparts (the “**NDRC**”) and which came into effect on 14 September 2015, and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time, the Issuer has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on 3 April 2020, which was then supplemented on 16 November 2020, evidencing such registration which, at the date of this Offering Circular, remains valid and in full force and effect. The Issuer intends to submit or caused to be submitted the NDRC the requisite information and documents within the prescribed timeframe after the Issue Date.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 13 January 2026 (the “**Maturity Date**”), subject as provided in Condition 6 (*Payments*) of the Terms and Conditions of the Bonds. The Bonds are subject to redemption, in whole but not in part, at their principal amount, together with interest accrued to (but not including) the date fixed for redemption, at the option of the Issuer at any time in the event of certain changes affecting taxes of the PRC. See “*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Taxation Reasons*”. Furthermore, at any time following the occurrence of a Change of Control (as defined in “*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for a Change of Control Triggering Event*”), the holder of any Bond will have the right, at such holder’s option, to require the Issuer to redeem all but not some only of that holder’s Bonds on the Change of Control Redemption Date (as defined in “*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for a Change of Control Triggering Event*”) at 101 per cent. of their principal amount. See “*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for a Change of Control Triggering Event*”.

The Bonds may be redeemed at the option of the Company in whole, but not in part, at any time prior to 13 December 2025, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (the “**Option Redemption Notice**”) (which notice shall be irrevocable) at the Make Whole Price (as defined in the Terms and Conditions of the Bonds) as of, and together with interest accrued to (but excluding), the redemption date specified in the Option Redemption Notice. See “*Terms and Conditions of the Bonds — Redemption and Purchase — Make-whole Redemption*”. Furthermore, the Bonds may be redeemed at the option of the Company in whole, but not in part, on 13 December 2025, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable) at 100 per cent. of their principal amount, and together with interest accrued to (but excluding) such date). See “*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption at the Option of the Company*”.

Application will be submitted to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and in the Securities and Futures Ordinance (Cap. 571 the laws of Hong Kong) (the “**SFO**”)) (together, “**Professional Investors**”) only. The Offering Circular is for distribution to Professional Investors only. **Investors should not purchase the Bonds in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Bonds are only suitable for Professional Investors.**

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering 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 Offering Circular.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange for the purpose of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Investing in the Bonds involves certain risks. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds. You are advised to read and understand the contents of this Offering Circular before investing. If in doubt, you should consult your advisor.

Notice to Hong Kong investors: The Issuer confirms that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act**”) and, subject to certain exceptions, may not be offered or sold within the United States.**

For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see “*Subscription and Sale*”.

Notification under Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA**”):** In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA) the classification of the Bonds as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

UK MiFIR product governance/Professional investors and ECPs only target market — Solely for the purposes of the manufacturer’s product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**UK MiFIR**”); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a “**distributor**”) should take into consideration the manufacturer’s target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer’s target market assessment) and determining appropriate distribution channels.

The Bonds will be represented by beneficial interests in a global certificate (the “**Global Certificate**”) in registered form, which will be registered in the name of a nominee of, and shall be deposited on or about 13 January 2021 (the “**Issue Date**”), with a common depository for, Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators and Joint Bookrunners

BofA Securities

Mizuho Securities

CCB International

MUFG

Morgan Stanley

Offering Circular dated 6 January 2021

The Issuer, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer and its subsidiaries (collectively, the “**Group**”) and the Bonds, which is material in the context of the issue and offering of the Bonds, (ii) the statements contained in it relating to the Issuer and the Group are in every material particular true and accurate and not misleading, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts in relation to the Issuer, the Group or the Bonds the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect, (v) all reasonable enquiries have been made by the Issuer to ascertain such fact necessary in order to make the statements in this Offering Circular, in the light of the circumstances under which they were made, not misleading, and (vi) this Offering Circular as at the date hereof does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements herein, in the light of the circumstances under which they were made, not misleading. This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading. This Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Hong Kong, the PRC, Singapore, Japan and the Cayman Islands, and to persons connected therewith. For a description of certain further restrictions on offers, sales and re-sales of the Bonds and distribution of this Offering Circular, see “*Subscription and Sale*”.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Group or the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Joint Lead Managers, the Trustee or the Agents (in each case as defined herein). Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

The Issuer has submitted this Offering Circular confidentially to a limited number of institutional investors so that they can consider a purchase of the Bonds. The Issuer has not authorised its use for any other purpose. This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular each investor agrees to these restrictions.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates has independently verified the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete. Accordingly, no responsibility or liability is accepted, by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Bonds. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

In making an investment decision, investors must rely on their own examination of the Issuer and other members of the Group and the terms of the offering, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any person affiliated with the Joint Lead Managers, the Trustee or the Agents in connection with its investigation of the accuracy of such information or its investment decision.

IN CONNECTION WITH THE ISSUE OF THE BONDS, THE JOINT LEAD MANAGERS (IF ANY) ACTING AS STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF ANY STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Prohibition of Sales to EEA Retail Investors — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of Sales to UK Retail Investors — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notification under Section 309B of the Securities and Futures Act (Chapter 289 of Singapore (the “SFA”)): In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA) the classification of the Bonds as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Investor Data

By virtue of making an investment in the Issuer and your associated interactions with us (including any subscription (whether past, present or future), including the recording of electronic communications or phone calls where applicable) or by virtue of you otherwise providing us with personal information on individuals connected with you as an investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents), you will provide us with certain personal information which constitutes personal data within the meaning of the Data Protection Act, 2017 of the Cayman Islands (the “**Data Protection Legislation**”) (“**Investor Data**”). We may also obtain Investor Data from other public sources. Investor Data includes, without limitation, the following information relating to you and/or any individuals connected with you as an investor: name, residential address, email address, contact details, corporate contact information, signature, nationality, place of birth, date of birth, tax identification, credit history, correspondence records, passport number, bank account details, source of funds details and details relating to your investment activity.

In our use of Investor Data, the Issuer will be characterised as a “data controller” for the purposes of the Data Protection Legislation. The Issuer’s affiliates and delegates may act as “data processors” for the purposes of the Data Protection Legislation.

Who this Affects

If you are a natural person, this will affect you directly. If you are a corporate investor (including, for these purposes, legal arrangements such as trusts or exempted limited partnerships) that provides us with Investor Data on individuals connected to you for any reason in relation to your investment with us, this will be relevant for those individuals and you should transmit this document to such individuals or otherwise advise them of its content.

How We May Use Your Personal Data

The Issuer, as the data controller, may collect, store and use Investor Data for lawful purposes, including, in particular:

- (i) where this is necessary for the performance of our rights and obligations under the Subscription Agreement, purchase agreement or
- (ii) where this is necessary for compliance with a legal and regulatory obligation to which the Issuer is subject (such as compliance with anti-money laundering and FATCA/CRS requirements); and/or
- (iii) where this is necessary for the purposes of our legitimate interests and such interests are not overridden by your interests, fundamental rights or freedoms.

Additionally, the administrator of the Issuer may use Investor Data, for example to provide its services to the Issuer or to discharge the legal or regulatory requirements that apply directly to it or in respect of which the Issuer relies upon the administrator, but such use of Investor Data by the administrator will always be compatible with at least one of the aforementioned purposes for which we process Investor Data.

Should we wish to use Investor Data for other specific purposes (including, if applicable, any purpose that requires your consent), we will contact you.

Why We May Transfer Your Personal Data

In certain circumstances we and/or our authorised affiliates or delegates may be legally obliged to share Investor Data and other information with respect to your interest in the Issuer with the relevant regulatory authorities such as the Cayman Islands Monetary Authority or the Tax Information Authority. They, in turn, may exchange this information with foreign authorities, including tax authorities.

We anticipate disclosing Investor Data to the Administrator and others who provide services to the Issuer and their respective affiliates (which may include certain entities located outside the Cayman Islands or the European Economic Area). Such service providers may either process your personal data on our behalf or for their own lawful purposes in connection with services provided to the Issuer.

The Data Protection Measures We Take

Any transfer of Investor Data by us or our duly authorised affiliates and/or delegates outside of the Cayman Islands shall be in accordance with the requirements of the Data Protection Legislation.

We and our duly authorised affiliates and/or delegates shall apply appropriate technical and organisational information security measures designed to protect against unauthorised or unlawful processing of Investor Data, and against accidental loss or destruction of, or damage to, Investor Data.

We shall notify you of any Investor Data breach that is reasonably likely to result in a risk to the interests, fundamental rights or freedoms of either you or those data subjects to whom the relevant Investor Data relates.

If the required personal data is not provided, a prospective investor will not be able to continue to invest in the Bonds or to redeem the Bonds. We have published a privacy notice (the “**Data Privacy Notice**”), which provides prospective investors with further information on our use of their personal data in accordance with the Data Protection Legislation. The location and means of accessing the Data Privacy Notice is specified in the “General Information” Section of this Offering Circular.

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular incorporates by reference the audited consolidated financial statements of the Group as at and for the years ended 31 December 2017, 2018 and 2019 (the “**Audited Financial Information**”) and the unaudited and unreviewed consolidated interim financial statements of the Group as at and for the six months ended 30 June 2019 and 2020 (the “**Interim Financial Information**”). The Audited Financial Information have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and audited by the Group’s independent certified public accountants, Ernst & Young. The Interim Financial Information have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the HKICPA. The Interim Financial Information has not been reviewed or audited by the Group’s independent auditors, and thus such information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or a review. Such Interim Financial Information should not be taken as an indication of the expected financial condition, results of operations of the Group for the full financial year. Potential investors must exercise caution when using such data to evaluate the Group’s financial condition and results of operation.

PRESENTATION OF INDUSTRY AND MARKET DATA

Market data and certain industry forecasts used throughout this Offering Circular have been obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer, the Joint Lead Managers, the Trustee or the Agents makes any representation as to the accuracy of that information.

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CERTAIN DEFINED TERMS AND CONVENTIONS

We have prepared this Offering Circular using a number of conventions, which you should consider when reading the information contained herein. When we use the term “the Issuer”, “the Company”, “we”, “us”, “our” and words of similar import, we are referring to Zhongsheng Group Holdings Limited (中升集團控股有限公司) and its consolidated subsidiaries, unless the context indicates otherwise.

In this Offering Circular, references to:

“**BVI**” are to the British Virgin Islands;

“**CAGR**” are to compound annual growth rate;

“**China**” or the “**PRC**” are to the People’s Republic of China, excluding, for purposes of this Offering Circular only, Taiwan, the Hong Kong Special Administrative Region and the Macao Special Administrative Region;

“**Companies Act**” are to the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;

“**Director(s)**” are to the director(s) of the Company;

“**EIT Law**” are to the PRC Enterprise Income Tax Law passed by the National People’s Congress of the PRC on 16 March 2007 and took effect on 1 January 2008, as amended, supplemented and otherwise modified from time to time;

“**Group**” are to the Company and its subsidiaries from time to time;

“**HK\$**”, “**HKD**” or “**Hong Kong dollar(s)**” are to Hong Kong dollars, the lawful currency of Hong Kong;

“**HKFRS**” are to Hong Kong Financial Reporting Standards, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong;

“**Hong Kong**” are to the Hong Kong Special Administrative Region of the PRC;

“**Hokuryo Holdings**” are to Hokuryo Holdings Company Limited (北菱集團有限公司), an investment holding company incorporated in Hong Kong on 11 February 1993, currently an indirect wholly-owned subsidiary of the Company;

“**Hong Kong Stock Exchange**” are to the Stock Exchange of Hong Kong Limited;

“**Listing Rules**” are to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;

“**M&A Rules**” are to the Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) jointly promulgated by MOFCOM, the China Securities Regulatory Commission, the State-owned Assets Supervision and Administration

Commission of the State Council, the State Administration of Taxation, the State Administration for Industry and Commerce and SAFE on 8 August 2006, which became effective on 8 September 2006, as amended on 22 June 2009;

“**Memorandum and Articles of Association**” are to the memorandum and articles of association of the Company (as amended from time to time);

“**Ministry of Transport**” are to the PRC Ministry of Transport;

“**MOFCOM**” are to the PRC Ministry of Commerce;

“**Offering Circular**” are to this offering circular dated 6 January 2021 in relation to the Bonds issue;

“**PBOC**” are to the People’s Bank of China;

“**Regulation S**” are to Regulation S under the U.S. Securities Act of 1933, as amended;

“**RMB**” or “**Renminbi**” are to the legal currency of China;

“**SAFE**” are to the PRC State Administration of Foreign Exchange;

“**State Council**” are to the State Council of the PRC;

“**US\$**” or “**US dollar(s)**” are to the legal currency of the United States;

“**%**” are to per cent.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this Offering Circular in connection with the Group and our business. These terms and their meanings may not correspond to standard industry meanings or usage of these terms.

- “4S dealership”** means an automobile dealership authorised by an automobile manufacturer to engage in the four businesses relating to sales, spare parts, service and survey.
- “after-sales services”** means automobile-related services consisting primarily of repair and maintenance services, detailing services and the sale of spare parts and accessories provided after the sale of a passenger vehicle.
- “automobile manufacturer”** means the manufacturer of one or more brands of passenger vehicles and other types of automobiles, including the foreign manufacturer of imported vehicles or its affiliates in China, the Sino-foreign joint-venture manufacturer of locally manufactured vehicles, or the PRC manufacturer of Chinese brand vehicles.
- “CAAM”** means China Association of Automobile Manufacturers.
- “CADA”** means China Automobile Dealers Association.
- “ERP system”** means an enterprise resource planning system that integrates, processes and manages management information across the business units of a company.
- “passenger vehicle”** means an automobile designed and used primarily for the carriage of passengers other than for commercial purposes.

FORWARD-LOOKING STATEMENTS

The Issuer has included forward-looking statements in this Offering Circular regarding, among other things, the Group's financial condition, future expansion plans and business strategy. These forward-looking statements are based on the Group's current expectations about future events. Although the Issuer believes that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- general economic, political conditions and regulatory developments including those related to the automobile industry and the PRC;
- the business strategy and plan of operation;
- fluctuations in foreign currency exchange rates; and
- those other risks identified in the "Risk Factors" section of this Offering Circular.

The words "anticipate", "believe", "estimate", "expect", "intend", "plan", "target" and similar expressions are intended to identify a number of these forward-looking statements. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the Group's actual results could differ materially from those anticipated in these forward-looking statements.

These forward-looking statements speak only as at the date of this Offering Circular. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

INCORPORATION BY REFERENCE

The following documents filed with the Hong Kong Stock Exchange are deemed to be incorporated by reference into, and to form part of, this Offering Circular:

- (a) the Group's Audited Financial Information as at and for the financial years ended 31 December 2017, 2018 and 2019, which have been prepared in accordance with HKFRS issued by the HKICPA;
- (b) the Group's Interim Financial Information as at and for the six months ended 30 June 2019 and 2020, which have been prepared in accordance with HKAS 34 issued by HKICPA; and
- (c) the auditor's reports in respect of the Audited Financial Information, which have been audited by Ernst & Young, Certified Public Accountants in accordance with the Hong Kong Standards on Auditing issued by the HKICPA.

Each document incorporated herein by reference is current only as at the date of such document, and the incorporation by reference of such documents shall not create any implication that there has been no change in the affairs of the Issuer and the Group, as the case may be, since the date thereof or that the information contained therein is current as at any time subsequent to its date. Any statement contained therein shall be deemed to be modified or superseded for the purposes of this Offering Circular to the extent that a subsequent statement contained in another incorporated document herein modifies or supersedes that statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes.

The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

The documents incorporated herein by reference are available electronically through the internet from the Hong Kong Stock Exchange.

Prospective investors are advised to obtain and read the documents incorporated by reference herein before making their investment decision.

SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this Summary. Prospective investors should therefore read this Offering Circular in its entirety.

Overview

We are one of the leading national automobile dealership groups in China focusing on luxury and mid-to-high end brands. Our 4S dealerships are concentrated in cities with relatively high net worth populations in the northeastern, northern, eastern, central, southern, southwestern and northwestern regions of China. We have grown rapidly from 178 operating 4S dealerships located across nearly 70 cities and 16 provinces at the beginning of 2014 to 365 4S dealerships in operation in 24 provincial regions, covering over 90 cities in the PRC as at 30 June 2020.

We have dealership agreements with a variety of automobile manufacturers to operate our 4S dealerships for a diversified portfolio of automobile brands, including luxury brands such as Mercedes-Benz, Lexus, Audi, BMW, Jaguar Land Rover, Porsche and Volvo, and mid-to-high end automobile brands such as Toyota, Nissan and Honda. Each of our 4S dealerships is designated to sell one brand of automobile and typically only permitted to operate at a single point of sale. In 2019, we achieved a new automobile sales volume of 455,705 units, 228,020 of which are for luxury brands that accounted for 50.04% of our total sales volume. With the continuous optimisation of our product structure, the new automobile sales volume showed a continuous increase from 341,319 units and 412,017 units in 2017 and 2018, respectively, of which luxury brands accounted for 42% and 46.7% for the same periods, respectively. For the six months ended 30 June 2020, we achieved a new automobile sales volume of 197,188 units, of which sales volume for luxury brands reached 111,653 units, accounting for 56.6% of the Group's total sales volume and representing a significant increase of 5.7% as compared to the corresponding period of last year; in the first six months ended 30 June 2019, we achieved a new automobile sales volume of 213,762 units, of which sales for luxury brands accounted for 49.4% of our total sales volume.

Through our “one-stop automobile shop” business model, we offer a comprehensive range of new automobiles, after-sales products and services as well as a wide array of services in connection with second hand automobiles, insurance and auto finance in our 4S dealerships to our customers. In addition to our new automobile sales business, our after-sales businesses offer spare parts, automobile accessories, repair and maintenance services, detailing services, and other automobile-related products and services. Each of the new automobile sales business and after-sales businesses has its own features in terms of business model and revenue and profitability contributions to the Group.

Our revenue for the three years ended 31 December 2017, 2018 and 2019 was RMB86,290.3 million, RMB107,735.7 million and RMB124,042.5 million, respectively, representing a CAGR of approximately 19.9% during such periods. Our revenue for the six months ended 30 June 2019 and 2020 was RMB57,412.6 million and RMB58,203.1 million, respectively. Revenue generated from the sales of new automobiles accounted for approximately 86.6%, 86.5%, 85.6%, 86.2% and 85.5%, respectively, of our total revenue for the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 and the revenue generated from our after-sales businesses accounted for approximately 13.4%, 13.5%, 14.4%, 13.8% and 14.5%, respectively, of our revenue during the same periods. The gross profit margin of our sales of new automobiles was 4.0%, 3.1%, 2.7%, 2.7% and 3.0%; and the gross profit margin of our after-sales businesses was 48.9%, 48.7%,

48.2%, 49.0% and 46.5% during the same periods, respectively. Our profit attributable to owners of the parent for the three years ended 31 December 2017, 2018 and 2019 was RMB3,350.4 million, RMB3,636.6 million and RMB4,501.7 million, respectively, representing a CAGR of approximately 15.9% during such periods. Our profit attributable to owners of the parent for the six months ended 30 June 2019 and 2020 was RMB2,082.3 million and RMB2,291.7 million, respectively. According to the Hong Kong Stock Exchange, as at 29 December 2020, our market capitalisation was HK\$119.91 billion.

Our Competitive Strengths

We believe that our success and our ability to capitalise on future growth opportunities are attributable to our competitive strengths described below:

- We are one of the leading national automobile dealership groups in China, with a strong presence of 4S dealerships in cities with relatively high net worth populations in multiple regions;
- We have a diversified portfolio focusing on luxury and mid-to-high end automobile brands;
- We have established strong and long-term working relationships with leading automobile manufacturers;
- Our customer-focused philosophy and store-level operational expertise have resulted in our highly-ranked 4S dealerships with consistent quality service and satisfactory customer experience;
- Our large scale operations allow us to achieve economies of scale;
- We have efficient information technology systems to support our business;
- We are able to grow rapidly both organically and through acquisitions; and
- We have an experienced senior management team, a deep bench of high-calibre store managers, and access to reliable source of skilled personnel.

Our Strategies

We aim to strengthen our market position as a leading luxury and mid-to-high end automobile dealership group in China and to capture the opportunities in the world's largest automobile market (in terms of demand and supply in 2019) by pursuing the following strategies:

- Increasing the size of our 4S dealership network and market coverage through both organic growth and acquisitions;
- Further increasing productivity and profitability as well as promoting customer service quality of each of our 4S dealerships;
- Utilising our existing resources and customer base in new automobile sales to promote our after-sales businesses, including retailing spare parts, providing repair, maintenance and detailing services, and retailing automobile accessories;

- Expanding our business operations by developing our used automobile sales business to complement our existing businesses;
- Leveraging on our extensive industry experience and network to develop value-added services; and
- Enlarging our employee talent pool to support our continued growth.

Recent Development

Recent financial information

During the six months ended 30 June 2020, the outbreak of the COVID-19 exerted tremendous impact on the economic operation of China and across the globe. The Group witnessed a notable decrease in the customer visits in dealership as well as its new automobile sales volume in February 2020, and the number of visits of after-sales service were also affected tremendously. With the nationwide resumption in production and work in March 2020, the Group responded to the government's call by promptly resuming production and work, with operating results demonstrating a strong recovery and growth momentum from March to June 2020.

Despite the tremendous impact of the COVID-19 outbreak, each business segment maintained steady growth due to our prospective strategic deployment, good brand portfolio and operation capability, particularly our quick response to the COVID-19 as well as our efficient execution. For the six months ended 30 June 2020, the Group achieved new automobile sales volume of 197,188 units, representing a decrease of 7.8% as compared to the corresponding period the last year, of which sales volume for luxury brands reached 111,653 units, accounting for 56.6% of the Group's total sales volume and representing a significant increase of 5.7% as compared to the corresponding period of last year, with the Group's product structure further optimised. For the six months ended 30 June 2020, the after-sales and accessories business recovered and grew quickly after the COVID-19 through diversified and innovative services and further refined management and operating measures, and the number of visits of after-sales services achieved a double-digit growth, compared to the corresponding period last year. For the six months ended 30 June 2020, revenue from after-sales and accessories business reached RMB8,415.4 million, accounting for 14.5% of our total revenue of the period, representing an increase of 6.1% as compared to that revenue for the six months ended 30 June 2019 which amounted to RMB7,928.1 million.

As one of the Group's core growth in the future, the value-added service business segment, which includes car insurance, car financing and second-hand automobiles, still maintained steady growth despite heavy pressure during the six months ended 30 June 2020, and achieved a revenue of RMB1,306.5 million for the six months ended 30 June 2020, representing an increase of 8.0% as compared to the six months ended 30 June 2019, primarily due to the ramping up of financial penetration rate, which as at 30 June 2020 reached 58.6%, and increasing bargaining power against service providers. Furthermore, despite the adverse market conditions, the trade volume for second-hand automobiles reached 40,676 units for the six months ended 30 June 2020, representing a significant increase of approximately 33.9% as compared to the corresponding period of last year, as the Company focused on its second-hand automobile business segment and did a series of preparation work since last year, including trading platform optimization, team building and incentive plan developing.

In addition, as at 30 June 2020, as compared to that as at 31 December 2019, the Group experienced a significant increase in prepayments from RMB731.3 million to RMB1,492.0 million, cash in transit from RMB264.0 million to RMB363.1 million and cash and cash equivalents from

RMB6,101.2 million to RMB8,225.9 million, primarily due to strong operational cashflow and the prudent financial management approach adopted by the Group towards its treasury policies, allowing the Group to maintain a healthy liquidity position; whereas the Group's bank loans and other borrowings, trade and bills payable and other payables and accruals maintained at a stable level demonstrating a slight decrease, primarily due to repaying of loans and other borrowings, while benefiting from the substantial cash generating from operating activities.

We published the audited financial information for the year ended 31 December 2019 and the unaudited and unreviewed financial information for the six months ended 30 June 2020 pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

On 10 August 2020, the Company announced its Interim Financial Information as at and for the six months ended 30 June 2020 on the website of the Hong Kong Stock Exchange. The financial information included in such announcement was extracted from the management accounts of the Group, and was prepared in accordance with HKAS 34 issued by the HKICPA. No audit or review has been performed on such financial information for the six months ended 30 June 2020. The Interim Financial Information of the Company as at and for the six months ended 30 June 2020 is not indicative of the financial condition or results of operations of the Group for any period of a year or the full financial year ending 31 December 2020. Consequently, such financial information should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors must exercise caution when using such data to evaluate the business, financial condition and results of operations of the Group. Save as disclosed above and therein, there has been no material adverse change in our total revenue, total profit and total assets since 30 June 2020.

Acquisition of 4S Dealerships for Mercedes-Benz and Others

On 22 July 2020, Zhongsheng (Dalian) Group Co., Ltd (中升(大連)集團有限公司) (“**ZS Dalian**”), an indirect wholly-owned subsidiary of the Company, completed the equity transfer acquiring 100% of the equity interests in eight limited liability companies incorporated in the PRC (collectively, the “**Target Companies**”) for a net cash consideration of RMB720 million (the “**Transaction**”). The Target Companies own six 4S dealerships for Mercedes-Benz located in Hubei, Fujian, Yunnan and Jiangxi, and two 4S dealerships for Jaguar Land Rover located in Jiangsu and Jiangxi. The Target Companies also own three land parcels in the PRC, with a total area of 25,300 square metres.

The board of directors believes the Transaction will (i) strengthen the Group's luxury brand portfolio; (ii) enable the Group to expand its networks of 4S dealerships in key regions in the PRC and to better serve the high-end customers located in such regions; and (iii) help further expand the Group's operation scale and reinforce its competitive advantages.

SUMMARY OF THE OFFERING

The following summary does not purport to be complete and should be read in conjunction with Conditions. It does not contain all the information that is important to investors. For a more complete description of the Bonds, please refer to “Terms and Conditions of the Bonds”. Terms used in this summary and not otherwise defined shall have the meanings given to them in the “Terms and Conditions of the Bonds”.

Issuer	Zhongsheng Group Holdings Limited 中升集團控股有限公司 (the “Company”).
Issue	U.S.\$450,000,000 in aggregate principal amount of 3.0 per cent. bonds due 2026.
Issue Price	99.581 per cent. of the principal amount of the Bonds.
Joint Global Coordinators and Joint Bookrunners	Merrill Lynch (Asia Pacific) Limited, Mizuho Securities Asia Limited, CCB International Capital Limited, MUFG Securities Asia Limited and Morgan Stanley & Co. International plc.
Issue Date	13 January 2021.
Maturity Date	13 January 2026.
Form and Denomination	The Bonds will be issued in registered form in the denomination of U.S.\$200,000 each and integral multiples of U.S.\$1,000 in excess thereof.
Status of the Bonds	The Bonds when issued will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (Negative Pledge) of the Terms and Conditions of the Bonds) unsecured obligations of the Company and will at all times rank <i>pari passu</i> and without any preference or priority among themselves. The payment obligations of the Company under the Bonds will, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4 (<i>Negative Pledge</i>) of the Terms and Conditions of the Bonds, at all times rank at least equally with all of the Company’s other present and future unsecured and unsubordinated obligations.
Negative Pledge	So long as any Bond remains outstanding (as defined in the Trust Deed), the Company shall not, and the Company shall procure that none of its Principal Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Bonds equally and rateably therewith or (b) providing such other security for the Bonds as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Bondholders.

NDRC Post Issue Filing . . . The Company will undertake to submit or cause to be submitted with the NDRC the requisite information and documents within the prescribed timeframe after the Issue Date in accordance with the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) promulgated by the NDRC on 14 September 2015 which came into immediate effect and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time (the “**NDRC Post-issue Filing**”). The Company shall comply with all applicable PRC laws and regulations in relation to the issue of the Bonds. The Company shall within 10 PRC Business Days after submission of such NDRC Post-issue Filing (i) provide the Trustee with a certificate in English signed by an Authorised Signatory (as defined in the Trust Deed) of the Company confirming the submission of the NDRC Post-issue Filing. The Company shall within 10 PRC Business Days after submission of such NDRC Post-Issuance Filing give notice to the Bondholders (in accordance with Condition 15 (*Notices*)) confirming the completion of the NDRC Post-Issuance Filing.

Scheduled Redemption . . . Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.

**Redemption for Taxation
Reasons** At any time the Issuer may, on giving not less than 30 nor more than 60 days’ notice (a “**Tax Redemption Notice**”) to the Bondholders (which notice shall be irrevocable) redeem the Bonds in whole but not in part at 100 per cent. of their principal amount if (i) the Company has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as a result of any change in, or amendment to, the laws or regulations or rulings (including a holding by a court of competent jurisdiction) of any Relevant Tax Jurisdiction (as defined in the Terms and Conditions), or any change in the general application or official interpretation of or the standing of an official position with respect to, such laws, regulations or rulings, which change or amendment becomes effective, or official position is announced, on or after 6 January 2021 and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it, *provided that* no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.

**Redemption for Change of
Control Triggering
Event** Bondholders have the right to require the Company to redeem all or some only (subject to the principal amount of such Bondholder’s Bonds redeemed and the principal amount of the balance of such Bondholder’s Bonds not being an Authorised Denomination (as defined in the Terms and Conditions)) of such Bondholder’s Bonds on the Change of Control Redemption Date (as defined in the Terms and Conditions) at 101 per cent. of their principal amount upon the occurrence of a Change of Control.

Make-whole redemption . . .	The Bonds may be redeemed at the option of the Company in whole, but not in part, at any time prior to 13 December 2025, on giving not less than 30 nor more than 60 days' notice to the Bondholders (the " Option Redemption Notice ") (which notice shall be irrevocable) at the Make Whole Price (as defined in the Terms and Conditions of the Bonds) as at, and together with interest accrued to (but excluding), the redemption date specified in the Option Redemption Notice.
Redemption at the Option of the Company	The Bonds may be redeemed at the option of the Company in whole, but not in part, on 13 December 2025, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) at 100 per cent. of their principal amount, and together with interest accrued to (but excluding) such date).
Events of Default	For a description of certain events of default that will permit the Bonds to become immediately due and repayable at their principal amount together with accrued interest without further action or formality, see " <i>Terms and Conditions of the Bonds — Events of Default</i> ".
Clearing Systems.	The Bonds will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on or about 13 January 2021 with a common depository for, Euroclear Bank SA/NV (" Euroclear ") and Clearstream Banking S.A. (" Clearstream "). Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
Governing Law	English law.
Trustee	The Bank of New York Mellon, London Branch.
Principal Paying Agent . . .	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch.
Listing.	Application will be submitted to the Hong Kong Stock Exchange for the listing of the Bonds by way of debt issues to Professional Investors only.
Use of Proceeds	See " <i>Use of Proceeds</i> ".
Selling Restrictions	There are certain restrictions on the offer, sale and transfer of the Bonds in certain jurisdictions including the United States and Hong Kong. For a description of the restrictions on the distribution of this Offering Circular or any offering material and the issue, sale or delivery of the Bonds, see " <i>Selling Restrictions</i> ".
ISIN	XS2278364075.

Common Code 227836407.

Legal Entity Identifier . . . 3003005VYMEBAJNJ2Y26.

SUMMARY FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information of the Group as at and for the periods indicated.

The summary consolidated financial information as at and for the years ended 31 December 2017, 2018 and 2019 set forth below is extracted from the Group's consolidated financial statements for the years ended 31 December 2018 and 2019 (incorporated by reference into this Offering Circular). The summary consolidated financial information as at and for the six months ended 30 June 2019 and 2020 set forth below is extracted from the Group's Interim Financial Information (incorporated by reference into this Offering Circular). The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, such published Audited Financial Information and Interim Financial Information and the notes thereto. The Audited Financial Information of the Group for the years ended 31 December 2017, 2018 and 2019 have been prepared in accordance with HKFRS and audited by the Group's auditor, Ernst & Young, certified public accountants, Hong Kong. The Interim Financial Information of the Group have been prepared in accordance with HKAS 34 issued by the HKICPA. The Interim Financial Information has not been reviewed or audited by the Group's independent auditors, and thus such information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or a review. Historical results are not necessarily indicative of results that may be achieved in any future period. The Group's financial statements for any interim period should not be taken as an indication of the expected financial condition and results of operations of the Group for the full financial year. Potential investors must exercise caution when using such data to evaluate the financial condition and results of operation of the Group.

Summary of Financial Results

Consolidated Statement of Profit or Loss

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	(RMB'000)			(RMB'000)	
	<i>(audited)</i>			<i>(unaudited)</i>	
Revenue	86,290,288	107,735,655	124,042,520	57,412,556	58,203,121
Cost of sales and services provided	<u>(77,606,286)</u>	<u>(97,812,525)</u>	<u>(112,554,874)</u>	<u>(52,214,209)</u>	<u>(52,793,477)</u>
Gross profit	8,684,002	9,923,130	11,487,646	5,198,347	5,409,644
Other income and gains, net	1,842,863	2,561,221	3,109,521	1,356,684	1,474,194
Selling and distribution expenses	<u>(3,294,302)</u>	<u>(4,310,827)</u>	<u>(4,938,772)</u>	<u>(2,227,166)</u>	<u>(2,313,624)</u>
Administrative expenses	<u>(1,347,069)</u>	<u>(1,745,100)</u>	<u>(1,940,062)</u>	<u>(766,527)</u>	<u>(768,023)</u>
Profit from operations	5,885,494	6,428,424	7,718,333	3,561,338	3,802,191
Finance costs	<u>(1,076,712)</u>	<u>(1,230,522)</u>	<u>(1,390,554)</u>	<u>(650,895)</u>	<u>(610,261)</u>
Share of profits/(losses) of:					
Joint ventures	4,595	2,856	(1,208)	367	1,598
An associate	—	—	—	—	(1,083)
Profit before tax	4,813,337	5,200,758	6,326,571	2,910,810	3,192,445
Income tax expense	<u>(1,337,523)</u>	<u>(1,505,440)</u>	<u>(1,807,055)</u>	<u>(808,167)</u>	<u>(883,313)</u>
Profit for the period	<u>3,475,854</u>	<u>3,695,318</u>	<u>4,519,516</u>	<u>2,102,643</u>	<u>2,309,132</u>
Attributable to:					
Owners of the parent	3,350,413	3,636,636	4,501,673	2,082,293	2,291,698
Non-controlling interests	<u>125,441</u>	<u>58,682</u>	<u>17,843</u>	<u>20,350</u>	<u>17,434</u>
	<u>3,475,854</u>	<u>3,695,318</u>	<u>4,519,516</u>	<u>2,102,643</u>	<u>2,309,132</u>
Earnings per share attributable to ordinary equity holders of the parent					
Basic					
— For profit for the year (RMB)	<u>RMB1.52</u>	<u>RMB1.60</u>	<u>RMB1.98</u>	<u>RMB0.917</u>	<u>RMB1.009</u>
Diluted					
— For profit for the year (RMB)	<u>RMB1.48</u>	<u>RMB1.56</u>	<u>RMB1.92</u>	<u>RMB0.889</u>	<u>RMB0.978</u>

Other financial data (unaudited)

	Year ended 31 December			Six months ended	
	2017	2018	2019	2019	2020
		(RMB'000)		(RMB'000)	
EBITDA ⁽¹⁾	6,857,201	7,549,133	9,395,504	4,313,357	4,700,883
EBITDA Margin ⁽²⁾	7.9%	7.0%	7.6%	7.5%	8.1%

Notes:

- (1) EBITDA consists of profit from operations plus depreciation and amortisation. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, profit attributable to equity holders or any other measure of performance or as any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, net finance costs, depreciation and amortisation and non-recurring items. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as revenue and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA herein because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition.
- (2) EBITDA margin is calculated by dividing EBITDA by revenue.

Consolidated Statement of Financial Position

	As at 31 December			As at 30 June	
	2017	2018	2019	2019	2020
		(RMB'000)		(RMB'000)	
		<i>(audited)</i>		<i>(unaudited)</i>	
NON-CURRENT ASSETS					
Property, plant and equipment	10,055,748	11,506,929	12,361,556	11,927,622	12,795,823
Right-of-use assets	—	—	4,195,225	3,215,682	4,140,200
Land use rights	2,495,923	2,977,418	2,931,884	2,970,743	2,883,492
Prepayments	984,591	1,013,004	731,332	702,927	1,491,951
Intangible assets	5,737,441	6,330,872	6,217,559	6,316,540	6,220,861
Goodwill	3,940,056	4,563,686	4,640,137	4,634,963	4,728,821
Investments in joint ventures	42,614	45,470	44,262	45,837	45,860
Investments in an associate	—	—	3,000	—	1,917
Deferred tax assets	278,923	269,297	257,580	265,773	266,986
Total non-current assets	23,535,296	26,706,676	31,382,535	30,080,087	32,575,911
CURRENT ASSETS					
Inventories	7,509,806	10,980,498	9,828,486	9,248,730	9,411,318
Trade receivables	1,082,746	1,341,740	1,462,767	1,697,900	1,489,598
Prepayments, other receivables and other assets	8,644,378	10,110,948	11,645,669	10,138,993	11,285,778
Amounts due from related parties	555	850	727	1,480	1,712
Available-for-sale investments	19,100	—	—	—	—
Financial assets at fair value through profit or loss	—	141,190	997,908	932,685	149,640
Pledged bank deposits	1,405,646	1,312,577	1,341,025	1,152,221	1,315,617
Cash in transit	356,063	431,044	263,989	758,584	363,071
Cash and cash equivalents	5,027,202	6,142,664	6,101,176	6,208,459	8,225,908
Total current assets	24,045,496	30,461,511	31,641,747	30,139,052	32,242,642
CURRENT LIABILITIES					
Bank loans and other borrowings	16,828,479	17,066,954	17,089,711	16,287,707	16,129,502
Convertible bonds, current portion	1,883,958	—	—	—	—
Lease liabilities (2018: finance lease payables)	—	5,751	236,636	189,578	251,374
Trade and bills payables	3,470,593	4,814,761	4,875,067	4,658,250	4,872,937
Other payables and accruals	2,935,400	2,996,549	3,223,610	3,007,112	2,943,308
Other liabilities	245,000	245,000	245,000	245,000	245,000
Amounts due to related parties	577	1,119	426	992	311
Income tax payable	1,373,395	1,470,353	1,476,360	1,440,695	1,589,893
Dividends payable	9	9	9	739,388	933,745
Total current liabilities	26,737,411	26,600,496	27,146,829	26,568,722	26,966,070
NET CURRENT ASSETS/ (LIABILITIES)	(2,691,915)	3,861,015	4,494,918	3,570,330	5,276,572
TOTAL ASSETS LESS CURRENT LIABILITIES					
	20,843,381	30,567,691	35,877,453	33,650,417	37,852,483
NON-CURRENT LIABILITIES					
Deferred tax liabilities	1,679,590	1,909,282	1,917,525	1,927,961	1,940,617
Bank loans and other borrowings	2,494,628	5,574,824	3,924,341	4,470,702	4,261,055
Lease liabilities (2018: Finance lease payables)	—	640	3,564,989	2,769,982	3,571,831
Convertible bonds	—	4,046,722	4,293,929	4,139,047	5,428,342
Total non-current liabilities	4,174,218	11,531,468	13,700,784	13,307,692	15,201,845
NET ASSETS	16,669,163	19,036,223	22,176,669	20,342,725	22,650,638
EQUITY					
Equity attributable to owners of the parent					
Share capital	197	197	197	197	197
Reserves	15,912,794	18,239,418	21,758,356	19,564,696	22,226,681
	15,912,991	18,239,615	21,758,553	19,564,893	22,226,878
Non-controlling interests	756,172	796,608	418,116	777,832	423,760
TOTAL EQUITY	16,669,163	19,036,223	22,176,669	20,342,725	22,650,638

RISK FACTORS

Any investment in the Bonds is subject to a number of risks. Prior to investing in the Bonds, prospective investors should carefully consider risk factors associated with any investment in the Bonds, our business and the industries in which we operate together with all other information contained in this Offering Circular, including, in particular the risk factors described below. Words and expressions defined in the “Terms and Conditions of the Bonds” or elsewhere in this Offering Circular have the same meanings in this section.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Bonds and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Company or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Company and, if any such risk should occur, the price of the Bonds may decline and investors could lose all or a part of their investment. Investors should consider carefully whether an investment in the Bonds is suitable for them in light of the information in this Offering Circular and their personal circumstances.

Risks relating to our business

The success of our business significantly depends on the automobile manufacturers in several aspects

As our new automobile sales business accounts for a substantial portion of our revenue, we depend significantly on the automobile manufacturers in several aspects. Automobile manufacturers may act in a manner or be subject to events that in turn could cause us to incur costs, expenses or experience delivery delays. As a result, our business, results of operations, financial condition and growth prospects could be materially and adversely affected by such actions or events. We depend on the automobile manufacturers for, among other things:

Supply of high-quality and popular new automobiles and spare parts

Our new automobile sales are influenced by the automobile manufacturers’ abilities to anticipate changes in consumer tastes, preferences and requirements, including those driven by cultural or environmental changes, and to manufacture and deliver to us in sufficient quantities and on a timely basis, a desirable, high-quality and price competitive mix of new automobiles and spare parts to sell to our customers.

In addition, the automobile manufacturers’ ability to supply high-quality and popular new automobiles and spare parts may be affected by a variety of factors, including economic downturns or recessions, force majeure events such as earthquakes and tsunamis, epidemics outbreak such as the on-going COVID-19 pandemic, increases in interest rates, and/or poor product mix or unappealing design, resulting in a change in demand for their automobiles and/or spare parts. The automobile manufacturers may also alter their annual output due to reasons mentioned above, thus altering the supply of automobiles to all their 4S dealerships, including us. The automobile manufacturers may also fail to supply us with the automobiles we expect to receive under our allocated sales quota. If the automobile manufacturers are materially affected and their abilities to design, market or manufacture new automobiles or spare parts are impacted, or if the automobile manufacturers decide unilaterally to alter the supply of automobiles to us, our business operation will be disrupted and our results of operations, financial condition and growth prospects may be materially and adversely affected.

Product defects and automobile recalls

Automobile manufacturers may be adversely affected by product defects and automobile recalls. During the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, automobile manufacturers conducted automobile recalls for a number of their automobile models that we sold. Such recalls have not caused any material adverse impact on our business, our operational and financial performance as at the date of this Offering Circular. However, we cannot assure you that such recalls will not materially and adversely affect our revenue and results of operations in the future. Please refer to the section entitled “*Business — Our “One-stop Automobile Shop” Business Model — After-sales businesses — Automobile recalls*” in this Offering Circular for details of the automobile recalls conducted by the automobile manufacturers during the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020.

We cannot assure you that there will not be future automobile recalls affecting the automobile manufacturers or the models we sell, or that the automobile manufacturers will conduct future automobile recalls in the same manner as in the past, in particular, a number of recalls for the automobile brands we sell, including Mercedes-Benz, Lexus, Toyota and Honda, have been conducted recently. Our customers’ confidence in the quality and safety of the automobiles may be impaired due to the recalls, and any product defects or automobile recalls may have an adverse effect on the automobile manufacturers’ and the Group’s reputation. As a result, the recalls may lead to cancellation of orders placed by our customers and a drop in demand for our automobiles, which in turn may materially and adversely affect our results of operations, financial condition, and growth prospects going forward.

Advertising, marketing and promotional activities of the automobile manufacturers

Our new automobile sales business is strongly influenced by the promotional and marketing activities of the automobile manufacturers designed to spur consumer demand for automobiles. The automobile manufacturers periodically offer discounts, complimentary products or services, and/or extended product warranties.

The automobile manufacturers assist us with our advertising, marketing and promotional activities and the production of flyers, brochures and other promotional and point-of-sale materials, as well as other items for our 4S dealerships. In addition, we rely on the automobile manufacturers for the training of our sales personnel and automotive engineers and technicians to a certain extent. The repair and maintenance services we provide our customers under automobile warranties are part of the automobile manufacturers’ marketing plans and the costs for such services are billed to the relevant automobile manufacturer instead of the customer.

As a result, changes in these promotional and marketing activities by the automobile manufacturers may materially and adversely affect our results of operations, financial condition and growth prospects.

After-sales services

As a principal constituent of our after-sales services business, in-warranty repair services are charged to the automobile manufacturers instead of customers. As a result, a reduction in the term or coverage of such warranties may reduce the demand for our after-sales services from customers. We also rely on automobile manufacturers to provide our store managers, customer service and sales personnel and technicians with training to familiarise them with the features of, and repair and maintenance procedures for, their vehicle models. We cannot assure you that we will be able to

maintain the continued support from automobile manufacturers for our after-sales services, or that any such failure will not have a material adverse effect on our business, financial condition, results of operations and growth prospects.

We rely on our dealership agreements with the automobile manufacturers for the rights to operate our 4S dealerships and for our supply of new automobiles and spare parts

We rely on the automobile manufacturers for the rights to operate our 4S dealerships and for the supply of new automobiles and spare parts. Sales of new automobiles account for a substantial portion of our revenue. For the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, revenue from new automobile sales accounted for 86.6%, 86.5%, 85.6%, 86.2% and 85.5% of the Group's revenue, respectively. Our rights to operate our 4S dealerships and the supply of new automobiles and spare parts are governed by the dealership agreements we entered into with the automobile manufacturers.

All of our dealership agreements are non-exclusive, must generally be renewed periodically and typically have a term which expires at the end of the next year after the execution of these agreements. The automobile manufacturers have the right to terminate our dealership agreements with prior written notice for a variety of reasons, including failure to rectify performance deficiencies and changes in ownership or management structure that affect our ability to meet our contractual obligations without their prior consent. Please see the section entitled "*Business — Our 4S Dealerships*" in this Offering Circular for more information on our dealership agreements.

There can be no assurance that we will be able to renew our dealership agreements on a timely basis, on commercially acceptable terms, or at all, or that our dealership agreements will not be terminated by the automobile manufacturers for various reasons, including changing their business strategies or taking direct control of the distribution of their automobiles in the PRC.

There can be no assurance that the automobile manufacturers will not make any decision to restrict, limit or reduce the number of 4S dealerships available to us as part of any change in their future strategies. Should the automobile manufacturers decide to restrict, limit or reduce the number of 4S dealerships they allow us to operate, or fail to renew or terminate our dealership agreements, our results of operations, financial condition and growth prospects may be materially and adversely affected.

We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly affect our operations

Our business could be materially and adversely affected by natural disasters or epidemics outbreaks. If any disaster or outbreak of disease were to occur in the future, particularly in regions where we have dealerships, our operations could be materially and adversely affected due to loss of personnel, damage to property or decreased demand for automobiles.

Any outbreak of avian influenza, severe acute respiratory syndrome ("**SARS**"), influenza A (H1N1), Ebola or other adverse public health developments, such as the ongoing COVID-19 pandemic, could adversely affect the overall business sentiment and environment in China, which in turn may lead to slower overall economic growth in China. In 2014, the outbreak of Ebola fever in West Africa received considerable worldwide media attention. Experts warn that China is at serious risk of Ebola because of the large numbers of travellers from Africa as well as poor hospital standards. The on-going COVID-19 pandemic has caused substantial disruptions in the economy and markets around the world. Many countries, including China, Japan, the United States, members of the European Union and the United Kingdom, declared states of emergency and imposed

extensive business and travel restrictions with a view to containing the pandemic. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic will significantly disrupt the global economy and global markets and is likely to result in a global economic recession. In addition, COVID-19 has led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time. There is no assurance that the outbreak will not lead to decreased demand for services we provide; nor is there assurance that the outbreak's adverse impact on the PRC economy and our customers will not adversely affect the level of non-performing loans. The outbreak may also adversely affect our ability to keep normal operations and provide uninterrupted services to our customers.

As our sales are currently derived from our China operations, any contraction or slowdown in the economic growth of China could adversely affect our business, financial condition, results of operations and growth prospects. In addition, if any of our employees is infected or affected by any severe communicable disease, it could adversely affect or disrupt our operations, as we may be required to close some or all of our stores or other business locations to prevent the spread of the disease. The spread of any severe communicable disease in China may also affect our customers and suppliers. While we have not adopted any written preventive measures or contingency plans to combat any future natural disasters or outbreaks of avian flu, H1N1 flu, SARS, Ebola virus, on-going COVID-19 or any other epidemic, we have implemented a series of precautionary and control measures in our stores in response to the recent COVID-19 pandemic, including but not limited to, measuring customers' body temperature before they enter our stores and frequent cleaning of our showrooms. Natural disasters, outbreaks of contagious diseases and other adverse public health developments in China could severely disrupt our business operations and adversely affect our financial condition, results of operation and growth prospects.

Our business operations are subject to restrictions imposed by, and significant influence from, the automobile manufacturers

The automobile manufacturers may subject our business operations to various restrictions including:

- setting geographical limitation on our business, restricting our ability to establish or acquire new 4S dealerships;
- precluding us from obtaining additional dealership rights for failing to meet the relevant automobile manufacturer's performance criteria including criteria relating to sales results, customer satisfaction ratings and store presentation at our 4S dealerships;
- setting price guidelines for the retail sale of their new automobiles or certain spare parts;
- restricting our ability to provide guarantees or other forms of security, thus adversely impacting our ability to obtain financing for our business;
- restricting our ability to operate dealerships or sell vehicles of competing brands; and
- influencing the management of our 4S dealerships.

The restrictions imposed by, and significant influence from, the automobile manufacturers on our business could materially and adversely affect our results of operations, financial condition and growth prospects.

There can be no assurance that we will continue to receive rebates from the automobile manufacturers

Our purchase arrangements with the automobile manufacturers often include volume-based rebates, which are decided with reference to the units of new automobiles purchased, and are adjusted based on our satisfaction of certain targets set by the relevant automobile manufacturers, including sales targets, customer satisfaction indices and dealership presentation standards. There can be no assurance that the automobile manufacturers will continue to grant us rebates, or that they will pay any rebate under existing purchase arrangements. Should some or all of the automobile manufacturers cease to offer such rebates, or alter the conditions by which such rebates are granted, our financial condition and results of operations may be materially and adversely affected.

We are dependent on third parties for the supplies of automobile accessories

We are dependent on independent suppliers for the automobile accessories we sell. The success of our after-sales businesses is dependent on these suppliers' abilities to anticipate changes in consumer tastes, preferences and requirements and deliver to us in sufficient quantities and on a timely basis a desirable, high-quality and price competitive mix of automobile accessories to sell to our customers. If our suppliers' products fail to meet our customers' expectations or if we are unable to stock a sufficient range of products, or if our suppliers increase their prices due to increasing demand for their products from other dealerships, our profit margins of these products may be affected, which in turn could materially and adversely affect our results of operations and financial condition.

Our ability to meet consumer demands for new automobiles, spare parts and automobile accessories, is dependent in part on our ability to maintain a reasonable level of inventory of these products

We aim to stock a reasonable level of inventory of new automobiles, spare parts and automobile accessories, to respond to customer demand effectively and maintain a diverse range of products at our 4S dealerships. We aim to actively control our inventory turnover efficiency, as slow-moving inventories may be more difficult to sell, be returned to suppliers and/or result in higher levels of write-offs, thereby increasing our overall cost of sales and reducing our profit margins. If we overstock inventory, our required working capital may increase and we may incur additional financing costs. If we understock inventory, our ability to meet our customers' demands may be affected, which may in turn affect our reputation, cause us to forgo revenue, and materially and adversely affect our results of operations and financial condition. Moreover, the ongoing 2019-novel coronavirus COVID-19 pandemic could adversely affect the overall business sentiment and environment in China, which in turn may lead to a slower turnover in our inventory that could have an adverse impact on our financial condition and results of operations.

Our sales may be affected by seasonality

All of our revenue is derived from our operations in the PRC. We believe that there is a seasonal pattern in the spending behaviour of PRC consumers. Periods prior to major holidays in the PRC, such as the Chinese New Year and the National Day holiday in October, have typically coincided with higher revenue recorded for our new automobile sales business. As a result of these fluctuations, comparisons of sales and operating results between different periods within a single financial year may not be meaningful and should not be relied upon as indicators of our performance.

The Founders are able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions

As at the date of this Offering Circular, approximately 57.76% of our outstanding shares are beneficially owned by Mr. Huang Yi and Mr. Li Guoqiang (the “**Founders**”). Subject to compliance with applicable laws, by maintaining such ownership, the Founders are able to exercise substantial influence over our corporate policies, appoint our Directors and officers and vote on corporate actions requiring shareholders’ approval. In addition, the Founders are also Executive Directors of the Company and are able to exercise substantial control over our business. In particular, the strategic goals and interests of the Founders may not be aligned with our strategy and interests and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base. The interests of our controlling shareholders may differ from those of the holders of the Bonds.

We are dependent on our management team, and our business may be severely disrupted if we lose their services

We believe that our success is largely dependent upon the continued service of the members of our management team, who are critical to establish our corporate strategies and focus and ensure our continued growth. In particular, the Founders, Mr. Huang Yi and Mr. Li Guoqiang, both with over 30 years’ experience and expertise in the PRC automobile industry, are crucial to our success.

Our continued success will depend on our ability to attract and retain a qualified and competent management team in order to manage our existing operations and support our expansion plans. We do not maintain keyman insurance for members of our management team. Although we have entered into employment agreements and non-competition agreements with certain members of our management team, the loss of the services of any member of our management team and/or the failure to recruit suitable or comparable replacements on a timely basis could have a significant impact on our ability to manage our business effectively and may reduce our competitiveness, and in turn materially and adversely affect our results of operations, financial condition and growth prospects. We cannot assure you that we will be able to retain our management team or attract and/or integrate suitable or comparable replacements on a timely basis or at all to meet our needs.

We are dependent on the continued service of, and our ability to attract, train, motivate and retain, our store management, sales personnel and automotive engineers and technicians

We are dependent on the continued service of, and our ability to attract, train, motivate and retain, our store management, sales personnel and automotive engineers and technicians for the performance and continued success of our business. Due to the strong growth of the PRC economy and the PRC automobile industry, the competition for such personnel is intense. There can be no assurance that we will be able to attract, train, motivate and retain the necessary personnel to grow and develop our business, continue to deliver high-quality sales or customer service, or open new 4S dealerships. Our financial condition, management and results of operations may be materially and adversely affected if we fail to attract and retain the experienced personnel we need.

We may not be able to obtain adequate financing on acceptable terms

Our businesses require significant capital expenditure. In addition to purchasing automobiles, spare parts, automobile accessories, and other automobile-related products, we also require capital to establish and acquire new 4S dealerships, refurbish and maintain existing 4S dealerships and upgrade our information technology and billing systems.

Our capital expenditures for the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 were RMB5,305.3 million, RMB3,781.4 million, RMB1,742.7 million, RMB923.6 million and RMB864.7 million, respectively.

Our business also requires adequate financing for our increasing level of inventory and prepayments for new automobiles that we purchase from the automobile manufacturers. We expect our financing costs to increase as our inventory level and prepayments for new automobiles increase due to the continuing expansion of our businesses.

There can be no assurance that the cash flow generated by our operations will be sufficient to fund our future operations and expansion plans. We have generally relied on cash generated from our operations as well as bank loans to fund our operations and expansion. Our ability to obtain adequate external financing will depend on a number of factors, including our financial performance and results of operations, as well as other factors beyond our control including the global and PRC economies, interest rates, applicable laws, rules and regulations, and the conditions of the PRC automobile market, the PRC automobile dealership industry and the geographical regions we operate in. If we are unable to obtain financing in a timely manner, at a reasonable cost or on reasonable terms, the implementation of our expansion plans may be delayed and our competitive position and growth prospects may be adversely affected.

We rely on computer equipment and software systems to manage our operations

We are dependent on an integrated information management system to manage, supervise and improve ordering, inventory and logistics management and financial and cash management, minimise the costs of maintaining inventory and to improve our overall sales performance. We intend to keep upgrading our existing information technology systems across our distribution network to operate a uniform platform which complements the expansion of our business. We manage our quotas and inventory levels through our ERP system, and we cannot assure you that, any future upgrades to our ERP system will not cause disruptions to our business and operations. If our computer equipment or software systems fail, our businesses and operations may be disrupted. Although we believe that our disaster recovery plan and data back-up systems are designed to handle system failures, there can be no assurance that we will be able to implement our disaster recovery plan on a timely basis or at all, or that our data back-up systems will not also be subject to failures. Any failure in our computer equipment and/or software systems could have a material adverse effect on our business, financial condition and results of operations. Our growth may also be restricted by the capacity of our computer equipment and/or software systems to meet the increased needs of larger scale operations.

Implementing our growth strategy may expose us to certain risks and we may not sustain our growth rate

The Group's operations have grown rapidly from 178 operating 4S dealerships at the beginning of 2014 to 365 operating 4S dealerships as at 30 June 2020, and our revenue has grown accordingly. Our growth strategy involves expanding our 4S dealership network, further extending our industry chain and seeking new profit growth points.

There are significant risks involved in our expansion plan, including whether we will be able to: (a) access adequate financial resources; (b) timely determine the magnitude of our expansion; (c) hire, train and maintain sufficient qualified staff; (d) negotiate the terms of new leases, concessions or land use rights successfully for properties in desired locations; (e) obtain appropriate licences,

permits and approvals from relevant PRC governmental authorities on a timely basis; and (f) enter into dealership agreements after a memorandum of cooperation is entered into between our operating entity and the automobile manufacturers for a specific 4S dealership.

In addition, various factors beyond our control may significantly influence the results of our growth strategy, including general economic conditions in China, particularly in the automobile market and the automobile dealership industry and the specific geographical areas we operate in. Business or operational strategies and policies adopted by the automobile manufacturers, other suppliers and competitors may also significantly influence the results of our growth strategy.

Our growth strategy includes establishing new 4S dealerships. There can be no assurance that we will be able to identify and secure suitable locations, or that we will be able to enter into new 4S dealership arrangements with the automobile manufacturers on a timely basis or at all for such new 4S dealerships. The new 4S dealerships may result in additional indebtedness, costs and contingent liabilities and may fail to generate sufficient revenue for us to recover such debt, costs or liabilities. We also intend to grow by, among other strategies, acquiring existing 4S dealerships from third parties and improving their performance. There can be no assurance that we will be able to identify and secure suitable acquisition opportunities, or that we will be able to improve the performance of such acquired 4S dealerships on a timely basis.

The terms of the Bonds give us the flexibility to expand into new businesses ancillary or complementary to our automobile sales business. When entering into new business areas, we will be subject to risks related to any such new businesses, will have limited experience in operating such new businesses and may lack necessary expertise, which may have an adverse effect on our operations, financial performance, credit rating and ability to service our obligations under the Bonds.

We experienced significant growth from 2017 to 2019, with our revenue increasing at a CAGR of 19.9% from RMB86,290.3 million in 2017 to RMB124,042.5 million in 2019. There can be no assurance that we will be able to sustain our revenue growth or profit margins at historical levels or that we will be able to manage our growth successfully. You should not rely on our operating results for any prior annual period as indicators of our future operating performance. Should any or all of the risks in relation to our expansion plan eventuate, our results of operations, financial position, and growth prospects could be materially or adversely affected.

We may not be successful in identifying or acquiring suitable acquisition targets or integrating newly acquired businesses into our network

We intend to expand our operations and markets through both organic growth and strategic acquisitions. We compete with other dealership groups, some of which may have more financial and other resources, and we may not be able to compete successfully with such groups in acquiring suitable targets. If we do not succeed in identifying and acquiring suitable acquisition targets, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

In addition to the Anti-Monopoly Law of the People's Republic of China (中華人民共和國反壟斷法), which requires the MOFCOM be notified in advance of any concentration of undertaking if certain thresholds are triggered, the complex procedures for some acquisitions of PRC companies by foreign investors, established by the M&A Rules, could make it more difficult for us to pursue growth through acquisitions in China. The M&A Rules establish additional procedures and requirements that could make certain acquisitions of PRC companies by foreign entities, such as ours, more time-consuming and complex, particularly in some instances where the approval of

MOFCOM is required for transactions involving the shares of an offshore listed company being used as the acquisition consideration by foreign entities. Complying with the requirements of the M&A Rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share. Furthermore, integration of the newly acquired businesses may not succeed for a number of reasons, such as differences in strategic focus, geographic coverage and corporate culture between us and the acquired businesses and difficulties in retaining the key employees of acquired businesses. Any delays or difficulties encountered in connection with the integration of management or operations could result in the diversion of management's attention from our existing operations and the delay or deferral by our management of important strategic decisions, which could negatively affect our business, prospects, cash flows, financial condition and results of operations. In addition, we cannot assure you that we will fully realise any of the anticipated benefits, or any anticipated benefit at all, from our strategic acquisitions.

We may not be able to grow our used automobile business

The growth of our used automobile business depends on various factors, such as our ability to attract used automobile buyers to our stores and sellers and buyers of used automobiles to our used automobile market, the degree of acceptance of used automobiles by our potential customers, and the relevant PRC laws and regulations governing the used automobile business. Many of these factors are beyond our control and, therefore, we may not be able to maintain or grow our used automobile business. Under the PRC laws, we may, when selling a used automobile, be required to provide the quality guaranty as well as the after-service. Any sales of defective used automobiles may harm our reputation and materially and adversely affect our business, financial condition and results of operations.

We may not be able to grow our automobile financial leasing business

Our automobile financial leasing business could be negatively impacted by uncertainties in the PRC automobile financial leasing business, which is at its preliminary stage and may experience unexpected downturns. Our financial leasing business is still at its early stage. The growth of our automobile financial leasing business, as well as demand for our automobile financial leasing services, depends on various factors, some of which are beyond our control, including the general economic conditions in the PRC, popularity and perceptions of automobile financial leasing among our customers, and the relevant PRC laws and regulations governing the automobile financial leasing business.

Our gross profit margin and profitability may be affected by the mix of products sold and services delivered

Our principal businesses consist of sales of new automobiles and after-sales services. From 2017 to the six months ended 30 June 2020, we recorded higher gross profit margins for after-sales services than for sales of new automobiles. In 2017, 2018, 2019 and the six months ended 30 June 2019 and 2020, our gross profit margins for after-sales services were 48.9%, 48.7%, 48.2%, 49.0% and 46.5%, respectively, as compared to our gross profit margins for sales of new automobiles of 4.0%, 3.1%, 2.7%, 2.7% and 3.0%, respectively, in the same period. We may not be able to grow our after-sales services at the rate equal to, or higher than, our new automobile sales business. Therefore, our gross profit margin and profitability may vary significantly from period to period as a result of changes in the mix of products sold and services rendered during the relevant period.

Our business depends on the market recognition of our brand and any failure to effectively maintain or enhance our brand recognition or to protect our brand may materially and adversely affect our business and results of operations

We believe that establishing strong brand recognition is important to our success. We have successfully established our Zhongsheng brand and were granted the “2019 Operational Excellence Group Award” by CADA. If we fail to maintain brand recognition among our target customers due to a deterioration in service quality, dealership management or otherwise, or if any premium in value attributed to our business compared to that of our competitors declines, market perception and consumer acceptance of our brands may erode. In such event, we may not be able to effectively compete for customers and new authorisations from automobile manufacturers to open stores and our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

We may not be able to use certain properties leased by us because of defects affecting our leasehold interests

We have leased certain properties in China to operate our stores, part of which were subject to certain defects. For instance, certain leased properties are built on collectively owned land or state-owned allocated land, and certain lessors had not obtained the relevant building ownership certificates. Any dispute or claim in relation to the rights to lease and use the properties occupied by us, including any litigation involving allegations of illegal or unauthorised use of these properties, may require us to relocate our business operations. If any of our leases were terminated as a result of any challenge by third parties or any failure of our lessors to renew the leases or obtain their legal title or the requisite government approval or consent to lease the relevant properties, we may need to seek alternative premises and incur additional costs for relocation. Any such relocation could disrupt our operations and adversely affect our business, financial condition, results of operations and growth prospects. In addition, there can be no assurance that the PRC Government will not amend or revise existing property laws or regulations to require additional approvals, licences or permits, or impose stricter requirements to obtain or maintain the title certificates required for the properties occupied by us.

Our insurance coverage may be inadequate to protect us from all potential losses

We carry all risks insurance covering loss and damage to our properties, including our fixed assets and inventories in all of our 4S dealerships, as well as auto repair liability insurance, public liability insurance, cash insurance and group life accident insurance. However, we do not carry liability insurance that extends coverage to all potential liabilities that may arise in the ordinary course of our business, nor do we maintain any insurance coverage for business interruption due to the limited availability of business interruption insurance in China. Significant uninsured damage to any of our properties, inventories or other assets, whether as a result of earthquakes or other causes, could materially and adversely affect our business, financial condition, results of operations and growth prospects.

We may not be able to continue to receive government grants from local governments

We received government grants in each year from 2017 to 2019 from local governments in recognition of our contribution to economic development. For each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, we received government grants of RMB10.06 million, RMB37.2 million, RMB43.3 million, RMB26.6 million and RMB44.7 million, respectively. The amount of the government grants was determined at the local governments’ discretion. We cannot assure you that we will be able to continue to receive any

such government grants from the local governments at the same level as in the past, or at all. Any decision of the local governments to terminate or reduce the amount of our government grants may adversely affect our results of operations and financial condition.

Labour disputes involving automobile manufacturers and suppliers could reduce our revenue and harm our profitability

Labour disputes involving automobile manufacturers and suppliers could result in a shortage of new automobiles or an interruption in the delivery of new automobiles to our stores. In the past, there had been no material labour disputes. In addition, significant increases in labour costs as a result of negotiations to resolve labour disputes could also result in downward pressure on our margins, as automobile manufacturers and suppliers may seek to pass on some of their increased costs to us, which could reduce our revenue and profitability.

We face risks associated with our joint ventures

Some of our existing stores are carried out through joint ventures. In addition, during our business expansions, we may form additional joint ventures in the future. Such existing or future joint venture arrangements involve a number of risks, including:

- disputes with joint venture partners in connection with the performance of each party's obligations under the joint venture agreements;
- disputes as to the scope of each party's responsibilities under these agreements;
- financial difficulties encountered by a joint venture partner affecting its ability to perform its obligations under the joint venture agreements with us; and
- conflicts between the policies or objectives adopted by the joint venture partners and those adopted by us.

Any of these risks and other factors may lead to disputes with our joint venture partners and cause disruptions in the operations of the joint ventures and, as a result, our business, financial condition and results of operations may be materially and adversely affected.

Changes in accounting standards, procedures or policies may materially affect the Group's financial condition and results of operations

The accounting standards, policies and procedures governing the preparation of the Group's financial statements as well as their application and interpretation may change from time to time. Such changes may be beyond the Group's control, and can be difficult to predict, which, in turn, could materially impact its results of operations and financial position. In some cases, the Group may be required to apply a new or amended accounting standard retrospectively, resulting in material changes to previously reported financial results. Any changes in accounting standards, procedures or policies may materially affect the Group's results of operations and financial position. For instance, the Group applied HKFRS 19 (Financial instruments) and HKFRS 15 (Revenue from contracts with customers). In accordance with the transition requirements, the comparative information was not restated. See note 2.2 (Changes in accounting policies and disclosures) to the consolidated financial statements of the Group for the year ended 31 December 2018 for details.

In addition, the Group applied HKFRS 16 (Leases) retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, 1 January 2019. The cumulative effect was recognised as an adjustment to the opening balance of retained earnings, and comparative information was not restated. See note 2.2 (Changes in accounting policies and disclosures) to the consolidated financial statements of the Group for the year ended 31 December 2019, for details.

As a result, the Group's audited financial information for the year ended 31 December 2019 may not be comparable to the Group's historical financial information. Potential investors are advised to exercise caution when using such data to evaluate the financial condition and results of operations of the Group, and should not place undue reliance upon such data.

The Interim Financial Information of the Group as at and for the six months ended 30 June 2020 is neither audited nor reviewed by the Group's independent auditors

On 10 August 2020, the Group announced the Interim Financial Information on the website of the Hong Kong Stock Exchange. The Interim Financial Information included in such announcement was extracted from the management accounts of the Group, which was prepared in accordance with the HKAS 34 issued by the HKICPA. No audit or review has been performed on such financial information. Consequently, such financial information should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors must exercise caution when using such data to evaluate the business, financial condition and results of operations of the Group. The Interim Financial Information of the Group should not be taken as an indication of the financial condition or results of operation of the Group for any period of a year or the full financial year ending 31 December 2020.

Risks Relating to Our Industry

We may not be able to obtain adequate financing on acceptable terms on a timely basis, or at all

Our business is capital intensive and we finance our liquidity requirements mainly through a combination of cash flows generated from operating activities, bank loans and other borrowings. We require significant working capital to fund purchases of new automobiles, spare parts and automobile accessories. We also require significant capital to expand our automobile dealership network and maintain our existing stores and operations, including purchases of property, plant and equipment and land use rights. For the three years ended 31 December 2019 and the six months ended 30 June 2019 and 2020, we incurred capital expenditures of approximately RMB5,305.3 million, RMB3,781.4 million, RMB1,742.7 million, RMB923.6 million and RMB864.7 million, respectively. As at 31 December 2017, 2018 and 2019 and 30 June 2019 and 2020, we had bank loans and other borrowings in the amount of RMB19,323.1 million, RMB22,648.2 million, RMB21,014.1 million, RMB20,758.4 million and RMB20,390.6 million, respectively; while our finance costs were approximately RMB1,076.7 million, RMB1,230.5 million, RMB1,390.6 million, RMB650.9 million and RMB610.3 million, respectively.

We have generally relied on cash flows generated from our operations, bank loans and other borrowings to fund our operations and expansion plans. There can be no assurance that the cash flows generated from our operations will be sufficient to fund our future capital needs. Our ability to obtain adequate external financing will depend on a number of factors, including our financial performance and results of operations, as well as factors beyond our control, including the global and PRC economic conditions, market conditions for the automobile dealership industry in the PRC and in the regions where we operate, interest rates fluctuation and changes in applicable laws, rules

and regulations. In particular, the Measures for the Management of Automobile Loans (汽車貸款管理辦法), which were jointly promulgated by the PBOC and the CBRC and effective from 1 January 2018, provides that term of loans granted to distributors for purchasing vehicles and spare parts shall not be longer than one year and that an automobile dealer's asset-liability ratio, which equals to dividing the total debt, including interest-bearing bank borrowings and other borrowings and amount due to shareholders by total assets, shall not exceed 80%. For the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, our asset liability ratio was 65.0%, 66.7%, 64.8%, 66.2% and 65.1%, respectively. If we are unable to obtain external financing when required, in a timely manner, at a reasonable cost or on commercially reasonable terms, or at all, our business and operation may suffer, the implementation of our expansion plan may be delayed and our competitive position and growth prospects may be adversely affected. Furthermore, our finance costs could be significantly higher than the prevalent interest rates, which can adversely affect our liquidity and results of operations.

Our performance and growth prospects may be adversely affected by the increasingly competitive nature of the PRC automobile industry

Our business operations are located in the PRC, where market practice allows the automobile manufacturers to grant non-exclusive dealership rights in the same geographical area. As a result, our results of operations may be affected not only by competition among the automobile manufacturers in terms of quality, delivery time and price, but also by competition from other dealerships or dealership groups in the same region selling the same brands and models of automobiles as the Group.

We expect that the competition we face will increase as the number of dealerships increases. In addition, more automobile manufacturers may engage in the distribution sector in the future and build up their own 4S store network. An increased number of the automobile manufacturers and dealers in the PRC automobile industry could impact our market share and result in a decrease in revenue and profit in new automobiles sales, repair maintenance and detailing services and automobile accessories sales, and our growth prospects may be adversely affected.

Volatility in demand in China for automobiles could materially and adversely affect its results of operation

Demand for automobiles in China is cyclical in nature and is affected by various factors, including sales and financing incentives, costs of raw materials, parts and components, cost of fuel, environmental concerns and governmental regulations, including tariffs, import regulation and other taxes. Fluctuations in demand may lead to lower vehicle sales and increased inventory, resulting in further downward price pressure which will inevitably adversely affect the Group's financial condition and results of operations. According to CAAM, the vehicle sales in the PRC in 2018 decreased for the first time in decades by 2.8 per cent. as compared to 2017. CAAM released the national vehicle sales results for 2019 on 13 January 2020. According to CAAM, the PRC automobile market continued to experience negative growth throughout the year ended 31 December 2019, and the national vehicle sales volume for the year ended 31 December 2019 was 25.8 million units, down 8.2 per cent. as compared to 2018. The decline began as the trade tensions between the U.S. and China escalated amid the economic slowdown and tighter vehicle emissions standards, which were introduced in last year.

Any slowdown in demand for automobiles in the China market may lead to decrease in sales which could result in a significant impact on the demand of our services, resulting in diminished returns to the substantial resources invested in the daily operation. If these events occur, the Group's results of operations and financial condition could be materially and adversely affected.

Strict fuel economy standards and emission standards and high fuel prices could restrict the supply of and/or reduce the demand for automobiles, spare parts and automobile accessories in the PRC

The implementation and enforcement of strict fuel economy standards and emission standards for automobiles are likely to increase the cost of manufacturing, research and development and distribution for all the automobile manufacturers and may have a negative impact on the supply of automobiles. Automobile manufacturers may also raise their price guidelines for their automobiles, and consumer demand for automobiles (particularly more expensive automobiles such as the mid-to-high end and luxury brand automobiles retailed by the Group), spare parts, and automobile accessories may decline as a result.

On 9 October 2020, the National Development and Reform Commission announced that the domestic retail price of petrol and diesel will not be adjusted according to global crude oil prices. The PRC Government currently subsidises the retail price of petrol and diesel and may adjust the domestic fuel price as a result of, among other factors, changes in global crude oil prices. The PRC Government has adjusted the retail petrol price several times in 2019. Fluctuations in fuel prices have led to changes in the level of fuel demand in China. Disparities in the cost and availability of fuel among different regions in China have made fuel cost in China even less predictable. If demand for fuel increases in China, fuel shortage or price increases may occur. Because of increased or unpredictable costs or shortages of fuel, consumers may shift to use alternative means of transport, such as bicycles, buses and subways, or purchase more fuel-efficient automobiles.

There can be no assurance that the PRC Government will not implement stricter fuel economy standards or emission standards or further increase fuel prices. Our automobile sales may decline as a result and our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

Government policies may restrict the supply of and/or reduce the demand for automobiles, spare parts and automobile accessories in the PRC

Government policies on automobile consumption and ownership may materially affect our business because of their influence on consumer behaviour. The PRC Government adjusted automobile consumption tax rates in 2006, 2008 and 2016 and there can be no assurance that the PRC Government will not impose restrictions or taxes on automobile consumption in the future. If the PRC Government increases automobile consumption tax rates or imposes additional restrictions or taxes, our business, financial condition, results of operations and growth prospects could be materially and adversely affected.

Automobile sales may be affected by quotas or other measures imposed by local governments to control the number of automobiles in the cities where our networks are located. Changes in local economic conditions, the competitive environment and governmental policies could materially and adversely affect our business, financial condition, results of operations and growth prospects. For example, with the goal to curb traffic jams and pollution, Shanghai has been restricting the issuance of new licence plates since 1994. Individuals and companies have to bid in an auction, which is generally held by a qualified auction agency, for a licence plate in order to register a new vehicle and the total number of licence plates to be issued and details relating to the auction is announced to the public 7 calendar days immediately before the auction. Similarly, effective from 23 December 2010, the Beijing municipal government issued a number of measures to limit the number of new licence plates it issues each year, with a view to curbing traffic congestion in Beijing. According to the 13th Five-Year Plan of the Transportation Development and Construction of Beijing, the total number of automobiles in Beijing is restricted to 6.3 million by the end of 2020. As a result, overall new automobile sales in the Beijing market have since decreased significantly. At the same time, the

Shenzhen municipal government imposed restrictions on new car purchases at the end of 2014, according to which only 100,000 new licence plates will be allocated annually for the city. These and any future government policies to control the number of automobiles in the markets where we operate may restrict the ability of potential customers to purchase automobiles and hence reduce customer demand for automobiles. There can be no assurance that the PRC government will not impose additional registration restriction rules in other cities on the PRC automobile industry. We may not be able to pass on increased costs to consumers, or may face a decline in sales as a result of lower demand or higher prices, and there may be a material and adverse effect on our revenue, profits, and growth prospects.

Any failure to comply with applicable laws, rules and regulations governing the automobile dealership industry may adversely affect our business

We operate in a highly regulated industry. We are required to maintain various approvals, licences and permits for our operations that are specific to the automobile dealership industry. There can be no assurance that the PRC government will not amend or revise existing laws, rules or regulations to require additional approvals, licences or permits, or to impose stricter requirements to obtain or maintain the approvals, licences or permits required for our business operations. Any loss of or failure to obtain or renew our approvals, licences, or permits could disrupt our operations and any fines or other penalties imposed by the PRC government could materially and adversely affect our results of operations, financial position and reputation.

Our business is dependent on the economic conditions of the PRC and the market conditions where we operate. If we experienced an economic downturn, it could adversely affect our business, liquidity, financial conditions, results of operations and prospects

Our business is dependent on the economic conditions of the PRC and the market conditions where we operate. Demand for our automobiles and other products may decrease if we experience a downturn, which would adversely affect cash flow generated from our operations. In addition, some of the automobile manufacturers may also be adversely affected with declines in profits and production output. Furthermore, the availability of credit to entities, such as ourselves, operating within emerging markets, could be significantly influenced by levels of investor confidence in such markets as a whole and any factors that may impact market confidence could affect the costs or availability of funding for entities within any of these markets. Any challenging market conditions could result in reduced liquidity, widening of credit spreads, lack of price transparency in credit markets, a reduction in available financing and a tightening of credit terms. Any prolonged economic downturn or prolonged disruptions to the credit markets could limit our ability to borrow funds from our current or other funding sources or cause the continued access to funds to become more expensive, and our business may be exposed to a downturn in sales that might be caused by such tightening of credit conditions, and our results of operations, financial condition and prospects may be materially and adversely affected.

A prolonged global economic downturn could adversely affect the PRC economy and our business, financial condition and results of operations

Economic developments outside the PRC, in particular, the global financial crisis which commenced in the second half of 2008, have caused substantial volatility in the capital markets. Since the second half of 2008, the global credit markets have remained volatile, which has impacted employment, household wealth and consumer demand. Subsequently, global markets and economic conditions were adversely affected by the credit crisis in Europe, the credit rating downgrade of the United States and heightened market volatility in major stock markets.

The outlook for the world economy and financial markets remains uncertain. For example, on 29 March 2017, the United Kingdom notified the European Council of its intention to withdraw from the European Union in accordance with Article 50(2) of the Treaty on European Union. This event has resulted in a downgrade of the credit ratings of the United Kingdom. On 31 January 2020, the United Kingdom formally left the European Union. There is substantial uncertainty relating to Brexit or its impact on the economic conditions of other parts of the world. In addition, the United States announced a series of additional tariffs on imported goods from China in 2018. In May 2019, however, the United States President increased the tariffs from 10 per cent. to 25 per cent. on certain goods imported from China, and the Chinese government immediately retaliated by imposing further tariffs on certain U.S. goods. In November 2019, China and the United States have agreed to remove the additional tariffs imposed in phases. Although the United States President and Chinese Vice Premier signed “phase one” trade deal in January 2020, the resulting trade policies or the terms of any renegotiated trade agreements and their impact to the Group’s business is uncertain. Any further change in the U.S. global trade policy against China, including tightening regulatory restrictions, industry-specific quotas, tariffs, non-tariff barriers and taxes may have an adverse effect on China’s economy.

On 12 March 2020, the World Health Organisation declared COVID-19 as a global pandemic. The COVID-19 pandemic has resulted in many countries, including China, Japan, the United States, members of the European Union and the United Kingdom, declaring a state of emergency and imposing extensive business and travel restrictions with a view to containing the pandemic. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic will significantly disrupt the global economy and global markets and is likely to result in a global economic recession. In addition, COVID-19 has led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time. As the COVID-19 pandemic continues to adversely affect business activities globally, governments and central banks across the world have introduced or are planning fiscal and monetary stimulus measures including direct subsidies, tax cuts, interest rates cuts, quantitative easing programmes and suspension or relaxation of prudential bank capital requirements. These measures aim to contain the economic impact of the COVID-19 pandemic, stabilise the capital markets and provide liquidity easing to the markets.

These and other issues resulted from the global economic downturn and global pandemic have had, or may have, a significant adverse impact on, among other things, the prospects for growth in GDP and international trade, the demand for luxury products, the availability and cost of credit and consumer sentiment. Persistent concerns regarding a potentially long-term and widespread recession, geopolitical issues, the availability and cost of credit and the decline in consumer spending in major economies have resulted in diminished expectations for economic growth around the world. The PRC economy relies significantly on its exports and any significant economic downturn, in particular a prolonged recession in Europe, the United States or other major economies, could have a material adverse effect on the PRC economy. We derive all of our revenue from China. Any slowdown in the PRC economy may adversely affect demand for our automobiles and after-sales services and could result in:

- a significant reduction in customer demand for our automobiles and after-sales services, which would reduce our revenue and profit margins;
- a significant reduction in the availability of automobile financing, which would also reduce customer demand for automobiles;
- increased price competition for automobiles and after-sales services, particularly the price competition of luxury automobiles;

- risk of excess and obsolete inventory;
- difficulty in accurately forecasting the demand for automobiles and after-sales services;
- insolvency or credit difficulties of our customers or their insurance carriers, which could limit their ability to pay for our after-sales services; and
- insolvency or credit difficulties of our automobile manufacturers and suppliers, which could disrupt the supply of automobiles or spare parts. In addition, a substantial amount of our luxury automobiles are imported from, or manufactured by the joint ventures of manufacturers based in, the member states of European Union, particularly Germany. Any credit crisis in Europe or cessation of the Euro being used as the main currency in the European Union (including Germany) may cause significant fluctuations in the prices for automobiles, spare parts and accessories imported from Germany. As a result, this may increase our cost of sales and services and negatively affect the demand for these products.

Any of the foregoing developments could materially and adversely affect our business, financial conditions, results or operations and growth prospects.

Risks Relating to Conducting Business in China

Our business operations and future growth rely on GDP and consumption growth in the PRC market and may be adversely affected by changes in economic, political and social conditions globally and in China

All of our revenue during the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 were derived from our operations in China. We anticipate that China will remain our primary market in the foreseeable future. One of our strategies is to expand our operations in China. Should there be any adverse change in GDP and/or consumer spending growth in China, our results of operations, financial condition and growth prospects may be materially and adversely affected.

In the past 20 years, China has been one of the world's fastest growing economies in terms of GDP. However, historically, the PRC Government has taken measures to attempt to constrain economic growth to a manageable level, especially with respect to the rate of growth in industrial production, bank credit, fixed investment and monetary supply. In addition, the PRC economy has been growing at a decreasing rate in recent years. The growth rate of the PRC's GDP during 2017, 2018 and 2019 were 6.9%, 6.6% and 6.1%, respectively, according to the National Bureau of Statistics of China.

Since early 2008, concerns over inflation or deflation, energy costs, geopolitical issues, the availability and cost of credit, have contributed to unprecedented levels of market volatility and diminished expectations for the global economy and the markets in the future. These factors, combined with volatile oil prices, declining business and consumer confidence and increased unemployment, have precipitated an economic slowdown and a possible prolonged recession on a global basis. These events have led the Chinese economy to experience a slowdown. We cannot predict the extent to which changing global economic conditions will affect GDP and consumer spending in China. In addition, consumer spending can be affected by factors such as changes in economic and financial conditions, social and political stability in China and other factors which are beyond our control. Changes in any of these conditions or any changes in PRC laws, regulations or other policies in reaction to the changing economic conditions could materially and adversely affect our business, financial condition, results of operations and growth prospects.

The future performance of China's economy is not only affected by the economic and monetary policies of the PRC Government, but it is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States and the European Union. For details, please see "*Risk Factors — Risks Relating to Our Industry — A prolonged global economic downturn could adversely affect the PRC economy and our business, financial condition and results of operations*".

Recently, the combination of the COVID-19 pandemic and oil shocks resulting from a price war has caused the stock markets to be in freefall. In addition to increased volatility in international financial markets, general consumption and manufacturing levels have also been adversely affected as a result. Furthermore, there is speculation that should the financial turmoil persist, a global recession may occur, which may have a negative impact on the Chinese economy, and in turn, may adversely affect our business, financial condition and results of operations.

Political and economic policies of the PRC Government may affect our business and results of operations and may result in our inability to sustain our growth

The PRC economy differs from the economies of most developed countries in a number of respects, including the degree of government involvement, control of capital investment, and the overall level of economic development. Before its adoption of reform and open door policies in 1978, China was primarily a planned economy. In recent years the PRC Government has been reforming the PRC economic system and government structure. These reforms have resulted in significant economic growth and social progress. Economic reform measures, however, may be adjusted, modified or applied inconsistently across different industries or regions of the country. As a result, we may not continue to benefit from all, or any, of these measures. In addition, we cannot predict whether changes in the PRC political, economic and social conditions or laws, regulations and policies will have any adverse impact on our current or future business, financial condition, results of operations and growth prospects.

Government control of currency conversion and future movements in foreign exchange rates may negatively affect our financial condition, results of operations and our ability to remit dividends

The Renminbi cannot be freely converted into any other foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. We cannot assure you that we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by SAFE. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy other foreign exchange requirements. If we are unable to obtain the relevant approvals, our capital expenditure plans and, consequently, our ability to grow our business, could be adversely affected. Moreover, changes in PRC foreign exchange regulations may materially and adversely affect our ability to transfer funds to, and receive dividends from, our PRC subsidiaries.

The exchange rates of Renminbi against foreign currencies are affected by, among other things, changes in the PRC's political and economic conditions. In August 2015 the PBOC devalued the Renminbi lowering its daily mid-point trading price significantly against the U.S. dollar three times. The Renminbi depreciated significantly against the U.S. dollar afterwards. Since 2016, the Renminbi experienced further fluctuation in value against the U.S. dollar. The International Monetary Fund

announced on 30 September 2016 that, effective on 1 October 2016, the Renminbi was added to its Special Drawing Rights currency basket. The PRC government has since made and in the future may make future adjustments to the exchange rate system. From 2017 to April 2018, the value of the Renminbi to the U.S. dollar experienced an uptrend, while from late 2018 the trend took a quick turn downwards. In 2018, the amplitude of the trading prices of the Renminbi against the U.S. dollar reached 7.3% and marked a new record since 1994. Since the beginning of 2019, the exchange rate for the conversion of Renminbi into U.S. dollars has experienced further fluctuation. With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the midpoint exchange rates adopted by the PBOC, the Renminbi may further appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the long-term. Any appreciation in the US dollar, Euro, Japanese Yen or other foreign currencies against Renminbi may cause automobile manufacturers to raise their prices, which would increase our purchase costs for automobiles and spare parts, which could in turn increase our automobile retail prices and adversely affect our sales and profits. To the extent that we need to convert the US dollars that we will receive from this offering into Renminbi for our operations, appreciation of Renminbi against the US dollar would reduce the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into US dollars for the purpose of making payments for interest on our Bonds or for other business purposes, appreciation of the US dollar against Renminbi would reduce the US dollar amount available to us.

Under the EIT Law, we may be classified as a “resident enterprise” of China. Such classification could result in unfavourable tax consequences to us and our non-PRC bondholders

The Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) (the “**EIT Law**”) was revised on 24 February 2017 and further on 29 December 2018 by the Standing Committee of the National People's Congress and the Implementation Regulations of the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法實施條例) (the “**Implementation Regulations**”) was revised on 23 April 2019 by the PRC State Council. Under the EIT Law, an enterprise lawfully incorporated pursuant to the laws of a foreign country (region) with “de facto management bodies” within China is considered a “resident enterprise” and will generally be subject to a uniform 25% Enterprise Income Tax (the “**EIT**”) on their worldwide income. The Implementation Regulations of the EIT Law define “de facto management” as substantial and overall management and control over the business, personnel, accounts and properties” of the enterprise. Substantially all of our management is currently based in China and is expected to remain in China. Therefore, we may be treated as a PRC resident enterprise for EIT purposes and thus be subject to enterprise income tax at a rate of 25% on our worldwide income. However, investment gains derived by a resident enterprise through direct investment in another PRC resident enterprise can be exempted. The tax consequences to us in the case that we are treated as a PRC resident enterprise are not entirely clear, as they will depend on the Implementation Regulations and how local tax authorities apply or enforce the EIT Law and the Implementation Regulations.

Furthermore, if we are treated as a PRC “resident enterprise”, interest we pay on the Bonds to non-PRC bondholders, as well as any capital gains realised by such bondholders on the sale of Bonds, may be treated as PRC-source income. Accordingly, we may be required to withhold PRC income tax from interest or dividends paid to non-PRC resident bondholders, and transfers of Bonds by such bondholders may be subject to PRC income tax. Such tax on the income of non-resident enterprise bondholders would be imposed at a rate of 10% (and may be imposed at a rate of 20% in the case of non-resident individual bondholders), subject to the provisions of any applicable tax

treaty. If we are required to withhold PRC income tax on interest or dividends paid to our non-resident bondholders, or if you are required to pay PRC income tax on the transfer of the Bonds, the value of your investment in the Bonds may be materially and adversely affected.

There can be no assurance that the PRC Government will not amend or revise the taxation laws, rules and regulations to impose stricter tax requirements, higher tax rates or apply the EIT Law, or any subsequent changes in PRC tax laws, rules or regulations retroactively. As there may be different applications of the EIT Law and any amendments or revisions, comparisons between our past financial results may not be meaningful and should not be relied upon as an indicator of our future performance. If such changes occur and/or if such changes are applied retroactively, such changes could materially and adversely affect our results of operations and financial condition.

We may be able to redeem the Bonds, as a whole but not in part, upon certain changes in the tax laws with respect thereto

As described above, we may be required to withhold PRC taxes from payments on the Bonds if we are treated as a PRC tax resident enterprise. As described, and subject to the limitations set forth in “*Terms and Conditions of the Bonds — Redemption for Taxation Reasons*” in the event that we are required to pay Additional Tax Amounts due to certain changes in tax law, including as a result of any change in, or amendment to, the laws, regulations or rulings (including a holding by a court of competent jurisdiction) of the PRC, or the stating of an official position with respect to such laws, regulations or rulings, we may be able to redeem the Bonds, as a whole but not in part, at a redemption price equal to the Early Redemption Amount.

PRC regulation of loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the proceeds we receive from this offering to make loans or additional capital contributions to our PRC subsidiaries

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries that are foreign-invested enterprises, including the proceeds of the offering, are subject to PRC regulations. Foreign-invested enterprises in the PRC must apply for foreign loan registration certificates from SAFE or local SAFE departments in order to obtain shareholder loans from foreign investors. The aggregate amount of these foreign loans must not exceed the level prescribed by SAFE. The recipient of a foreign loan must submit the foreign loan registration certificate to open and maintain a special foreign exchange account with the PBOC or another SAFE-approved bank, and may then repay the foreign loan with its own foreign exchange funds or by purchasing foreign exchange with Renminbi. There can be no assurance that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to capitalise the relevant PRC subsidiaries or fund our operations or utilise the proceeds of the offering in the manner described in the section entitled “*Use of Proceeds*” may be negatively affected, which could materially and adversely affect the liquidity of our relevant PRC subsidiaries or our business, financial condition, results of operations and growth prospects.

The legal system of the PRC is not fully developed and there are inherent uncertainties that may affect the protection afforded to our business and our shareholders

Our business and operations in China are governed by the PRC legal system, which is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Moreover, the PRC has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC.

Since the late 1970s, the PRC Government has promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, as these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of inconsistency. Some of the laws and regulations are still in the developmental stage and are therefore subject to policy changes. Many laws, regulations, policies and legal requirements have only been recently adopted by PRC central or local government agencies, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. We cannot predict the effect of future legal developments in China, including the promulgation of new laws, changes in existing laws or their interpretation or enforcement, or the pre-emption of local regulations by national laws. As a result, there is substantial uncertainty as to the legal protection available to us and our shareholders.

Furthermore, due to the limited volume of published cases and the non-binding nature of prior court decisions, the outcome of dispute resolution may not be as consistent or predictable as in other more developed jurisdictions, which may limit the legal protection available to us. In addition, any litigation in China may be protracted and result in substantial costs and the diversion of resources and management attention.

Our operations in China are subject to PRC regulations governing PRC companies. These regulations contain provisions that are required to be included in the articles of association of PRC companies and are intended to regulate the internal affairs of these companies. PRC company law and regulations, in general, and the provisions for the protection of shareholders' rights and access to information, in particular, may be considered less developed than those applicable to companies incorporated in Hong Kong, the United States and other developed countries or regions.

Our ability to pay dividends and utilise cash resources in our subsidiaries depends on our subsidiaries' earnings and distributions

We are a holding company. Our revenue is generated from our business operations conducted through our subsidiaries. Our ability to make dividend payments and other distributions in cash, pay expenses, service indebtedness incurred and finance the needs of other subsidiaries depends upon the receipt of dividends, distributions or advances from our subsidiaries. The ability of our subsidiaries to pay dividends or other distributions may be subject to their earnings, financial position, cash requirements and availability, applicable laws and regulations and restrictions on making payments to us contained in financing or other agreements. If any of our subsidiaries incurs indebtedness in its own name, the instruments governing the indebtedness may restrict dividends or other distributions on its equity interest to us. As at the date of this Offering Circular certain of the financing agreements and other agreements entered into by the Company's subsidiaries contain restrictions on making payments to the Company. These restrictions could reduce the amount of dividends or other distributions that we receive from our subsidiaries, which could in turn restrict our ability to fund our business operations and to pay dividends to our shareholders and interest to our Bondholders. The Company's future declaration of dividends may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board.

Furthermore, applicable PRC laws and regulations permit payment of dividends by our PRC subsidiaries only out of their retained earnings, if any, determined in accordance with PRC accounting standards. Our PRC subsidiaries are required to set aside a certain percentage of their after-tax profit based on PRC accounting standards each year to their respective reserve funds in accordance with the requirements of relevant PRC laws and regulations as well as provisions in their respective articles of associations. As a result, our PRC subsidiaries are restricted in their ability to transfer a portion of their net income to us either in the form of dividends, loans or advances. Any

limitation on the ability of our PRC subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends or interest or otherwise fund and conduct our business.

Distributions by our PRC subsidiaries to us in forms other than dividends may be subject to government approval and taxes. Any transfer of funds from us to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, is subject to registration with or approval from the relevant PRC governmental authorities. In addition, the ability of our PRC subsidiaries to lend funds directly to each other is limited under applicable PRC laws. These limitations on the flow of funds between and amongst us and our PRC subsidiaries could restrict our ability to respond to changing market conditions or appropriately allocate funds to our PRC subsidiaries in a timely manner, or at all.

Failure by our shareholders or beneficial owners who are PRC residents to make any required applications and filings pursuant to regulations relating to overseas investment and financing activities by PRC residents may prevent us from being able to distribute profits and could expose us and our PRC resident shareholders to liability under PRC law

The Circular of the SAFE on Issues Concerning the Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the “SAFE Circular”) promulgated by SAFE on 4 July 2014 requires PRC residents with overseas special purpose vehicles (which refer to offshore entities set up or controlled by PRC residents with the aim of investment or financing), to file a Foreign Exchange Registration Form of Overseas Investments Contributed by Domestic Individual Residents and register with local banks designated by local SAFE departments, and to update SAFE’s records in the event of any major change in capital, including increases and decreases of capital, share transfers, share swaps, mergers or divisions.

Due to the uncertainty concerning the reconciliation of the notices with other approval requirements, it remains unclear how the SAFE Circular and any future legislation concerning offshore or cross-border transactions will be interpreted, amended and implemented by the relevant PRC governmental authorities. Any failure by our PRC shareholders to register with SAFE or update SAFE’s records may result in the prohibition of distributions or contributions from capital reductions, share transfers or liquidations of our PRC subsidiaries and may affect our ownership structure, acquisition strategy, business operations and ability to make dividend payments to our shareholders.

All employee participants in our share incentive plans who are PRC residents might be required to register with the SAFE, and we might also face regulatory uncertainties that could restrict our ability to adopt option plans for our Directors and employees under PRC law

The Implementation Rules of the Administrative Measures for Individual Foreign Exchange (個人外匯管理辦法實施細則) revised by SAFE on 29 May 2016, requires PRC individuals who are granted shares or share options pursuant to an employee share option or share incentive plan by an overseas-listed company, to apply for approvals from SAFE or a local SAFE department. On 15 February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plans of Overseas Publicly-Listed Companies (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知) (the “Share Option Rules”), which replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Share Ownership Plans or Share Option Plans of Overseas Publicly-Listed Companies (境內個人參與境外上市公司員

工持股計劃和認股期權計劃等外匯管理操作規程) issued by SAFE on 28 March 2007. Under these rules, PRC residents who participate in a share incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain procedures as required by the authorities. Participants of a share incentive plan who are PRC residents shall retain a qualified PRC agent, which shall be one domestic company participating in a share incentive programme or another domestic entity that may handle the business of assets custody and selected by the domestic company according to law to conduct the SAFE registration and other procedures with respect to the share incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of share options, the purchase and sale of corresponding shares or interests and fund transfers. In addition, the PRC agent is required to handle the registration of change with the local SAFE department with respect to the share incentive plan if there is any material change to the share incentive plan, change in the PRC agent or the overseas entrusted institution or any other material changes.

We and our PRC resident employees participating in our share option scheme, and employee pre-IPO incentive scheme (although not a share option plan in nature), might be subject to the Share Option Rules. Failure to comply with the Share Option Rules and other relevant rules might subject us or such PRC resident employees to fines and other legal or administrative sanctions and impose restrictions on the execution of our share option scheme and employee pre-IPO incentive scheme, which could negatively affect our business operations.

It may be difficult to effect service of process upon, or to enforce against, us or our Directors or members of our senior management who reside in the PRC in connection with judgments obtained in non-PRC courts

Almost all of our assets and our subsidiaries are located in China. In addition, most of our Directors and senior management reside within China, and the assets of our Directors and senior management may also be located within China. As a result, it may not be possible to effect service of process outside China upon most of our Directors and senior management, including for matters arising under applicable securities laws. Moreover, a judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with China or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, China does not have treaties providing for the reciprocal enforcement of judgments of courts with Japan, the United Kingdom, the United States and many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments from various jurisdictions is uncertain.

The political relationships between China and other countries may affect the performance of our operations

We sell automobiles, spare parts and accessories supplied by a number of automobile manufacturers and suppliers. A significant number of the automobile manufacturers and suppliers are foreign entities with headquarters in Germany, the United States, the United Kingdom or Japan, or are joint ventures incorporated in the PRC by such foreign entities. Accordingly, the PRC's political relationships with other countries, particularly those related to or associated with automobile manufacturers or suppliers, may affect both supply and demand for the relevant automobile manufacturer's or supplier's products. There can be no assurance that PRC consumers will not alter their brand perception or preferences as a result of adverse changes to the state of political relationships between the PRC and other relevant countries. Moreover, on 22 March 2018, the President of the United States issued a memorandum directing: (i) the Secretary of the Treasury of the United States to propose restrictions regarding Chinese investment in "industries or

technologies deemed important to the United States”; (ii) the U.S. Trade Representative (or “USTR”) to propose products including, among other things, motors products for inclusion in a new round of tariffs targeting the PRC; and (iii) the USTR to pursue dispute settlement in the World Trade Organization to address the PRC’s “discriminatory licensing practices”. In response to the U.S. tariffs, the PRC government also announced a list of retaliatory tariffs imposing a 25% tariff on a wide range of U.S. exports including automobile. In May 2019, however, the United States President increased the tariffs from 10 per cent. to 25 per cent. on certain goods imported from China, and the Chinese government immediately retaliated by imposing further tariffs on certain U.S. goods. In November 2019, China and the United States have agreed to remove the additional tariffs imposed in phases. Although the United States President and Chinese Vice Premier signed “phase one” trade deal in January 2020, the resulting trade policies or the terms of any renegotiated trade agreements and their impact on the global economy and in particular, the PRC economy and the PRC automobile industry remains unclear. These events have resulted in fluctuations in the global debt and equity markets due to fears of a trade war. The uncertainty before, during and after the period of such trade war, if any, may create a negative economic impact and increase volatility in global markets, which may result in adverse changes to PRC consumer sentiments and cause a decline in our sales and revenue and materially and adversely affect our business, financial condition, results of operations and growth prospects.

Risks Relating to the Bonds

The Bonds may not be a suitable investment for all investors

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Bonds, the merits and risks of investing in the relevant Bonds and the information contained or incorporated by reference in this Offering Circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Bonds;
- understand thoroughly the terms of the relevant Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in Bonds which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor’s overall investment portfolio.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Bonds are legal investments for it, (b) the Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of the Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

The Company will follow the applicable corporate disclosure standards for debt securities listed on the Hong Kong Stock Exchange, which standards may be different from those applicable to companies in certain other countries

The Company will be subject to reporting obligations in respect of the Bonds to be listed on the Hong Kong Stock Exchange. The disclosure standards imposed by the Hong Kong Stock Exchange may be different from those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what investors in the Bonds are accustomed to.

Bondholders may be subject to tax

Prospective investors of the Bonds are advised to consult their own tax advisors concerning the overall tax consequences of the purchase, ownership or disposition of the Bonds. See “*Taxation*” for a discussion of tax consequences in certain jurisdictions.

The Company may not have the ability to redeem the Bonds

Bondholders may require the Company, subject to certain conditions, to redeem for cash all or some of their Bonds upon an event constituting a change of control or otherwise as described under the heading “*Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — Redemption for a Change of Control Triggering Event*”. The Company may not have sufficient funds or other financial resources to make the required redemption in cash at such time or the ability to arrange necessary financing on acceptable terms, or at all. The Company’s ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by the Company would constitute an event of default under the Bonds, which may also constitute a default under the terms or other indebtedness held by the Company.

The Bonds are redeemable in the event of certain withholding taxes being applicable

No assurances are made by the Company as to whether or not payments on the Bonds may be made without withholding taxes or deductions applying from the Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands or any subdivision or authority therein or thereof having power to tax.

Although pursuant to the Terms and Conditions of the Bonds, the Company is required to gross up payments in respect of the Bonds on account of any such withholding taxes or deductions, the Company also has the right to redeem the Bonds, in whole, but not in part, at any time in the event it has or will become obliged to pay additional amounts on account of any present or future deduction or withholding for any taxes, duties, assessments or governmental charges of whatever

nature imposed or levied by (i) any jurisdiction where the Company is organised or otherwise considered by a taxing authority to be resident for tax purposes or any political organisations thereof or therein having power to tax or (ii) Hong Kong, or any political organisation or government authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or government charges is compelled by law.

The Bonds may be redeemed at the Company's option

The Company has the right to redeem the Bonds, in whole, but not in part, at any time prior to 13 December 2025, on giving not less than 30 nor more than 60 days' notice to the Bondholders (the "**Option Redemption Notice**") (which notice shall be irrevocable) at the Make Whole Price (as defined in the Terms and Conditions of the Bonds) as at, and together with interest accrued to (but excluding), the redemption date specified in the Option Redemption Notice. See "*Terms and Conditions of the Bonds — Redemption and Purchase — Make-whole Redemption*". Furthermore, the Bonds may be redeemed at the option of the Company in whole, but not in part, on 13 December 2025, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) at 100 per cent. of their principal amount, and together with interest accrued to (but excluding) such date). See "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption at the Option of the Company*". The date and amount that the Company elects to redeem the Bonds may not accord with the preference of individual holders, which may be disadvantageous to holders in light of market conditions or the individual circumstances of the holder of the Bonds. Additionally, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective yield at the same level as that of the Bonds.

The Company's subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to the Company and its subsidiaries

As a holding company, the Company depends on the receipt of dividends and the interest and principal payments on intercompany loans or advances from its subsidiaries, including its PRC subsidiaries, to pay dividends to the Company's shareholders and to satisfy its obligations, including its obligations under the Bonds. The ability of the Company's subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of these subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. In addition, if any of the Company's subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to the Company to make payments due on the Bonds or pay dividends to its shareholders. These restrictions could reduce the amounts that the Company receives from its subsidiaries, which would restrict the Company's ability to meet its payment obligations under the Bonds.

As a result of the foregoing, there is no assurance that the Company will have sufficient cash flow from dividends or payments on intercompany loans or advances from its subsidiaries to satisfy its obligations under the Bonds.

The insolvency laws of the Cayman Islands and other local insolvency laws may differ from those of other jurisdictions with which the holders of the Bonds are familiar

Because the Company is incorporated under the laws of the Cayman Islands, any insolvency proceeding relating to the Company may involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

The Company conducts substantially all of its business operations through PRC-incorporated subsidiaries in the PRC. The Company's PRC subsidiaries are subject to the bankruptcy and insolvency laws of the PRC. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of other jurisdictions with which the holders of the Bonds are familiar. Investors should analyse the risks and uncertainties carefully before investing in the Company's Bonds.

If the Company is unable to comply with the restrictions and covenants in its debt agreements, there could be a default under the terms of these agreements, which could cause repayment of its debt to be accelerated

If the Company is unable to comply with the restrictions and covenants in its current or future debt agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Company, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. As a result, the Company's default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Bonds, or result in a default under its other debt agreements. If any of these events occur, there is no assurance that the Company's assets and cash flow would be sufficient to repay in full all of its indebtedness, or that the Company would be able to find alternative financing. Even if the Company could obtain alternative financing, there is no assurance that it would be on terms that are favourable or acceptable to the Company.

An active trading market for the Bonds may not develop, and there are restrictions on resale of the Bonds

The Bonds are a new issue of securities for which there is currently no trading market. Although application for the listing of the Bonds will be submitted to the Hong Kong Stock Exchange, there is no assurance that the Company will be able to maintain a listing on the Hong Kong Stock Exchange, or that, if listed, a liquid trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's business, and the trading prices of similar securities. The Joint Lead Managers are not obliged to make a market for the Bonds. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have an adverse effect on the market value of Bonds.

If an active trading market were to develop, the Bonds could trade at a price that may be lower than the initial offering price of the Bonds. Whether or not the Bonds will trade at lower prices depends on many factors, including:

- prevailing interest rates and the market for similar securities;
- general economic, market and political conditions;
- the Company's financial condition, financial performance and future prospects;
- the publication of earnings estimates or other research reports and speculation in the press;
- investment community in relation to the Company; and

- changes in the industry and competition affecting the Company.

One or more initial investors may purchase a substantial portion of the Bonds and may therefore be able to exercise certain rights and powers on its own which will be binding on all holders. Additionally, this may reduce the liquidity of the Bonds in the secondary trading market

One or more initial investors may purchase a substantial portion of the aggregate principal amount of the Bonds in this offering. Any holder of a substantial portion of the aggregate principal amount of the Bonds will be able to exercise certain rights and powers on its own under the Conditions and Trust Deed, which will be binding on Bondholders. For example, the Bonds and the Trust Deed may be amended with the consent of the holders of a substantial portion of the aggregate principal amount of the Bonds, and any Event of Default or non-compliance with any provision of the Conditions and the Trust Deed may be waived with the consent of the holders of a substantial portion of the aggregate principal amount of the Bonds, subject in each case to certain exceptions in connection with the reserved matters set forth in the Trust Deed. Subject to certain exceptions, a holder of the relevant percentage of Bonds outstanding may by way of written resolutions in accordance with the Trust Deed direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. Further, any holder of a significant percentage of the Bonds, even if less than a majority, will be able to exercise certain rights and powers and will have significant influence on matters voted on by Bondholders. Additionally, the existence of any such significant Bondholder may reduce the liquidity of the Bonds in the secondary trading market.

Credit ratings may not reflect all risks

The Bonds are expected to be assigned a rating of “Baa3” by Moody’s Investors Service, Inc. and “BBB-” by Fitch Ratings, Inc. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. The Group cannot assure investors that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency in the future. Each rating should be evaluated independently of the other rating.

The liquidity and price of the Bonds following the offering may be volatile

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Group’s revenues, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to its industry and general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the trading volume and price of the Bonds. There is no assurance that these developments will not occur in the future.

The Trustee may request the Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction

In certain circumstances, including without limitation the giving of notice to the Company pursuant to Condition 15 of the Conditions and/or the taking of enforcement proceedings pursuant to Condition 11 of the Conditions, the Trustee may request Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of Bondholders. The Trustee will not be bound to take any such actions, steps and/or institute

proceedings unless (i) it shall have been so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding or shall have been so directed by an Extraordinary Resolution of the Bondholders, and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it, in breach of the terms of the Trust Deed and/or in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law or regulations, it will be for the Bondholders to take such actions directly.

The Bonds are unsecured obligations

The Bonds constitute direct, unconditional, unsubordinated and subject to Condition 4 (see “*Terms and Conditions of the Bonds — Covenants*”) unsecured obligations of the Company ranking *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Bonds, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4 (see “*Terms and Conditions of the Bonds — Covenants*”), at all times rank at least equally with all the Company’s other present and future unsecured and unsubordinated obligations. The repayment of the Bonds may be compromised if:

- (a) the Group enters into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;
- (b) there is a default in payment under the Group’s future secured indebtedness or other unsecured indebtedness; or
- (c) there is an acceleration of any of the Group’s indebtedness.

If any of the above events occurs, the Group’s assets may not be sufficient to pay amounts due on the Bonds.

The Bonds will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer’s existing and future subsidiaries and effectively subordinated to the Issuer’s secured debt to the extent of the value of the collateral securing such indebtedness

The Bonds will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer’s existing and future subsidiaries whether or not secured. The Bonds will not be guaranteed by any of the Issuer’s subsidiaries, and the Issuer may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer is subject to various restrictions under applicable laws. The Issuer’s subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Bonds or make any funds available therefore, whether by dividends, loans or other payments. The Issuer’s right to receive assets of any of the Issuer’s subsidiaries, upon that subsidiary’s liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary’s creditors (except to the extent that the Issuer is creditor of that subsidiary). Consequently, the Bonds will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer’s subsidiaries, other than the Issuer, and any subsidiaries that the Issuer may in the future acquire or establish.

The Bonds are the Issuer's unsecured obligations and will (i) rank equally in right of payment with all the Issuer's other present and future unsecured indebtedness; (ii) be effectively subordinated to all of the Issuer's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Issuer's present and future subordinated obligations. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Issuer's bankruptcy, insolvency, liquidation, reorganisation, dissolution or winding up, or upon any acceleration of the Bonds, these assets will be available to meet the obligations on the Bonds only after all other debt secured by these assets has been repaid in full. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Bonds then outstanding would remain unpaid.

Modification and waivers of the Conditions may be made in respect of the Conditions and the Trust Deed by majority Bondholders or the Trustee, and decisions may be made on behalf of all Bondholders that which are binding on all Bondholders and may be adverse to the interests of the individual Bondholders

The Conditions contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including those Bondholders who did not attend and vote at the relevant meeting and those Bondholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of the Bondholders may be adverse to the interests of the individual Bondholders.

The Conditions also provide that the Trustee may, without the consent of Bondholders, agree to:

- (a) any modification of any of the provisions of the Trust Deed, the Agency Agreement and/or the Conditions that is, in the Trustee's opinion, of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law; and
- (b) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Conditions, the Trust Deed and/or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders.

The Bonds will initially be represented by the Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System

The Bonds will initially be represented by the Global Certificate. Such Global Certificate will be deposited with a common depository for Euroclear and Clearstream (each of Euroclear and Clearstream, a "Clearing System" and together the "Clearing Systems"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Bonds. The relevant Clearing System will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Bonds are represented by the Global Certificate, the Company will discharge its payment obligations under the Bonds by making payments to the common depository for the Clearing Systems, for distribution to their account holders. A holder of a beneficial interest in the

Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. The Company has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

The Issuer may issue additional Bonds in the future

The Issuer may, from time to time, and without prior consultation of the Bondholders, create and issue further Bonds (see “*Terms and Conditions of the Bonds — Further Issues*”) or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

A change in English law which governs the Bonds may adversely affect holders of the Bonds

The Terms and Conditions of the Bonds are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practise after the date of issue of the Bonds.

The risks described above do not necessarily comprise all those faced by the Group and are not intended to be presented in any assumed order of priority.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to amendment and save for the paragraphs in italics, are the Terms and Conditions of the Bonds, substantially as they will appear on the reverse of each of the definitive certificates evidencing the Bonds.

The issue of the U.S.\$450,000,000 in aggregate principal amount of 3.0 per cent. bonds due 2026 (the “**Bonds**”) and any further bonds issued in accordance with Condition 14 and consolidated and forming a single series therewith) of Zhongsheng Group Holdings Limited (the “**Company**”) was authorised by resolutions of the board of directors of the Company passed on 2 November 2020. The **Bonds** are constituted by a trust deed (as amended or supplemented from time to time, the “**Trust Deed**”) dated on or about 13 January 2021 (the “**Issue Date**”) made between the Company and The Bank of New York Mellon, London Branch as trustee for the holders (as defined below) of the **Bonds** (the “**Trustee**”, which expression shall include all persons for the time acting as trustee or trustees under the Trust Deed). These terms and conditions (the “**Conditions**”) include summaries of which and are subject to the detailed provisions of the Trust Deed. The Bondholders (as defined below) are entitled to the benefit of, and are bound by, and are deemed to have notice of, all of the provisions of the Trust Deed, and are deemed to have notice of those provisions applicable to them of the agency agreement dated on or about 13 January 2021 (the “**Agency Agreement**”) relating to the **Bonds** made between the Company, the Trustee, The Bank of New York Mellon, London Branch as principal paying agent (the “**Principal Paying Agent**”), The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the “**Registrar**”) and transfer agent and the other paying and transfer agents appointed under it (each a “**Paying Agent**”, “**Transfer Agent**” and together with the Registrar and the Principal Paying Agent, the “**Agents**”) relating to the **Bonds**. References to the “**Principal Paying Agent**”, “**Registrar**” and “**Agents**” below are references to the principal paying agent, registrar and agents for the time being for the **Bonds**.

Copies of the Trust Deed and the Agency Agreement are available for inspection upon prior written request and satisfactory of proof of holding during usual business hours at the principal office for the time being of the Trustee (presently at One Canada Square, London E14 5AL, United Kingdom) and at the specified offices for the time being of each of the Agents. The Bondholders are entitled to the benefit of and are bound by all provisions of the Trust Deed, and are deemed to have notice of all the provisions of the Agency Agreement applicable to them.

1. Status

The **Bonds** constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) 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 **Bonds** shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4, at all times rank at least equally with all of the Company’s other present and future unsecured and unsubordinated obligations.

2. Form, Denomination and Title

- (a) *Form and Denomination*: The **Bonds** are in registered form in the denomination of U.S.\$200,000 each and integral multiples of U.S.\$1,000 in excess thereof (the “**Authorised Denomination**”). A bond certificate (each a “**Certificate**”) will be issued to each Bondholder in respect of its registered holding of **Bonds**. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders (the “**Register**”) which the Company will procure to be kept by the Registrar.

Upon issue, the Bonds will be represented by the Global Bond Certificate deposited with a common depositary for, and representing Bonds registered in the name of a nominee of, Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”). The Conditions are modified by certain provisions contained in the Global Bond Certificate. See “The Global Bond Certificate”.

- (b) *Title:* Title to the Bonds passes only by transfer and registration in the Register as described in Condition 3. The holder of any Bond will (except as otherwise required by law or ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions “**Bondholder**” and (in relation to a Bond) “**holder**” means the person in whose name a Bond is registered (or in the case of a joint holding, the first named thereof).

3. Transfers of Bonds; Issue of Certificates

- (a) *Register:* The Company will cause the Register to be kept at the specified office of the Registrar outside Hong Kong and the United Kingdom in accordance with the terms of the Agency Agreement on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers of the Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.
- (b) *Transfer:* Subject to Conditions 3(e) and 3(f) and the terms of the Agency Agreement, a Bond may be transferred by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back of such Certificate duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of either the Registrar or any of the Transfer Agents, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of the transfer; *provided, however, that* a Bond may not be transferred unless the principal amount of the Bond transferred and (where not all of the Bonds held by the holder are being transferred) the principal amount of the balance of the Bonds not so transferred, is an Authorised Denomination. Where not all Bonds represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Bonds will be issued to the transferor. No transfer of a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds evidenced by the Global Bond Certificate will be effected in accordance with rules of the relevant clearing systems.

- (c) *Delivery of New Certificates:* Each new Certificate to be issued upon a transfer of Bonds will, within five business days (as defined below) of receipt by the Registrar or, as the case may be, any Transfer Agent of the original Certificate and the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder and at the Company’s expense) to the address specified in the form of transfer.

*Except in the limited circumstances described herein (see “**The Global Bond Certificate**”), owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates. The Bonds are not issuable in bearer form.*

Where only part of a principal amount of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred or redeemed, a new Certificate in respect of the Bonds not so transferred or redeemed will be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred or redeemed (but free of charge to the holder and at the Company’s expense) to the address of such holder appearing on the Register.

For the purposes of this Condition 3 and Condition 5, “**business day**” shall mean a day other than a Saturday, Sunday or public holiday on which banks are open for business in New York City, London, Hong Kong and in the city in which the specified office of the Registrar (if a Certificate is deposited with it in connection with a transfer) or the Agent with whom a Certificate is deposited in connection with a transfer, is located.

- (d) *Formalities Free of Charge:* Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Company, the Registrar or any of the Transfer Agents, but (i) upon payment (or the giving of such indemnity as the Company, the Registrar or such Transfer Agent may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer and (ii) subject to Conditions 3(e) and 3(f).
- (e) *Closed Periods:* No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) the dates for payment of any principal, premium (if any) or interest pursuant to the Conditions; (ii) after a Change of Control Redemption Notice (as defined in Condition 7(c)) has been deposited by such Bondholder in respect of such Bond pursuant to Conditions 7(c); and (iii) during the period of seven days ending on (and including) any date of redemption pursuant to Conditions 7(b). Each such period is a “**Closed Period**”.
- (f) *Regulations:* All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Company, with the prior written approval of the Trustee and the Registrar, or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available for inspection by the Registrar to any Bondholder upon written request and satisfactory proof of holding.

4. Covenants

- (a) *Negative Pledge:* So long as any Bond remains outstanding (as defined in the Trust Deed), the Company shall not, and the Company shall procure that none of its Principal Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Bonds equally and rateably therewith or (b) providing such other security for the Bonds as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Bondholders.

- (b) *Undertakings relating to the NDRC*: The Company undertakes to submit or cause to be submitted the National Development and Reform Commission of the PRC or its competent local counterpart (the “NDRC”), the requisite information and documents within the prescribed timeframe after the Issue Date in accordance with the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) promulgated by the NDRC on 14 September 2015 which came into immediate effect and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time (the “NDRC Post-Issuance Filing”). The Company shall comply with all applicable PRC laws and regulations in relation to the issue of the Bonds.

The Company shall within ten PRC Business Days after submission of such NDRC Post-Issuance Filing provide the Trustee with a certificate in English signed by an Authorised Signatory (as defined in the Trust Deed) of the Company confirming the submission of the NDRC Post-Issuance Filing. The Company shall within ten PRC Business Days after submission of such NDRC Post-Issuance Filing give notice to the Bondholders (in accordance with Condition 15) confirming the completion of the NDRC Post-Issuance Filing. The Trustee shall have no obligation to monitor or assist with or ensure the completion of the NDRC Post-Issuance Filing on or before the deadline referred to above or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-Issuance Filing, and shall not be liable to Bondholders or any other person for not doing so.

- (c) *Rating maintenance*: So long as any Bond remains outstanding, the Company shall use reasonable endeavours to maintain a rating on the Bonds by any one of the Rating Agencies.

In these Conditions:

“**Guarantee**” means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness;

“**Indebtedness**” means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;

- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

“**PRC Business Day**” means a day, other than a Saturday, Sunday or public holiday on which commercial banks are open for business in Beijing, the PRC;

“**Principal Subsidiary**” means, at any time, a Subsidiary of the Company:

- (a) whose total revenue (consolidated in the case of a Subsidiary which has Subsidiaries) as shown by its latest audited income statement is at least 2 per cent. of the consolidated total revenue as shown by the latest published audited income statement of the Company and its consolidated Subsidiaries;
- (b) whose gross profit (consolidated in the case of a Subsidiary which itself has Subsidiaries) as shown by its latest audited income statement, is at least 2 per cent. of the consolidated gross profit as shown by the latest published audited consolidated income statement of the Company and its consolidated Subsidiaries, including for the avoidance of doubt, the Company and its consolidated Subsidiaries’ share of profits of subsidiaries not consolidated and of associated entities and after adjustments for minority interests; or
- (c) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) as shown by its latest audited balance sheet, are at least 2 per cent. of the consolidated net assets of the Company and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Company and its consolidated Subsidiaries, including, for the avoidance of doubt, the investment of the Company and its consolidated Subsidiaries in each subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Company and of associated companies and after adjustment for minority interests;

provided that, in relation to paragraphs (a), (b) and (c) above of this definition:

- (i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Company relate, the reference to the then latest consolidated audited accounts of the Company and its Subsidiaries for the purposes of the calculation above shall, until consolidated audited accounts of the Company for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published, be deemed to be a reference to the then latest consolidated audited accounts of the Company and its Subsidiaries adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

- (ii) if at any relevant time in relation to the Company or any Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared and audited, total revenue, gross profit or total assets of the Company and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by or on behalf of the Company;
- (iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total revenue, gross profit or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by or on behalf of the Company; and
- (iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Company, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Company; or
- (v) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, whereupon the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall immediately become a Principal Subsidiary, provided that on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Company prepared as of a date later than such transfer are issued, whether or not such transferor Subsidiary or transferee Subsidiary would continue to be a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of (a), (b) or (c) above;

A certificate signed by an Authorised Signatory (as defined in the Trust Deed) of the Company stating that, in its opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

“**PRC**” the People’s Republic of China, which, for the purposes of these Conditions, shall not include Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;

a “**Rating Agency**” means (1) Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors (“**Moody’s**”); or (2) Fitch Ratings, Inc., and its successors (“**Fitch**”); or (3) S&P Global Ratings, a division of S&P Global Inc., and its successors (“**S&P**”); or (4) an internationally recognised rating agency selected by the Issuer;

“**Relevant Indebtedness**” means any Indebtedness incurred outside of the PRC which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market), and for the avoidance of doubt, the definition of “**Relevant Indebtedness**” shall not include any loans raised by the Company or any of its Subsidiaries under a bilateral or syndicated loan agreement;

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

“**Subsidiary**” means, in relation to any Person (the “**first Person**”) at any particular time, any other Person (the “**second Person**”):

- (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

In this Condition 4, “**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality.

5. Interest

The Bonds bear interest from and including 13 January 2021 (the “**Issue Date**”) at the rate of 3.0 per cent. per annum, (the “**Rate of Interest**”) payable semi-annually in arrear in equal instalments on 13 July and 13 January in each year (each, an “**Interest Payment Date**”), subject as provided in Condition 6 (*Payments*) commencing 13 July 2021.

Each Bond will cease to bear interest from and including the due date for redemption unless, upon due presentation, payment of principal in respect of the Bonds is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder and (b) three business days after the Principal Paying Agent or the Trustee has notified the Bondholders that it has received all sums due in respect of the Bonds up to that third business day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be U.S.\$15.00 in respect of each Bond of U.S.\$1,000 denomination (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any other period shall be equal to the product of the Rate of Interest, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

If interest is required to be calculated for a period of a less than complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date are each an “**Interest Period**”.

6. Payments

(a) Principal

Payment of principal, premium (if any) and interest will be in U.S. dollars and will be made by transfer to the registered account of the Bondholder. Such payment will only be made after surrender of the relevant Certificate at the specified office of any of the Agents.

Notwithstanding the foregoing, so long as the Global Bond Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Bond Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

(b) Registered Accounts

For the purposes of this Condition, a Bondholder’s registered account means the United States dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business on the second business day (as defined below) before the due date for payment, and a Bondholder’s registered address means its address appearing on the Register at that time.

(c) Fiscal Laws

All payments in respect of the Bonds are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(d) Payment Initiation

Payment instructions (for value on the due date or, if that is not a business day (as defined below), for value on the first following day which is a business day) will be initiated on the due date for payment (or, if it is not a business day, the immediately following business day) or, in the case of a payment of principal, if later, on the business day on which the relevant Certificate is surrendered at the specified office of an Agent.

(e) Delay In Payment

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day, if the Bondholder is late in surrendering its Certificate (if required to do so).

(f) Business Day

In this Condition, “**business day**” means a day other than a Saturday, Sunday or public holiday on which commercial banks are open for business in New York City, London, Hong Kong and the city in which the specified office of the Principal Paying Agent is located, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered. If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

7. Redemption, Purchase and Cancellation

(a) Maturity

Unless previously redeemed, or purchased and cancelled as provided herein, the Company will redeem each Bond at its principal amount on 13 January 2026 (the “**Maturity Date**”). The Company may not redeem the Bonds at its option prior to that date except as provided in Condition 7(b) below (but without prejudice to Condition 9).

(b) Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (a “**Tax Redemption Notice**”) to the Bondholders in accordance with Condition 15 (which notice shall be irrevocable) at 100 per cent. of their principal amount if (A) the Company has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations or rulings (including a holding by a court of competent jurisdiction) of any Relevant Tax Jurisdiction (as defined in Condition 8), or any change in the general application or official interpretation of or the standing of an official position with respect to, such laws, regulations or rulings, which change or amendment becomes effective, or official position is announced, on or after 6 January 2021, and (B) such obligation cannot be avoided by the Company taking reasonable measures available to it, *provided that* no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.

Prior to the publication of any Tax Redemption Notice pursuant to this paragraph, the Company shall deliver to the Trustee (a) a certificate signed by an Authorised Signatory (as defined in the Trust Deed) of the Company stating that the obligation referred to above cannot be avoided by the Company taking reasonable measures available to it and (b) an opinion of independent legal or tax advisors of recognised standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective). The Trustee shall be entitled to accept and rely upon such certificate and opinion (without further investigation or enquiry) and it shall be conclusive and binding on the Bondholders, and the Trustee shall be protected and shall have no liability to any Bondholder or any person for so accepting and relying on such certificate or opinion. Upon the expiry of the Tax Redemption Notice, the Company will be bound to redeem the Bonds on the date fixed for redemption.

(c) Redemption for Change of Control Triggering Event

Following the occurrence of a Change of Control Triggering Event, the holder of each Bond will have the right at such holder's option, to require the Company to redeem all or some only (subject to the principal amount of such holder's Bonds redeemed and the principal amount of the balance of such holder's Bonds not redeemed being an Authorized Denomination) of such holder's Bonds on the Change of Control Redemption Date at 101 per cent. of their principal amount. To exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent, specifying the number of Bonds to be redeemed and the Change of Control Triggering Event that has occurred ("**Change of Control Redemption Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than (a) 30 days following a Change of Control Triggering Event, or, if later, (b) 30 days following the date upon which notice thereof is given to Bondholders by the Company in accordance with Condition 15. The "**Change of Control Redemption Date**" shall be the fourteenth day after the expiry of such period of 30 days as referred to in (a) and (b) above.

A Change of Control Redemption Notice, once delivered, shall be irrevocable and may not be withdrawn without the Company's consent and the Company shall redeem the Bonds the subject of the Change of Control Redemption Notice as aforesaid on the Change of Control Redemption Date. The Company shall give notice to Bondholders in accordance with Condition 15 and notice in writing to the Trustee and the Principal Paying Agent by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control Triggering Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 7(c) and shall give brief details of the Change of Control Triggering Event.

None of the Trustee or the Agents shall be required to monitor or take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to a Change of Control Triggering Event has occurred or may occur and shall be entitled to assume that no such event has occurred until they have received written notice to the contrary from the Company. The Trustee and the Agents shall not be required to take any steps to ascertain whether the condition for the exercise of the rights in accordance with Condition 7(c) has occurred. None of the Trustee or the Agents shall be responsible for determining or verifying whether a Bond is to be accepted for redemption under this Condition 7(c) and will not be responsible to Bondholders for any loss arising from any failure by it to do so. None of the Trustee or the Agents shall be under any duty to determine, calculate or verify the redemption amount payable under this Condition 7(c) or have a duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection thereto and will not be responsible to Bondholders for any loss arising from any failure by it to do so.

(d) Make-whole Redemption

The Bonds may be redeemed at the option of the Company in whole, but not in part, at any time prior to 13 December 2025, on giving not less than 30 nor more than 60 days' notice to the Bondholders (an "**Option Redemption Notice**") (which notice shall be irrevocable) at a Make Whole Price as of, and together with interest accrued to (but excluding), the redemption date (the "**Option Redemption Date**") specified in the Option Redemption Notice.

In this Condition 7(d):

“**Adjusted Treasury Rate**” means, with respect to any Option Redemption Date, the rate per annum equal to the semi-annual equivalent yield in maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date;

“**Comparable Treasury Issue**” means the U.S. Treasury security having a maturity comparable to 13 January 2026 that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity most nearly equal to 13 January 2026;

“**Comparable Treasury Price**” means, with respect to any Option Redemption Date, (a) the average of the Reference Treasury Dealer Quotations for such Option Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations;

“**Make Whole Price**” means, with respect to a Bond at any redemption date, the amount calculated by the Quotation Agent that is the greater of (1) the present value of the principal amount of such Bond, plus all required remaining scheduled interest payments due on such Bond from the Option Redemption Date to the Maturity Date (but excluding accrued and unpaid interest to the Option Redemption Date), computed using a discount rate equal to the Adjusted Treasury Rate plus 40.0 basis point, and (2) the principal amount of such Bonds, which amount shall be notified in writing by the Quotation Agent to the Trustee, the Principal Paying Agent and the Company;

“**Quotation Agent**” means the Reference Treasury Dealer selected by the Company at their expense and notified in writing to the Trustee and the Principal Paying Agent;

“**Reference Treasury Dealer**” means each of any three investment banks of recognised standing that is a primary U.S. Government securities dealer, selected by the Company and notified in writing to the Trustee and Principal Paying Agent; and

“**Reference Treasury Dealer Quotations**” means, with respect to each Reference Treasury Dealer and any Option Redemption Date, the average as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to such Quotation Agent by such Reference Treasury Dealer at 5:00 p.m. (New York time) on the third business day immediately preceding such Option Redemption Date.

(e) Redemption at the Option of the Company

The Bonds may be redeemed at the option of the Company in whole, but not in part, on 13 December 2025, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable) at 100 per cent. of their principal amount, and together with interest accrued to (but excluding) such date).

(f) Purchase

The Company or any of its Subsidiaries may at any time and from time to time purchase Bonds at any price in the open market or otherwise.

(g) Cancellation

All Bonds which are redeemed or purchased by the Company or any of its Subsidiaries, will forthwith be cancelled. Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

(h) Redemption Notices

All notices to Bondholders given by or on behalf of the Company pursuant to this Condition 7 will specify (i) the date for redemption, (ii) the manner in which redemption will be effected, and (iii) the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice.

If more than one notice of redemption is given (being a notice given by either the Company or a Bondholder pursuant to this Condition), the first in time shall prevail. Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable hereunder.

In the case of a partial redemption of Bonds represented by the Global Bond Certificate, the Bonds to be redeemed will be selected on a pro rata basis in such place as the Trustee may approve and in such manner as the Trustee shall deem to be appropriate, in accordance with the rules of the clearing systems, not more than 60 and not less than 30 days prior to the date fixed for redemption.

(i) Definitions

For the purposes of this Condition 7:

“**Affiliate**” means, with respect to any Person, any other Person (i) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person (ii) who is a director or officer of such Person or any Subsidiary of such Person or any Person referred to in clause (i) of this definition; or (iii) who is a direct family member of Mr. Huang Yi or Mr. Li Guoqiang, as applicable. For the purposes of this definition, “**control**” (including, with correlative meanings, the terms “**controlling**”, “**controlled by**” and “**under common control with**”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the discretion of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise;

“**Capital Stock**” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock but excluding debt securities convertible into such equity;

a “**Change of Control**” occurs when:

- (i) the Permitted Holders jointly, directly or indirectly, cease to beneficially or legally own at least 40.0 per cent. of the Voting Rights of the issued share capital of the Company; or
- (ii) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company’s assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control over the Company or the successor entity;

a “**Change of Control Triggering Event**” means the occurrence of a Change of Control *provided that* that if the Bonds are on the Rating Date rated by one or more Rating Agencies, a Change of Control Triggering Event shall mean the occurrence of both a Change of Control and a Rating Decline (as defined below) (such Change of Control and Rating Decline not having been cured prior to the expiry of the Change of Control Period).

“**Common Stock**” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Trust Deed, and include, without limitation, all series and classes of such common stock or ordinary shares;

“**Control**” or used as a verb “**Control(s)**” means (a) the acquisition or holding of legal or beneficial ownership or control of more than 50.0 per cent. of the Voting Rights of the issued share capital of the Company, or (b) the right to appoint and/or remove all or the majority of the members of the Company’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise;

“**Investment Grade**” means a rating of “Aaa”, “Aa”, “A” or “Baa”, as modified by a “1”, “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s or any of its successors or assigns; a rating of “BBB-” or better by Fitch or any of its successors or assigns; or the equivalent ratings of any internationally recognised rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for Moody’s or Fitch or any combination thereof, as the case may be;

“**Permitted Holders**” means any or all of the Permitted Huang Holders or Permitted Li Holders;

“**Permitted Huang Holders**” means any or all of the following:

- (i) Mr. Huang Yi;
- (ii) the estate and any spouse or immediate family member of the Persons specified in clause (i) or the legal representatives of any of the foregoing, and for the avoidance of doubt, includes any trust for which Mr. Huang Yi, his spouse or immediate family member is a settlor or beneficiary;

- (iii) any Affiliate (other than an Affiliate as defined in clause (ii) or (iii) in the definition of Affiliate) of the Persons specified in clause (i) and (ii); and
- (iv) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are wholly owned by Persons specified in clauses (i), (ii) and (iii);

“**Permitted Li Holders**” means any or all of the following:

- (i) Mr. Li Guoqiang;
- (ii) the estate and any spouse or immediate family member of the Persons specified in clause (i) or the legal representatives of any of the foregoing, and for the avoidance of doubt, includes any trust for which Mr. Li Guoqiang, his spouse or immediate family member is a settlor or a beneficiary;
- (iii) any Affiliate (other than an Affiliate as defined in clause (ii) or (iii) in the definition of Affiliate) of the Persons specified in clause (i) and (ii); and
- (iv) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are wholly owned by Persons specified in clauses (i), (ii) and (iii);

“**Person**” includes any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof but does not include the Company’s directors or any other governing board and does not include the Company’s direct or indirect subsidiaries;

“**Preferred Stock**” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s preferred stock or preference shares, whether or not outstanding at the date of the Trust Deed, and include, without limitation, all series and classes of such preferred stock or preference shares;

“**Rating Date**” means, in connection with a Change of Control Triggering Event, that date which is 90 calendar days prior to the earlier of (i) the occurrence of a Change of Control and (ii) a public notice of the occurrence of a Change of Control;

“**Rating Decline**” means the occurrence within six months after the date of public notice of the occurrence of a Change of Control by the Company (which period shall be extended so long as the rating of the Bonds is under publicly announced consideration for possible downgrade by any of the Rating Agencies) (the “**Change of Control Period**”) of any of the events listed below:

- (a) in the event the Bonds are rated by both of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Bonds by either Rating Agency shall be below Investment Grade;
- (b) in the event the Bonds are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Bonds by either Rating Agency shall be below Investment Grade; or

- (c) in the event the Bonds are rated by both of the Rating Agencies on the Rating Date as below Investment Grade, the rating of the Bonds by either Rating Agency shall be below Investment Grade;

“**Voting Rights**” means the right generally to vote at a general meeting of shareholders of the Company (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency); and

“**Voting Stock**” means, with respect to any Person, Capital Stock or any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

8. Taxation

All payments made by the Company under or in respect of the Bonds and the Trust Deed will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by (i) any jurisdiction where the Company is organised or otherwise considered by a taxing authority to be resident for tax purposes or any political organisation or governmental authority thereof or therein having power to tax or (ii) Hong Kong, or any political organisation or governmental authority thereof or therein having power to tax ((i) and (ii) each, a “**Relevant Tax Jurisdiction**”), unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such event, the Company will pay such additional amounts (the “**Additional Tax Amounts**”) as will result in the receipt by the Bondholders of the net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no such deduction or withholding been required except that no such additional amount shall be payable in respect of any Bond:

- (a) *Other connection*: to a Bondholder (or to a third party on behalf of a Bondholder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with a Relevant Tax Jurisdiction otherwise than merely by holding the Bond or by the receipt of amounts in respect of the Bond; or
- (b) *Presentation more than 30 days after the relevant date*: (in the case of a payment of principal) if the Certificate in respect of such Bond is surrendered more than 30 days after the relevant date except to the extent that the holder would have been entitled to such Additional Tax Amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days;

For the purposes hereof, “**relevant date**” means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Trustee or the Principal Paying Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and payment made.

References in these Conditions to principal shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Neither the Trustee nor any Agent shall in any event be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Company or the Bondholders or any other person to pay such tax, duty, charges, withholding or other payment in any jurisdiction or be responsible to provide any notice or information in relation to the Bonds in connection with payment of such tax, duty, charges, withholding or other payment imposed by or in any jurisdiction.

9. Events of Default

If any of the following events (each an “**Event of Default**”) occurs and is continuing, the Trustee at its sole discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding, or if so directed by an Extraordinary Resolution, shall (subject in either case to being indemnified and/or secured and/or pre-funded by the holders to its satisfaction), give written notice to the Company that the Bonds are, and they shall immediately become due and repayable at their principal amount together with accrued interest without further action or formality (subject as provided below) if:

- (a) *Non-Payment*: there is a default in the payment of any principal, interest or premium due in respect of the Bonds on the due date for such payment and the default continues for a period of 7 days;
- (b) *Breach of Other Obligations*: the Company does not perform or comply with one or more of its other obligations in the Bonds, the Trust Deed or the Agency Agreement which default is incapable of remedy or, if capable of remedy, is not remedied within 30 days after written notice of such default shall have been given to the Company by the Trustee;
- (c) *Cross-default of Company or Principal Subsidiary*:
 - (i) any Indebtedness of the Company or any of its Principal Subsidiaries is not paid when due or (as the case may be) within any applicable grace period;
 - (ii) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or
 - (iii) the Company or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness,

provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph 9(c) have occurred equals or exceeds U.S.\$25,000,000 or its equivalent in any other currency or currencies;

- (d) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payment is rendered against the Company or any of its Principal Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment;
- (e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the Company or any of its Principal Subsidiaries;

- (f) *Insolvency, etc.:* (i) the Company or any of its Principal Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made and such application is not discharged or stayed within 14 days) in respect of the Company or any of its Principal Subsidiaries or the whole or a substantial part of the undertaking, assets and revenues of the Company or any of its Principal Subsidiaries, (iii) the Company or any of its Principal Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it and such action is not discharged or stayed within 14 days or (iv) the Company or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than, in the case of a Principal Subsidiary of the Company, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent);
- (g) *Winding up, etc.:* an order of any court of competent jurisdiction is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Company or any of its Principal Subsidiaries (otherwise than, in the case of a Principal Subsidiary of the Company, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent);
- (h) *Analogous event:* any event occurs which under the laws of the Cayman Islands has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (g) (*Winding up, etc.*) above;
- (i) *Failure to take action, etc.:* any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Bonds or the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Bond Certificates and the Trust Deed admissible in evidence in the courts of the Cayman Islands is not taken, fulfilled or done;
- (j) *Unlawfulness:* it is or will become unlawful for the Company to perform or comply with any of its obligations under or in respect of the Bonds or the Trust Deed; or
- (k) *Government intervention:* (i) all or a material part of the undertaking, assets and revenues of the Company or any of its Principal Subsidiaries is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) the Company or any of its Principal Subsidiaries is prevented by any such person from exercising normal control over all or a material part of its undertaking, assets and revenues.

None of the Trustee or any of the Agents shall be responsible for the performance by the Company and any other person appointed by the Company or the Company in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and the Trustee and the Agents need not do anything to ascertain whether an Event of Default has occurred or is continuing and will not be responsible to Bondholders or any other person for any loss arising from any failure by it to do so, and unless the Trustee or any Agent has received written notice from the Company to the contrary, the Trustee and each Agent shall assume that the same are being duly performed.

10. Prescription

Claims in respect of amounts due in respect of the Bonds will become prescribed unless made within 10 years from the relevant date (as defined in Condition 8) in respect thereof.

11. Enforcement

At any time after the Bonds have become due and repayable, the Trustee may, at its discretion and without further notice, take such actions, steps and/or institute such proceedings against the Company as it may think fit to enforce repayment of the Bonds and to enforce the provisions of the Trust Deed but it will not be bound to take any such actions or proceedings unless (i) it shall have been so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding or shall have been so directed by an Extraordinary Resolution of the Bondholders and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder will be entitled to proceed directly against the Company unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

12. Meetings of Bondholders, Modification, Waiver and Substitution

(a) Meetings

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds or the provisions of the Trust Deed and the Agency Agreement. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing over 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the due date for any payment in respect of the Bonds, (ii) to reduce or cancel the amount of principal, premium (if any) or interest payable in respect of the Bonds, (iii) to change the currency of payment of the Bonds or (iv) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution (each a “Reserved Matter”), in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding.

An Extraordinary Resolution passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting.

The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.

So long as the Bonds are evidenced by the Global Bond Certificate, Extraordinary Resolution includes a consent given by way of electronic consents through the relevant clearing system(s) by or on behalf of all the Bondholders of not less than 90 per cent in aggregate principal amount of the Bonds for the time being outstanding.

(b) Modification and Waiver

The Trustee may agree, without the consent of the Bondholders, to (i) any modification (except for Reserved Matters in Condition 12(a) above) to, or the waiver or authorisation of any breach or proposed breach of, the Bonds, the Agency Agreement or the Trust Deed which is, in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders or (ii) any modification to the Bonds, the Agency Agreement or the Trust Deed which, in the Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver or authorisation will be binding on the Bondholders and, unless the Trustee agrees otherwise, any such modifications will be notified by the Company to the Bondholders as soon as practicable thereafter in accordance with Condition 15.

(c) Directions from Bondholders

None of the Trustee or any Agent shall be liable to any Bondholder or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed. Whenever the Trustee is required or entitled by the terms of the Trust Deed or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions or clarification of directions from the Bondholders by way of an Extraordinary Resolution, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or clarifications or in the event that no such directions or clarifications are received. The Trustee shall not be under any obligation to monitor compliance with the provisions of the Trust Deed or these Conditions.

(d) Interests of Bondholders

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, authorisation, waiver or substitution) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Company or the Trustee, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders except to the extent provided for in Condition 8 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

(e) Certificates/Reports

Any certificate or report of any expert or other person called for by or provided to the Trustee (whether or not obtained by or addressed to the Trustee) in accordance with or for the purposes of these Conditions or the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts therein (and shall, in absence of manifest error, be conclusive and binding on all parties) notwithstanding that such certificate or report and/or engagement letter or other document entered into in connection therewith contains a monetary or other limit on the liability of the relevant expert or person in respect thereof.

13. Replacement of Certificates

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Agent upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Company and such Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14. Further Issues

The Company may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest and the timing for submitting the NDRC Post-issuance Filing) so as to be consolidated and form a single series with the Bonds. The Company may from time to time create and issue other series of bonds having the benefit of the Trust Deed, provided that such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed.

15. Notices

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the Register maintained by the Registrar or published in a leading newspaper having general circulation in Asia (which is expected to be the Asian Wall Street Journal). Any such notice shall be deemed to have been given on the later of the date(s) of such publication(s) and the seventh day after being so mailed, as the case may be.

So long as the Bonds are represented by the Global Bond Certificate and the Global Bond Certificate is held on behalf of Euroclear or Clearstream or any alternative clearing system, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or any alternative clearing system for communication by it to entitled account holders in substitution for notification as required by these Conditions.

16. Agents

The names of the initial Agents and the Registrar and their specified offices are set out below. The Company reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent or the Registrar and to appoint additional or other Agents or a replacement Registrar. The Company will at all times maintain (a) a Principal Paying Agent and (b) a Registrar which will maintain the Register outside Hong Kong and the United Kingdom. Notice of any such termination or appointment, of any changes in the specified offices of any Agent or the Registrar and of any change in the identity of the Registrar or the Principal Paying Agent will be given promptly by the Company to the Bondholders and in any event not less than 45 days' notice will be given.

17. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking actions or proceedings to enforce repayment unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Company or any Bondholder and any entity related to the Company or any Bondholder without accounting for any profit.

18. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act.

19. Governing Law and Submission to Jurisdiction

The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by the laws of England. In relation to any legal action or proceedings arising out of or in connection with the Trust Deed or the Bonds the Company has in the Trust Deed irrevocably submitted to the exclusive jurisdiction of the courts of England and in relation thereto has appointed Cogency Global (UK) Limited now at 6 Lloyds Avenue, Unit 4CL, London EC3N 3AX, as its agent for service of process in England.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the terms and conditions of the Bonds (the “Conditions” or the “Terms and Conditions”) set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

The Bonds will be represented by a Global Certificate which will be registered in the name of The Bank of New York Depository (Nominees) Limited as nominee for, and deposited with, a common depository for Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, promises to pay such principal sum to the holder on 13 January 2026 or on such earlier date or dates as the same may become payable in accordance with the Conditions, together with any additional amounts payable in accordance with the Conditions, all subject to and in accordance with the Conditions.

The Global Certificate will become exchangeable in whole, but not in part, for individual certificates (“**Individual Certificates**”) if (a) Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 9 (*Events of Default*) occurs.

Whenever the Global Certificate is to be exchanged for Individual Certificates, such Individual Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Certificate, Euroclear and/or Clearstream, to the Registrar of such information as is required to complete and deliver such Individual Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Certificates are to be registered and the principal amount of each such person’s holding) against the surrender of the Global Certificate at the specified office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Bonds scheduled thereto and, in particular, shall be effected without charge to any holder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

In addition, the Global Certificate will contain provisions which modify the Terms and Conditions of the Bonds as they apply to the Bonds evidenced by the Global Certificate. The following is a summary of certain of those provisions:

Meetings

The registered holder of the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each U.S.\$200,000 in principal amount of Bonds for which the Global Certificate is issued. The Trustee may allow any accountholder (or the representative of such person) of a clearing system entitled to Bonds in respect of which the Global Certificate has been issued to attend and speak (but not to vote) at a meeting of Bondholders on appropriate proof of his identity.

Cancellation

Cancellation of any Bonds required by the Conditions to be cancelled following their redemption or purchase by the Issuer will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may to the extent it considers it appropriate to do so in the circumstances, have regard to any information provided to it by such clearing system as to the identity (either individually or by category) of its accountholders with entitlements to Bonds and may consider such interests as if such accountholders were the holders of the Bonds.

Record Date

Notwithstanding Condition 6(a) (*Payments — Principal*), so long as the Global Certificate is held on behalf of Euroclear or Clearstream, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where “**Clearing System Business Day**” means a day on which each clearing system for which the Global Certificate is being held is open for business.

Notices

Notwithstanding Condition 15 (*Notices*), so long as the Global Certificate is held on behalf of Euroclear, Clearstream, notices to holders of Bonds represented by the Global Certificate may be given by delivery of the relevant notice to Euroclear or Clearstream.

Determination of entitlement

The Global Certificate is evidence of entitlement only and is not a document of title. Entitlements are determined by the Register and only the holder is entitled to payment in respect of the Global Certificate.

Transfer

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream and their respective direct and indirect participants.

Enforcement

For all purposes other than with respect to the payment of principal and premium (if any) on the Bonds in respect of which the Global Certificate is issued, each person who is for the time being shown in the records of Euroclear or of Clearstream as the holder of a particular principal amount of such Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream as to the principal amount of Bonds represented by a Global Certificate standing to the account of any person shall be conclusive and binding for all purposes) shall be recognised as the holder of such principal amount of Bonds.

USE OF PROCEEDS

The estimated net proceeds from the issue of the Bonds after deduction of commission and expenses, amount to approximately US\$445 million, which will be used for repayment of existing bank loans and general corporate purpose.

EXCHANGE RATES

PRC

PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets.

On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On 18 May 2007, PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. The floating band was further widened to 1.0 per cent. on 16 April 2012 and to 2.0 per cent. on 14 March 2014.

On 11 August 2015, PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by PBOC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar. In the second half of 2018 and in 2019 up to the date of this Offering Circular, Renminbi has depreciated against the U.S. dollars.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods presented:

	Noon Buying Rate ⁽¹⁾			
	Period End	Average ⁽²⁾	High	Low
2014	6.2046	6.1620	6.2591	6.0402
2015	6.4778	6.2827	6.4896	6.1870
2016	6.9430	6.6400	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773
2018	6.8755	6.6090	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020				
May	7.1348	7.1016	7.1681	7.0622
June	7.0651	7.0816	7.1263	7.0575
July	6.9744	7.0041	7.0703	6.9744
August	6.8474	6.9270	6.9799	6.8474
September	6.7896	6.8106	6.8474	6.7529
October	6.6919	6.7254	6.7898	6.6503
November	6.5760	6.6029	6.6899	6.5556
December (through 23 December)	6.5400	6.5420	6.5705	6.5295

Notes:

- (1) Exchange rates between Renminbi and U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.
- (2) Annual averages have been calculated from month-end rates. Monthly averages have been calculated using the average of the daily rates during the relevant month.

HONG KONG

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since 17 October 1983, the Hong Kong dollar has been pegged to the U.S. dollar at the rate of HK\$7.80 to U.S.\$1.00. The central element in the arrangements which gave effect to the peg is that, by agreement between the Hong Kong Special Administrative Region government and the three Hong Kong banknote issuing banks (namely, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and the Bank of China Limited), certificates of indebtedness, which are issued by the Hong Kong Government Exchange Fund to the banknote issuing banks to be held as cover for their banknote issues, are issued and redeemed only against payment in U.S. dollars at the fixed exchange rate of HK\$7.80 to U.S.\$1.00. When the banknotes are withdrawn from circulation, the banknote issuing banks surrender the certificates of indebtedness to the Hong Kong Government Exchange Fund and are paid the equivalent U.S. dollars at the fixed rate.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate which applies to the issue of the Hong Kong currency in the form of banknotes, as described above, the market exchange rate has not deviated materially from the level of HK\$7.80 to U.S.\$1.00 since the peg was first established. However, in May 2005, the Hong Kong Monetary Authority broadened the 22-year old trading band from the original rate of HK\$7.80 per U.S. dollar to a rate range of HK\$7.75 to HK\$7.85 per U.S. dollar. The Hong Kong Special Administrative Region government has stated its intention to maintain the link at that rate and it, acting through the Hong Kong Monetary Authority, has a number of means by which it may act to maintain exchange rate stability. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong Special Administrative Region government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong Special Administrative Region government will maintain the link at HK\$7.75 to HK\$7.85 per U.S. dollar, or at all.

The following table sets forth the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board for the periods indicated:

	Noon Buying Rate ⁽¹⁾			
	Period End	Average⁽²⁾	High	Low
2014	7.7531	7.7545	7.7669	7.7495
2015	7.7507	7.7524	7.7686	7.7495
2016	7.7534	7.7620	7.8270	7.7505
2017	7.8128	7.7926	7.8499	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8351	7.8499	7.7850
2020				
May	7.7513	7.7519	7.7561	7.7500
June	7.7501	7.7501	7.7514	7.7498
July	7.7500	7.7509	7.7538	7.7499
August	7.7501	7.7502	7.7506	7.7498
September	7.7500	7.7500	7.7504	7.7499
October	7.7548	7.7503	7.7548	7.7498
November	7.7522	7.7526	7.7552	7.7505
December (through 23 December)	7.7529	7.7516	7.7529	7.7505

Notes:

- (1) Exchange rates between Hong Kong dollar and U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.
- (2) Annual averages have been calculated from month-end rates. Monthly averages have been calculated using the average of the daily rates during the relevant month.

CAPITALISATION AND INDEBTEDNESS

Capitalisation of the Group

The following table sets out the consolidated capitalisation and indebtedness of the Group under HKFRS as at 31 December 2019, and as adjusted to give effect to the issue of the Bonds. The table should be read in conjunction with the published audited consolidated financial information for the year ended 31 December 2019 and the related notes thereto, which are incorporated by reference into this Offering Circular.

The as adjusted information below is illustrative only and does not take into account any changes in the consolidated capitalisation and indebtedness of the Group after 31 December 2019 other than to give effect to the issue of the Bonds.

	As at 31 December 2019	
	Actual	As Adjusted
	(RMB'000)	
Total borrowings — current portion		
Bank loans and other borrowings	17,089,711	17,089,711
	17,089,711	17,089,711
Total borrowings — non-current portion		
Convertible bonds issued on 23 May 2018 (<i>Note 2</i>)	4,293,929	1,324,418
Bank loans and other borrowings	3,924,341	3,924,341
Convertible bonds issued on 21 May 2020 (<i>Note 3</i>)	—	4,084,757
Bonds to be issued	—	3,132,810
	8,218,270	12,466,326
Equity		
Share capital	197	197
Reserves	21,758,356	21,758,356
Total equity attributable to owners of the parent	21,758,553	21,758,553
Total capitalisation (<i>Note 4</i>)	29,976,823	34,224,879

Notes:

- (1) Exchange rate is HKD1 = RMB0.89578, which is the PBOC exchange rate announced on 31 December 2019.
- (2) The Company completed the repurchase of HK\$3,315 million in aggregate principal amount of such convertible bonds on 22 May 2020, and on the same date, the repurchased convertible bonds were cancelled.
- (3) On 21 May 2020, the Company issued zero coupon convertible bonds due 2025 with a nominal value of HK\$4,560 million. After deducting commissions and expenses, the aggregate net proceeds of approximately RMB4,084.8 million was received from the issue of such convertible bonds, which had been recognised as the Company's liability and no allocation to the equity component had been made pursuant to Hong Kong Accounting Standard 32.
- (4) Total capitalisation is equal to the sum of non-current portion of total borrowings and total equity attributable to owners of the parent.

Since 31 December 2019, the Company has incurred, and will continue to incur, indebtedness from time to time for general corporate purposes, including but not limited to refinancing of existing indebtedness and funding our operations in the ordinary course of business. Save as otherwise described in this Offering Circular, there has been no material adverse change in the consolidated capitalisation and indebtedness of the Issuer since 31 December 2019.

BUSINESS

Overview

We are one of the leading national automobile dealership groups in China focusing on luxury and mid-to-high end brands. Our 4S dealerships are concentrated in cities with relatively high net worth populations in the northeastern, northern, eastern, central, southern, southwestern and northwestern inland regions of China. We have grown rapidly from 178 operating 4S dealerships located across nearly 70 cities and 16 provinces at the beginning of 2014 to 365 4S dealerships in operation in 24 provincial regions, covering over 90 cities as at 30 June 2020.

We have dealership agreements with a variety of automobile manufacturers to operate our 4S dealerships for a diversified portfolio of automobile brands, including luxury brands such as Mercedes-Benz, Lexus, Audi, BMW, Jaguar Land Rover, Porsche and Volvo, and mid-to-high end automobile brands such as Toyota, Nissan and Honda. Each of our 4S dealerships is designated to sell one brand of automobile and typically only permitted to operate at a single point of sale. In 2019, we achieved a new automobile sales volume of 455,705 units, 228,020 of which are for luxury brands that accounted for 50.04% of our total sales volume. With the continuous optimisation of our product structure, the new automobile sales volume showed a continuous increase from 341,319 units and 412,017 units in 2017 and 2018, respectively, of which luxury brands accounted for 42% and 46.7% for the same periods, respectively. For the six months ended 30 June 2020, we achieved a new automobile sales volume of 197,188 units, of which sales volume for luxury brands reached 111,653 units, accounting for 56.6% of the Group's total sales volume and representing a significant increase of 5.7% as compared to the corresponding period of last year; in the first six months ended 30 June 2019, we achieved a new automobile sales volume of 213,762 units, of which sales for luxury brands accounted for 49.4% of our total sales volume.

Through our “one-stop automobile shop” business model, we offer a comprehensive range of new automobiles, after-sales products and services as well as a wide array of services in connection with second hand automobiles, insurance and auto finance in our 4S dealerships to our customers. In addition to our new automobile sales business, our after-sales businesses offer spare parts, automobile accessories, repair and maintenance services, detailing services, and other automobile-related products and services. Each of the new automobile sales business and after-sales businesses has its own features in terms of business model and revenue and profitability contributions to the Group.

Our revenue for the three years ended 31 December 2017, 2018 and 2019 was RMB86,290.3 million, RMB107,735.7 million and RMB124,042.5 million, respectively, representing a CAGR of approximately 19.9% during such periods. Our revenue for the six months ended 30 June 2019 and 2020 was RMB57,412.6 million and RMB58,203.1 million. Revenue generated from the sales of new automobiles accounted for approximately 86.6%, 86.5%, 85.6%, 86.2% and 85.5% of our total revenue for the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 and the revenue generated from our after-sales businesses accounted for approximately 13.4%, 13.5%, 14.4%, 13.8% and 14.5%, respectively, of our revenue during the same periods. The gross profit margin of our sales of new automobiles was 4.0%, 3.1%, 2.7%, 2.7% and 3.0%; and the gross profit margin of our after-sales businesses was 48.9%, 48.7%, 48.2%, 49.0% and 46.5% during the same periods, respectively. Our profit attributable to owners of the parent for the three years ended 31 December 2017, 2018 and 2019 was RMB3,350.4 million, RMB3,636.6 million and RMB4,501.7 million, respectively, representing a CAGR of approximately

15.9% during such periods. Our profit attributable to owners of the parent for the six months ended 30 June 2019 and 2020 was RMB2,082.3 million and RMB2,291.7 million, respectively. According to the Hong Kong Stock Exchange, as at 29 December 2020, our market capitalisation was HK\$119.91 billion.

The Group was ranked second, second and second among the passenger car dealerships in terms of revenue in 2017, 2018 and 2019, respectively, in the PRC.

As a leading national automobile dealership group in the PRC, we believe that as a result of our strong portfolio of luxury and mid-to-high end automobile brands and strategic positioning as a “one-stop automobile shop”, we are well-placed to benefit from the growth of China’s middle-class and the continued rise in the per capita disposable income of Chinese consumers, and further consolidate our market leadership position.

Recent developments

Recent financial information

During the six months ended 30 June 2020, the outbreak of the COVID-19 exerted tremendous impact on the economic operation of China and across the globe. The Group witnessed a notable decrease in the customer visits in dealership as well as its new automobile sales volume in February 2020, and the number of visits of after-sales service were also affected tremendously. With the nationwide resumption in production and work in March 2020, the Group responded to the government’s call by promptly resuming production and work, with operating results demonstrating a strong recovery and growth momentum from March to June 2020.

Despite the tremendous impact of the COVID-19 outbreak, each business segment maintained steady growth due to our prospective strategic deployment, good brand portfolio and operation capability, particularly our quick response to the COVID-19 as well as our efficient execution. For the six months ended 30 June 2020, the Group achieved new automobile sales volume of 197,188 units, representing a decrease of 7.8% as compared to the corresponding period the last year, of which sales volume for luxury brands reached 111,653 units, accounting for 56.6% of the Group’s total sales volume and representing a significant increase of 5.7% as compared to the corresponding period of last year, with the Group’s product structure further optimised. For the six months ended 30 June 2020, the after-sales and accessories business recovered and grew quickly after the COVID-19 through diversified and innovative services and further refined management and operating measures, and the number of visits of after-sales services achieved a double-digit growth, compared to the corresponding period last year. For the six months ended 30 June 2020, revenue from after-sales and accessories business reached RMB8,415.4 million, accounting for 14.5% of our total revenue of the period, representing an increase of 6.1% as compared to that revenue for the six months ended 30 June 2019 which amounted to RMB7,928.1 million.

As one of the Group’s core growth in the future, the value-added service business segment, which includes car insurance, car financing and second-hand automobiles, still maintained steady growth despite heavy pressure during the six months ended 30 June 2020, and achieved a revenue of RMB1,306.5 million for the six months ended 30 June 2020, representing an increase of 8.0% as compared to the six months ended 30 June 2019, primarily due to the ramping up of financial penetration rate, which as at 30 June 2020 reached 58.6%, and increasing bargaining power against service providers. Furthermore, despite the adverse market conditions, the trade volume for second-hand automobiles reached 40,676 units for the six months ended 30 June 2020, representing a significant increase of approximately 33.9% as compared to the corresponding period of last year, as

the Company focused on its second-hand automobile business segment and did a series of preparation work since last year, including trading platform optimization, team building and incentive plan developing.

In addition, as at 30 June 2020, as compared to that as at 31 December 2019, the Group experienced a significant increase in prepayments from RMB731.3 million to RMB1,492.0 million, cash in transit from RMB264.0 million to RMB363.1 million and cash and cash equivalents from RMB6,101.2 million to RMB8,225.9 million, primarily due to strong operational cashflow and the prudent financial management approach adopted by the Group towards its treasury policies, allowing the Group to maintain a healthy liquidity position; whereas the Group's bank loans and other borrowings, trade and bills payable and other payables and accruals maintained at a stable level demonstrating a slight decrease, primarily due to repaying of loans and other borrowings, while benefiting from the substantial cash generating from operating activities.

We published the audited financial information for the year ended 31 December 2019 and the unaudited and unreviewed financial information for the six months ended 30 June 2020 pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

On 10 August 2020, the Company announced its Interim Financial Information as at and for the six months ended 30 June 2020 on the website of the Hong Kong Stock Exchange. The financial information included in such announcement was extracted from the management accounts of the Group, and was prepared in accordance with HKAS 34 issued by the HKICPA. No audit or review has been performed on such financial information for the six months ended 30 June 2020. The Interim Financial Information of the Company as at and for the six months ended 30 June 2020 is not indicative of the financial condition or results of operations of the Group for any period of a year or the full financial year ending 31 December 2020. Consequently, such financial information should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors must exercise caution when using such data to evaluate the business, financial condition and results of operations of the Group. Save as disclosed above and therein, there has been no material adverse change in our total revenue, total profit and total assets since 30 June 2020.

Acquisition of 4S Dealerships for Mercedes-Benz and Others

On 22 July 2020, Zhongsheng (Dalian) Group Co., Ltd (中升(大連)集團有限公司) (“**ZS Dalian**”), an indirect wholly-owned subsidiary of the Company, completed the equity transfer acquiring 100% of the equity interests in eight limited liability companies incorporated in the PRC (collectively, the “**Target Companies**”) for a net cash consideration of RMB720 million (the “**Transaction**”). The Target Companies own six 4S dealerships for Mercedes-Benz located in Hubei, Fujian, Yunnan and Jiangxi, and two 4S dealerships for Jaguar Land Rover located in Jiangsu and Jiangxi. The Target Companies also own three land parcels in the PRC, with a total area of 25,300 square metres.

The board of directors believes the Transaction will (i) strengthen the Group's luxury brand portfolio; (ii) enable the Group to expand its networks of 4S dealerships in key regions in the PRC and to better serve the high-end customers located in such regions; and (iii) help further expand the Group's operation scale and reinforce its competitive advantages.

Our competitive strengths

We believe that our success and potential for future growth can be attributed to a combination of our competitive strengths.

We are one of the leading national automobile dealership groups in China, with a strong presence of 4S dealerships in cities with relatively high net worth populations in multiple regions

We have a strong presence of 4S dealerships in cities with relatively high net worth populations located in the northeastern, northern, eastern, central, southern, southwestern and northwestern regions of China. We have grown our 4S dealership network from covering 178 operating 4S dealerships across 70 cities and 16 provinces at the beginning of 2014 to covering 365 4S dealerships across 24 provincial regions, covering over 90 cities as at 30 June 2020.

We have a diversified portfolio focusing on luxury and mid-to-high end automobile brands

We have a diversified portfolio focusing on luxury and mid-to-high end automobile brands, including Mercedes-Benz, Lexus, BMW and Toyota. As at 30 June 2020, we operated 365 dealerships, of which 210 were luxury brand dealerships and 155 were mid-to-high end brand dealerships, resembling a healthy balance between luxury and mid-to-high end automobile brands. We have dealership agreements with various leading global automobile manufacturers and/or their PRC joint venture corporations, including luxury automobile brands such as Mercedes-Benz, Lexus, Audi, BMW, Jaguar Land Rover, Porsche and Volvo and mid-to-high end automobile brands such as Toyota, Nissan and Honda. In 2019, we achieved a new automobile sales volume of 455,705 units, 228,020 of which are for luxury brands that account for 50.04% of our total sales volume, representing an increase over 2018 with the continuous optimisation of our product structure.

We believe our automobile brands are popular among Chinese consumers and have experienced sustained sales growth in the PRC. According to a PRC market survey conducted by JD Power in 2019, our luxury and mid-to-high end automobile brands, Mercedes-Benz, Lexus, Audi, Toyota, Nissan, Honda and others, are the most highly-rated automobile brands in terms of overall service satisfaction based on service initiation, service advisor, service facility, automobile pickup and service quality. According to IHS Markit Ltd., between 2014 and 2019, Mercedes-Benz, Lexus and Audi, recorded a CAGR for their total sales in the Chinese market of approximately 26.4%, 21.0% and 3.7%, respectively, whereas Toyota, Nissan and Honda recorded a CAGR for their total sales in the Chinese market of approximately 3.3%, 0.3% and 10.3%, respectively.

We have established strong and long-term working relationships with leading automobile manufacturers

We have established strong and long-term working relationships with leading global automobile manufacturers and/or their PRC joint venture corporations. We were the first PRC dealership granted with dealership rights by Toyota and one of the first authorised 4S dealerships in the PRC for Audi and Lexus, all of which have been important new automobile suppliers to us since then.

Automobile manufacturers in China have become increasingly selective in entering into new dealership arrangements, and tend to favour high performance dealerships. In particular, certain of the automobile manufacturers are increasingly limiting new 4S dealership arrangements to top performing dealers in each region. In light of these developments, we believe our strong and established relationships with the automobile manufacturers, strong sales, high customer satisfaction and track record, position us well to expand our network of 4S dealerships further in China.

Our customer-focused philosophy and store-level operational expertise have resulted in our highly-ranked 4S dealerships with consistent quality service and satisfactory customer experience

As our business is retail in nature, we understand and place great emphasis on customer service. Our corporate motto “Zhongsheng — Lifetime Partner” is central to our corporate culture. We believe that providing high-quality services to each of our customers is the key to building long-lasting customer relationships, and to attracting new customers for each of the businesses offered by our “one-stop automobile shop” business model. In line with this core principle, we provide systematic training courses to our customer-facing employees such as our sales personnel, and structure our employee compensation system with the aim of promoting high customer satisfaction.

In order to serve our customers better, we have developed a detailed customer database containing customer records from all of our 4S dealerships, which allows us to track our customers’ usage patterns and preferences for our products and services. This in turn allows us to understand and anticipate each of our customer’s needs and requirements.

As a result of our customer-focused philosophy, our Group consistently ranked second among the Top 100 Automobile Dealers in China published by CADA for 2017, 2018, 2019 and 2020, and ranked first in terms of comprehensive profitability for 2018, 2019 and 2020. With our dedication and commitment to serve customers with strong operational capability, in 2018, we were recognised as the National Outstanding Leadership by Dalian Lexus and Wuxi Lexus; in 2019, we had been named and awarded as the Best General Manager in Eastern China by BMW in Nanjing, the Best General Manager by Mercedes-Benz in Shanghai, Suzhou, Wuxi and Nanjing, the Best General Manager with the largest market share by Mercedes-Benz in Wuhan, and the Best Dealership and Best Market Development by Audi in Taizhou. In 2020, we were once again selected as one of the Fortune China 500, an international authoritative ranking, and ranked 82nd on the list. In addition, we were granted the “2019 Operational Excellence Group Award” by the CADA and with a total profit before tax of RMB5.201 billion in 2018, was selected as one of the Top 100 Listed Companies in China for 2019 for the first time.

Our large scale operations allow us to achieve economies of scale

Our large scale operations allow us to achieve economies of scale from the human resources, business and financial perspectives.

Human resources

As a result of our large scale operations, we have been able to implement a systematic approach to foster capable and experienced managers. One of our corporate policies is to promote capable personnel within the Group’s operations and provide a clear career path to those personnel, thus forming a large pool of motivated and experienced employees to support our business expansion plans.

By leveraging our strong operational expertise accumulated throughout our national store network, we frequently apprentice new recruits to our best performing 4S dealerships for training, before rotating them to 4S dealerships in other locations. We believe this ensures best practice sharing and the accumulated business expertise in our best-performing 4S dealerships can be replicated at all of our 4S dealerships.

In addition, as we are a leading national automobile dealership group in the PRC with a diversified portfolio of automobile brands, we are able to offer our employees with a clear career path encompassing a variety of opportunities to work with different automobile brands as well as work in other regions in China, and we believe this would increase our employee retention rates in the face of intense competition for human resources.

Business

With an extensive 4S dealership network across various regions in the PRC, we are able to coordinate and aggregate orders for new automobiles, as well as spare parts, automobile accessories and other automobile-related products. This allows us to exercise better inventory control for automobiles, spare parts, automobile accessories and other automobile-related products, which in turn helps us to optimise the mix of automobiles and automobile-related products in each of our 4S dealerships.

In addition, the size of our 4S dealership network and our strong financial resources with large purchase amount yields us stronger bargaining power. We believe that as compared with our competitors, we are in a strong position to bargain for better commercial terms from suppliers of spare parts, automobile accessories and other automobile-related products.

To complement the sale of new automobiles, we provide after-sales and value-added services to car owners as an additional source of income and gains for our business. Luxury car owners are generally less price sensitive to after-sales services. This stable and low-risk source of income helps to offset cyclical fluctuation of new automobile sales. Furthermore, through centralised procurement of parts, accessories and other automobile-related products, we benefit from cost advantages by achieving economies of scale. Leveraging our know-how and in-depth industry experience, we achieved the highest absorption rate of after-sales services, gross profit contribution from after-sales services and gross margin of after-sales services among peers in 2019, which further serves to solidify our leading position.

Financial

Our financial resources provide each of our 4S dealerships ready access to funds, which enables us to order sufficient quantities of automobiles as well as spare parts, automobile accessories and other automobile-related products from our automobile manufacturers and other suppliers to meet the demands of our large customer base. With growing business scale, we are also able to reduce per unit operating expenses. In addition, through a centralised budgeting and management process, we are able to allocate our financial resources more efficiently across our entire 4S dealership network. Furthermore, with our financial resources, we are in a stronger position in funding potential acquisitions in a timely manner without interrupting our existing 4S dealerships' businesses.

We have prudent financial policies with proven track records

We strive to maintain a strong financial performance through prudent financial management. We consider cash flow and working capital management our top priorities in managing our operations. We have implemented various financial policies to maintain adequate cash flow and healthy working capital position. Due to the nature of our automobile dealership business model, and the requirement of a down payment for purchase of new automobiles, we have a low level of trade receivables. As such, we are able to record positive net operating cash flows while achieving stable growth in recent years. In 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, we recorded net profit of RMB3,475.9 million, RMB3,695.3 million, RMB4,519.5 million,

RMB2,102.6 and RMB2,309.1 million, respectively; and recorded net cash generated from operations of RMB5,234.5 million, RMB2,318.0 million, RMB7,799.5 million, RMB4,863.9 million and RMB4,743.8 million, respectively, for the same periods.

We also take a prudent approach towards investment and dividend pay-out. We have established comprehensive investment management procedures, and our dividend pay-out is subject to the consideration and approval of the Board and shareholders of the Company. When making an investment decision, we consider various factors, including investment return, integration and synergies with our existing core business, improvement of overall business performance and management of risks. We also monitor our key leverage ratios and capital structure indicators to maintain our financial soundness. As at 30 June 2020, our EBITDA (consisting of profit from operations plus depreciation and amortisation) was RMB4,700.9 million and EBITDA margin (dividing EBITDA by revenue) was 8.1%.

We believe our prudent financial policies and management will enable us to further expand in our target markets, provide us with greater flexibility in capital management and help us achieve a sustainable long-term growth.

We have efficient information technology systems to support our business

We have set up advanced information technology systems in our headquarters and across our 4S dealership network as a uniform platform which facilitate the expansion of our business. In late 2008, we completed the roll-out of our ERP system which maintains in a single database the information needed for a variety of business functions such as quota, inventory, financial, human resources and customer relationship management.

We also use our information technology systems to identify fast and slow-selling automobile models or spare parts, accessories or other automobile-related products, analyse the sales trends of different products in different regions based on the historical data of purchase orders and sales data, and improve the mix of products and services offered at each of our 4S dealerships.

Our efficient information technology systems have significantly improved our ordering, inventory and logistics management as well as financial and cash management, and have helped us to minimise the costs of maintaining inventory and improve our overall sales performance.

We will continue to upgrade our information technology systems on an ongoing basis as necessary. We believe that an upgraded information technology system will continue to facilitate the exchange of information between our headquarters and our 4S dealership network, and enable us to improve our data analysis to support the formation and execution of our business and operational strategies.

We are able to grow rapidly both organically and through acquisitions

Organic growth

As a leading national automobile dealership group in China, we have significant expertise in operating 4S dealerships and a deep bench of capable store managers and other personnel. We can set up and operate new 4S dealerships swiftly and successfully by leveraging our industry know-how, brand recognition, established working relationships with automobile manufacturers, and our experienced personnel from existing 4S dealerships.

We also strive to improve the performance of our dealerships by rigorously executing our strict in-house requirements and standards, tracking store management indicators, training and motivating our staff, expanding into high value-added automobile-related businesses, while emphasising our customer-focused philosophy. In addition, we have a team of experienced managers who regularly travel throughout our 4S dealership network to provide on-site guidance and support. Looking ahead, we intend to pursue initiatives in the new energy vehicle business, including the promotion of more environmentally friendly and fuel-efficient automobiles.

Acquisitions

We carried out a series of acquisitions in 2018 and 2019 to further enhance our brand portfolio and expand our 4S dealership network. We fully or in majority acquired interests in companies which operate 4S dealerships in Sichuan, Jiangsu, Guangdong, Hebei, Shandong, Liaoning, Zhejiang provinces, Shanghai and Tianjin municipality to strengthen our presences in these regions.

We believe that our aggregated group resources enable us to capitalise on acquisition opportunities in a timely manner. We have a well-established track record of acquiring 4S dealerships and successfully integrating the acquired 4S dealerships with a significant improvement in their performance. We utilise the benefits of our wide network of 4S dealerships and management expertise to improve the operation of newly acquired 4S dealerships, including the appointment of management teams to the newly-acquired 4S dealerships to share best practices, conduct on-site training, and resolve any existing issues.

We have an experienced senior management team, a deep bench of high-calibre store managers, and access to reliable source of skilled technical personnel

Our senior management comprises industry veterans with extensive in-depth experience in the PRC automobile industry. Our founders, Mr. Huang Yi and Mr. Li Guoqiang, each has more than 30 years' industry experience, and remain actively involved in our management and day-to-day operations. Mr. Li Guoqiang was selected as a candidate for the 2020 best CEOs of Chinese Listed Companies published by Forbes China. We consider the leadership of our experienced senior management competitive advantage and a key factor in our success and achievements.

In addition, we have a deep bench of high-calibre store managers. We have devised and successfully implemented an in-house programme to train and develop our store managers, who are crucial to the success of our 4S dealerships. Many of our store managers are internally trained and promoted, and have completed a training programme at our best-performing 4S dealerships. We also rotate each trainee manager to different positions in a 4S dealership, including deputy-store manager, sales director, service director and finance director, to ensure that our store managers are familiar with all operational aspects of a 4S dealership.

We work together with the automobile manufacturers and local educational institutions to train automotive engineers and technicians. For example, we believe our extensive relationship with Toyota provides us a significant advantage by enabling us to draw engineering talent from Toyota's numerous automotive training schools in China. We have also participated in a joint initiative with Dalian Vocational Technical College, where we provide financial support and assist in designing the curriculum for automotive engineering classes.

Our strategies

Our aim is to further strengthen our position as a leading national automobile dealership group in the PRC. To accomplish this, we intend to expand our business by strategically expanding our 4S dealership network, further increasing productivity and profitability, improving customer service quality at each of our 4S dealerships, continuing to strengthen our after-sales businesses, developing our used automobile sales business and other value-added services and augmenting our employee talent pool.

Increasing the size of our 4S dealership network and market coverage through both organic growth and acquisitions

We believe that by increasing the size of our 4S dealership network and market coverage through both organic growth and acquisitions, we can further improve the mix of automobile brands in our portfolio and the products and services we offer and maximise profitability. We intend to capitalise on our strong cash flow and aggregated financial resources to increase the size of our 4S dealership network and market coverage.

Organic growth

Our 4S dealerships are strategically concentrated in cities with high net worth populations in the northeastern, northern, eastern, central, southern, southwestern and northwestern inland regions of China, including Beijing Municipality, Shanghai Municipality, Tianjin Municipality, Chongqing Municipality, Dalian City, Shenyang City, Qingdao City, Nanjing City, Changshu City, Wuxi City, Hangzhou City, Suzhou City, Shenzhen City, Dongguan City, Fuzhou City, Guangzhou City, Foshan City, Zhengzhou City, Jinan City, Haikou City and Sanya City, as well as selected cities in inland China, including Chengdu City, Xian City, Wuhan City, Changsha City, and Kunming City. We believe these cities and region have significant market potential, and demand for automobiles, spare parts, automobile accessories and other automobile-related products, and repair, maintenance, and detailing services, will increase in these cities and regions because of expected rises in per capita disposable income and/or the nature of the local transportation requirements and networks.

We intend to capitalise on our local know-how, relationships and positive brand image built up by our existing 4S dealerships, as well as our in-depth industry expertise, to establish successful new 4S dealerships rapidly in the same regions or adjacent regions. We believe that our strong and established working relationships with leading global automobile manufacturers and their PRC joint venture corporations will also enable us to acquire additional 4S dealership licences to further expand our distribution network of 4S dealerships in the PRC.

Acquisitions

We expect the increasingly competitive nature of the PRC automobile dealership industry and automobile manufacturers' tendency to consolidate the PRC automobile dealership industry by entering new dealership arrangements only with their top performing dealers to present acquisition opportunities for the Group. We believe we are well-positioned to take advantage of such opportunities to further expand our business and consolidate our market leadership position, and at the same time, we remain prudent and are cautious in selecting potential acquisition targets and holding negotiations.

We continue to look for and hold constant dialogue with potential acquisition targets that are strategically important to our automobile brands and geographical coverage. While our Board and senior management team will set the overall strategy, our business development team will conduct

market research and due diligence on the identified targets. Other departments serve as an integral team to provide support both during the pre-acquisition phase, such as conducting financial and legal due diligence, and during post-acquisition integration, such as appointing management team to each newly-acquired 4S dealership to share best practice, conduct on-site training, and improve operational efficiency. We intend to utilise our wide network of 4S dealerships, automobile manufacturers' support and significant operational expertise to quickly integrate and achieve significant improvements in the acquired 4S dealerships.

Further increasing productivity and profitability as well as promoting customer service quality of each of our 4S dealerships

Even though our 4S dealerships have had outstanding business performance during the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, we still aim to further increase productivity and profitability of each of our 4S dealerships, and to further promote service quality of each of our 4S dealerships. We believe by better utilising the Group resources and more efficient management, there is still growth potential for even the most profitable 4S dealership in our network.

Measures taken at the Group level

At the Group level, we will continue to utilise our economies of scale as a group, to formulate overall growth strategy and detailed execution plan and organise implementation in each store, to allocate the Group's resources efficiently, and to promote healthy competition and successful experience sharing among our 4S dealerships. These measures are aimed to promote profitability of individual 4S dealerships through the collective strength of the Group. For example, we will continue utilising our aggregate ordering and procuring power to obtain better commercial terms from the suppliers of spare parts, automobile accessories and other automobile-related products. Please refer to the section entitled "*Our business — Our Competitive Strengths — Our large scale operations allow us to achieve economies of scale*". Through the Group's general budget plan and resources allocation, we are able to adjust the automobile quotas to our 4S dealerships to some extent to achieve a better mix of automobile and automobile-related inventory for our 4S dealerships. In addition, through internal auditing and incentive scheme mechanism at the Group level, we can increase our management efficiency and strengthen the Group's management of 4S dealerships.

Measures taken at the 4S dealership level

At the 4S dealership level, we will continue to improve key performance indicators ("KPI") for our 4S dealerships. Through tracking and reviewing the KPI, we can promote management efficiency and customer satisfaction, thus improving the profitability of each 4S dealership. For example, general managers at 4S dealership level will closely monitor market trends and sales performance of each type of automobiles for sale and make corresponding adjustments to the types of automobiles to procure and types of services to provide. In addition, based on the customers' requirements for different services and taking into account the level of profitability of different services, our 4S dealership will undertake decoration, renovation, and upgrades of the physical site.

We will also continue improving and implementing policies to rotate our 4S store managers among different 4S dealerships, to ensure successful experience sharing and enhance service quality. This policy is part of an effort to accelerate the growth of our newly built 4S dealerships, and to help them quickly reach the same level of operation efficiency and profitability as our well-established 4S dealerships. Our newly acquired 4S dealerships will receive the same support to improve

performance in a short period of time. We will also reinforce training programmes for ground sales personnel, client service staff, and after-sales services engineers and technicians to promote the quality and efficiency of service provided and to enhance our customers' satisfaction.

In addition, we will continue adopting new measures to expand our high value-added automobile-related business to promote the profitability of our 4S dealerships. While our new automobile sales, repair and maintenance services are steadily growing, we will expand the scope of our automobile decoration and accessories businesses to explore the potential value in our automobile-related business chain. We will also expand other revenue streams by facilitating automobile insurance agency, automobile finance agency and automobile licensing related services.

All the measures we have taken at 4S dealership level aim to increase our sales, promote our customers' satisfaction and increase the efficiency of services provided, which we believe will help us attract more customers and reduce costs at our existing 4S dealerships, thus further enhancing each of our 4S dealership's revenue and profitability.

Utilising our existing resources and customer base in new automobile sales to promote our after-sales businesses, including retailing spare parts, providing repair, maintenance and detailing services, and retailing automobile accessories

Our customer-focused philosophy has historically resulted in high customer satisfaction with our new automobile sales, which we believe will drive more sales and increased patronage of our after-sales businesses. Our after-sales businesses offer our customers a wide range of automobile-related products and services at several locations across the PRC, including spare parts, automobile accessories and other automobile-related products and repair, maintenance, detailing and other automobile-related services through our extensive network of 4S dealerships and our "one-stop automobile shop" business model.

We intend to expand our business operations by utilising our existing resources and customer base to continue strengthening our after-sales businesses. China's automobile market is dominated by first-time buyers, which is evidenced by the majority of our revenue from automobile dealerships being generated from new vehicle sales. We expect that this increase in new automobile sales and development of the after-sales in the PRC will lead to greater demand for our after-sales businesses.

Through the expansion of the after-sales businesses at our existing 4S dealerships, we believe that we will increase the overall profitability of each 4S dealership, as our after-sales businesses yield higher profit margins when compared to our new automobile sales business. Our after-sales businesses are a stable source of revenue for our 4S dealerships.

We intend to increase the efficiency of our repair, maintenance and detailing businesses at our existing 4S dealerships. To this end, we aim to increase the number of customers in these businesses so that our repair, maintenance and detailing businesses can operate closer to full capacity. We plan to improve customer stickiness and retention rate of our existing customers and attract new customers through effective marketing and promotional activities tailored to our repair, maintenance and detailing businesses. Additionally, we will continuously train our technical personnel and review and reconfigure our service operations and processes to improve the quality and efficiency of the services we provide.

We believe that our automobile accessories business will strongly benefit from our reputation for quality customer service and automotive technical excellence, and that we will be able to leverage on our large customer base, deep bench of high-calibre personnel, extensive distribution network, and in- depth knowledge and understanding of the PRC automobile market to expand our automobile accessories business quickly.

Expanding our business operations by developing our used automobile sales business to complement our existing businesses

We believe that the current PRC used automobile market will mature and expand in line with the large increase in automobile purchases in China. Driven by 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》) promulgated on 14 June 2016 and the Notice on Policies in relation to the Stabilisation and Expansion of Expenditure on Vehicles (《關於穩定和擴大汽車消費若干措施的通知》) promulgated on 28 April 2020, the used automobile market in China started to boom. In 2019, the total transaction volume of used automobiles in China increased by 7.96% on a year-on-year basis to 14.923 million units. We intend to capture the opportunities in the swift growth of the used automobiles market in China. We believe that we will be able to secure supplies of used automobiles from our large existing customer base, and that we will be able to grow our used automobile sales business rapidly with our extensive 4S dealership network, strong reputation, large pool of experienced and highly-skilled automotive engineers and technicians, and in- depth knowledge and understanding of the PRC automobile market.

In order to address the common concerns of PRC consumers in relation to used automobiles, we intend to adopt a number of strategies, including applying strict procurement standards, leveraging our reputation for quality customer service and automotive technical excellence in relation to the restoration and/or repair work carried out on our used automobiles, and partnering with the automobile manufacturers to provide official certification and manufacturer warranties for our used automobiles. We also plan to source our used automobiles primarily and directly from private sellers. These include individuals seeking to trade in their existing automobiles for new automobiles. We believe that we can capture market share quickly through our existing dealership network.

Leveraging on our extensive industry experience and network to develop value-added services

We plan to take advantage of the developing market and to utilise our extensive industry experience and network to further expand our value-added services such as insurance service and auto finance service. We also intend to tap into opportunities to participate in the financial leasing business which we expect will enhance our profit structure and overall profitability.

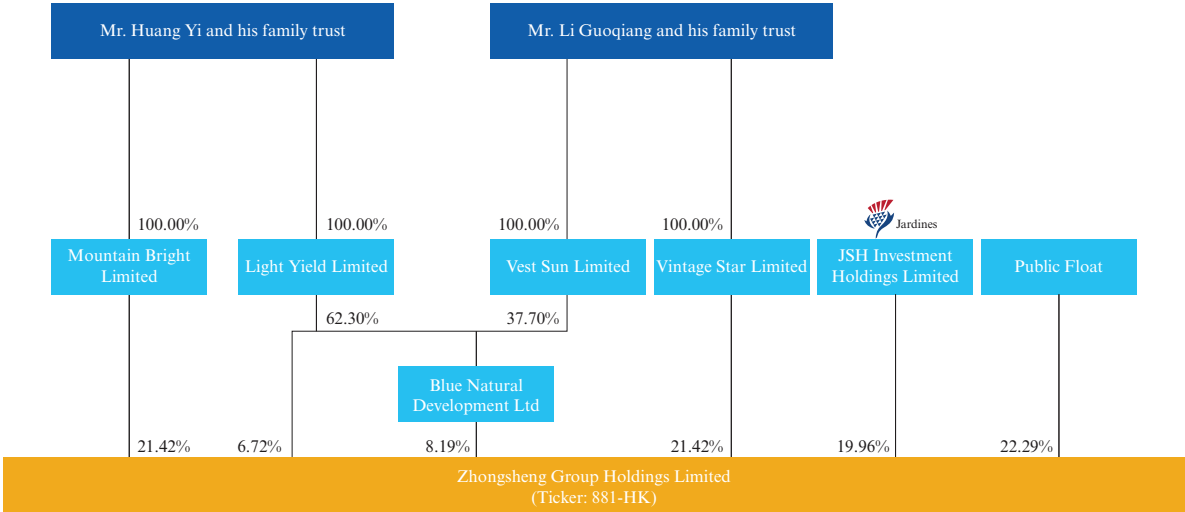
Enlarging our employee talent pool to support our continued growth

Our employees are critical to our success. We have invested, and intend to continue to invest, substantially in our employees in order to recruit, integrate and retain the best personnel for our businesses. We have a systematic approach to recruit talents to suit our business development needs. For example, we have formed and will maintain and enhance our strategic relationship with local education institutes to ensure our continued access to highly-skilled automotive engineers and technicians. We will also continue to regularly review and improve our training programmes for multiple levels of our employees, from senior management teams to our trainee managers and newly recruited sales and service personnel, to improve our employees' productivity and service quality. Furthermore, we have established and will continue to promote our KPI-driven corporate culture

with a clear career and promotion system to motivate our employees. Our employees are provided with rotation opportunities both cross-stores and cross-functions to develop their skills and their own career path with us.

Our structure

The following chart presents the corporate structure of the Group and the shareholding of the Group as at 30 June 2020.



Our business

Our 4S Dealership Network

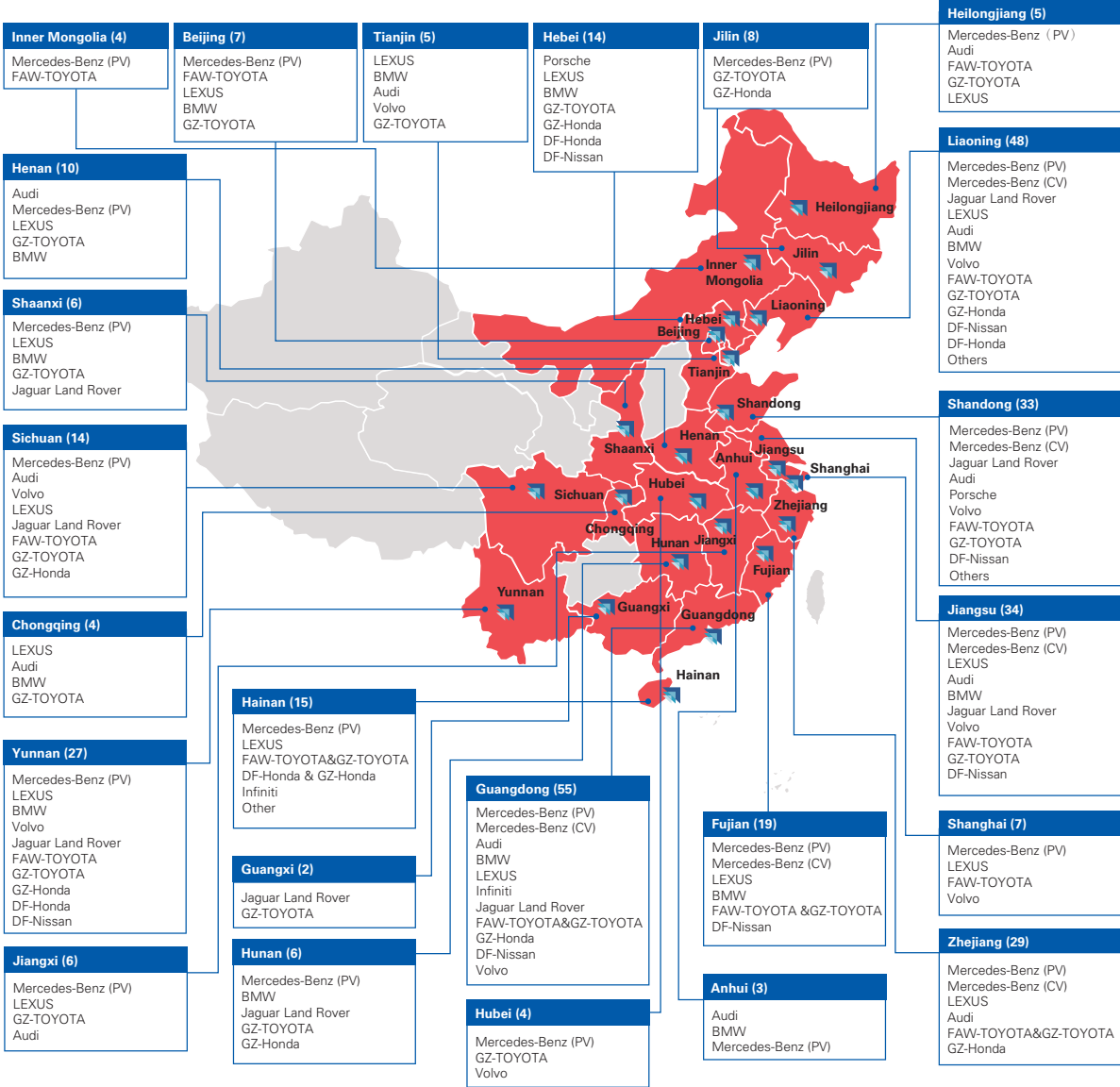
We are one of the leading national automobile dealership groups in the PRC. We have a strong presence of 4S dealerships in cities with relatively high net worth populations in the northeastern, northern, eastern, central, southern, southwestern and northwestern regions of China. The total number of our 4S dealerships in operation has grown from 47 as at 31 December 2009 to 365 as at 30 June 2020.

The following table sets out certain information with respect to our 4S dealership network as at the date indicated:

	As at 31 December						As at 30
	2014	2015	2016	2017	2018	2019	June 2020
Number of 4S dealerships	191	213	251	286	318	360	365

The following map illustrates the geographic coverage of our 4S dealership network as at 30 June 2020.

Regions where the Group has presence



As at 30 June 2020, our 4S dealership network included 365 4S dealerships in operation in 24 provincial regions, covering over 90 cities in China, among which 246 were for our five targeted brands, which comprised of 93 dealerships for Toyota, 54 for Mercedes-Benz, 45 for Lexus, 30 for Audi and 24 for BMW.

In terms of geographical coverage, 77 of the dealerships in our 4S dealership network are located in the northeastern and northern regions, including Liaoning Province, Jilin Province, Heilongjiang Province, Inner Mongolia Province, Beijing Municipality and Tianjin Municipality; 146 dealerships are located in the eastern and central China regions, including Shandong Province, Jiangsu Province, Zhejiang Province, Anhui Province, Jiangxi Province, Henan Province, Hebei Province, Hubei Province, Hunan Province and Shanghai Municipality; 89 dealerships are located in the southern region, including Fujian Province, Hainan Province, and Guangdong Province; 53 dealerships are located in the southwestern and northwestern inland regions, including Yunnan Province, Shaanxi Province, Sichuan Province, Guangxi Province and Chongqing Municipality.

Through our 4S dealerships, we offer customers a comprehensive range of new automobiles, after-sales products and services as well as a wide array of services in connection with second hand automobiles, insurance and finance in our 4S dealerships to our customers. In addition to our new automobile sales business, our after-sales businesses offer spare parts, automobile accessories, repair and maintenance services, detailing services, and other automobile-related products and services. For details on other automobile-related services we offer, please see “Other automobile related businesses” below.

Our 4S Dealerships

Our 4S dealerships integrate the four standard automobile-related business elements initiated by “S”: sales, spare parts, service and survey. Through our 4S dealerships, we sell new automobiles of a single automobile brand, provide after-sales services and engage in a variety of other automobile-related businesses, such as: (i) second hand automobile business; (ii) automobile lease business; (iii) automobile insurance service and finance service business; and (iv) automobile licensing services, in selected 4S dealerships.

The operations of each of our 4S dealerships are governed by a dealership agreement with the relevant automobile manufacturer. Each of our 4S dealerships is operated by a member or members of the Group, with each 4S dealership selling only one brand of automobile and typically only permitted to operate at a single point of sale. These agreements are non-exclusive, must generally be renewed periodically and typically have a term which expires at the end of the next year after the execution of these agreements. The automobile manufacturers have the right to terminate our dealership agreements with prior written notice for a variety of reasons, including failure to rectify performance deficiencies and unapproved changes in ownership or management structure that affect our ability to meet our contractual obligations. As at the date of this Offering Circular, all of our dealership agreements had been renewed or are in the process of being renewed with the relevant automobile manufacturers. During the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, none of our dealership agreements was terminated by the automobile manufacturers, nor did any automobile manufacturer refuse to renew dealership agreements governing our 4S dealerships.

The time required for our newly established or acquired 4S dealerships to reach a steady level of revenue and profit comparable with those of our existing dealership network depends on many factors, including but not limited to, the popularity of brand it offers among the local customers, the level of competitiveness in the local market, the affluence level in the region, and the experience of management team of the dealership. In general, such required time takes about three years.

Salient terms of our automobile dealership agreements

The following terms are typical in most of our existing dealership agreements. These terms set out our general rights and obligations under the dealership arrangements.

- We agree to permit the relevant automobile manufacturer to conduct on-site performance assessments periodically.
- We are generally required to follow annual sales plans that are set by the automobile manufacturers, and our dealership agreements typically provide minimum purchase or sales requirements.
- We are typically entitled to use the trade names, trademarks and other branding matters in a manner consistent with the standards set by the relevant automobile manufacturer to promote the brand awareness of automobiles we sell through our 4S dealerships.
- The automobile manufacturers may specify the geographical limitation within which our 4S dealership must operate, as well as recommend price guidelines for new automobiles. Our dealership agreements typically allow the relevant automobile manufacturers to adjust the geographical limitation within which a particular 4S dealership may operate. We also have flexibility in adjusting the selling price notwithstanding the price guidelines from the automobile manufacturers.
- We are generally prohibited from knowingly selling automobiles to any customers whose intention is to resell or export automobiles outside the PRC.
- We are prohibited from retailing more than one brand of new automobile in any of our 4S dealerships. We are not required to register our dealership agreements with any relevant authorities.
- We take ownership of the automobiles from the automobile manufacturers upon delivery of the automobiles.
- The automobile manufacturers usually engage logistic companies to deliver automobiles to designated locations. The automobile manufacturers usually bear all the transportation costs and insurance fees incurred during such process.
- The automobile manufacturers have rights to conduct inspection of and site-visits to our 4S dealerships to appraise the performance of our 4S dealerships and their compliance with the dealership agreements.

Dealership agreements usually have a term which expires at the end of the next year after execution of the agreements. The automobile manufacturers have the right to terminate our dealership agreements with prior written notice for a variety of reasons, including failure to rectify performance deficiencies and changes in ownership or management structure that affect our ability to meet our contractual obligations without their prior consent. In addition, our 4S dealerships are also required to satisfy certain procedural requirements and obtain certain permits, licences and approvals from relevant PRC Government authorities. Depending on the location of each 4S dealership, these could include archival filing with MOFCOM for new automobile sales, archival filing with SAIC for new automobile sales, project initiation approvals from the Ministry of Transport, road transport licences from the relevant provincial counterpart of the Ministry of Transport for repair and maintenance or licences for concurrent insurance agency. All of the permits, licences and approvals required by the Group are subject to different renewal and validity conditions depending on the location of particular 4S dealerships and the businesses engaged in by that 4S dealership.

Our “One-stop Automobile Shop” Business Model

Through our “one-stop automobile shop” business model, we offer our customers new automobiles and after-sales services. Our new automobile sales business retails luxury and mid-to-high end brand automobiles. Our after-sales businesses offer spare parts, provide repair, maintenance and detailing services, and retail automobile accessories.

The table below sets forth the percentages of revenue and gross profit attributed to our new automobile sales business and our after-sales and accessories business for the years indicated.

	Year ended 31 December						Six months ended 30 June			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB billion, except percentages)									
Revenue:										
— New automobile sales business	74.7	86.6	93.2	86.5	106.2	85.6	49.5	86.2	49.8	85.5
— After-sales and accessories business	11.6	13.4	14.5	13.5	17.8	14.4	7.9	13.8	8.4	14.5
Total	<u>86.3</u>	<u>100.0</u>	<u>107.7</u>	<u>100.0</u>	<u>124</u>	<u>100.0</u>	<u>57.4</u>	<u>100.0</u>	<u>58.2</u>	<u>100.0</u>
Gross profit:										
— New automobile sales business	3.0	34.7	2.9	28.8	2.9	25.1	1.3	25.0	1.5	27.6
— After-sales and accessories business	5.7	65.3	7.1	71.2	8.6	74.9	3.9	75.0	3.9	72.4
Total	<u>8.7</u>	<u>100.0</u>	<u>10.0</u>	<u>100.0</u>	<u>11.5</u>	<u>100.0</u>	<u>5.2</u>	<u>100.0</u>	<u>5.4</u>	<u>100.0</u>

New automobile sales

We generate the majority of our revenue from the sale of new automobiles. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, revenue from new automobile sales accounted for approximately 86.6%, 86.5%, 85.6%, 86.2% and 85.5% of our total revenue, respectively. We have dealership agreements to operate our 4S dealerships for a diversified portfolio of automobile brands, consisting of luxury automobile brands such as Mercedes-Benz, Lexus, Audi, BMW, Jaguar Land Rover, Porsche and Volvo, and mid-to-high end automobile brands such as Toyota, Nissan and Honda. The automobiles we retail through our 4S dealerships include both imported automobiles and automobiles produced domestically by the automobile manufacturers and/or their PRC joint venture corporations. For the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, Mercedes-Benz is our largest automobile brand in terms of sales, and revenue from Mercedes-Benz automobiles accounted for approximately 30.6%, 29.7%, 29.3%, 30.7% and 30.8% of our revenue from new automobile sales, respectively. In 2019, we achieved a new automobile sales volume of 455,705 units, 228,020 of which are for luxury brands that account for 50.04% of our total sales volume, representing an increase over 2018 with the continuous optimisation of our product structure.

As a common market practice, the automobile manufacturers often provide us with volume-based rebates, which are generally determined with reference to the units of new automobiles purchased, and are adjusted based on our satisfaction of certain targets set by the relevant automobile manufacturers, including sales targets, customer satisfaction indices and dealership presentation standards. Our dealership agreements with the automobile manufacturers often include volume-based rebates, which are decided with reference to the units of new automobiles purchased and adjusted based on our satisfaction of certain targets set by the relevant automobile manufacturers, including sales targets, customer satisfaction indices and dealership presentation standards. The automobile manufacturers will settle the rebates with us from time to time taking into

account the above factors by deducting the price payable by the Group in the subsequent purchases placed by the Group. For more information, see “*Risk Factors — Risks relating to our business — There can be no assurance that we will continue to receive rebates from the automobile manufacturers*”.

After-sales businesses

Our after-sales businesses provide a wide range of services and products to our customers including repair, maintenance, detailing services and automobile accessories. After-sales businesses set high service standards, and focus on providing quality customer-oriented services to satisfy our customers’ needs. Services under warranties are included in the after-sales businesses. The target markets for our after-sales businesses are large and growing strongly, driven by our rapidly expanding customer base as the number of automobile owners continues to increase.

In addition, the profit margins for our after-sales businesses are generally significantly higher than the profit margin for our new automobile sales business. For the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, we achieved gross profit margin of 4.0%, 3.1%, 2.7%, 2.7% and 3.0% for our new automobile sales business, compared with gross profit margin of 48.9%, 48.7%, 48.2%, 49.0% and 46.5% for our after-sales and accessories business segment, respectively. As a result, a relatively mature 4S dealership, in terms of operating history, is expected to have a large portion of profits derived from after-sales businesses.

As a result of its recurrent business nature, the revenue and income from after-sales businesses are steadier compared with those derived from the new automobile sales. In addition, after-sales businesses require relatively less working capital to operate. Such inventories can be procured on credit terms that vary from product to product.

The primary customers for our after-sales businesses are those who purchase new automobiles from our 4S dealerships. The after-sales businesses may also bring new automobile sales business. A 4S dealership with quality after-sales service and high customer satisfaction will not only retain existing customers, but also attract more new customers for new automobile sales and after-sale businesses. We have and will continue to adopt various marketing campaigns, including without limitation, one-on-one client surveys, major client visits, automobile club activities and client referral programmes, to identify and procure potential customers of after-sales businesses.

The following is a detailed description of the types of after-sales businesses we operate during the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020.

Repair, maintenance and detailing services

Repair, maintenance and detailing services are an integral part of our “one-stop automobile shop” service offerings. We provide repair and maintenance services under warranties and we are subject to the terms of sale to our customers, who purchase new automobiles through our 4S dealerships. The automobile manufacturers set the price we charge our customers for providing repair and maintenance services under warranties, and we derive gross profit from the difference between the fee charged and the cost of providing such services.

We also provide repair, maintenance and detailing services to the general public. We use spare parts, accessories and tools primarily produced by the relevant automobile manufacturers and/or other independent suppliers.

Services under warranty

According to The Regulations on Liability for Repair, Replacement and Return of Household Automotive Products (家用汽車產品修理、更換、退貨責任規定), which took effect on 1 October 2013, the warranty period for automobiles shall not be less than the earlier of three years or 60,000 kilometres, commencing from the date on which the seller issues the invoice of the sale of the automobile. In relation to components such as the battery and expendable parts including oil, fuel and air-conditioner filters, brake pads and spark plugs, the warranty period is typically six to 12 months. The product warranty is only valid within the PRC. The automobile manufacturers typically do not pay for repair of component claims not covered by the relevant warranty and for damage caused by wear-and-tear or normal usage, such as punctured tyres and broken glass.

Automobile recalls

We also assist in automobile recalls conducted by the automobile manufacturers. It is sometimes necessary for automobile manufacturers to conduct automobile recalls to minimise the risks to consumers in the event of defects and in turn minimise the potential damage to their brand image. In such case, the Group typically rectifies the defect according to the relevant automobile manufacturer's instructions, rather than returning the entire automobile to the automobile manufacturer. Although each automobile manufacturer conducts recalls differently, typically, in the event of a recall campaign, the automobile manufacturer notifies us prior to the commencement of the campaign, and provides us with various documents including repair instructions and the automobile manufacturer's responses to customers' frequently asked questions. Using our database of customer records, we contact the relevant customers and request them to bring their automobiles to our 4S dealerships for inspection and repair where necessary. The automobile manufacturers also provide information to the public about the recall campaign via additional channels, such as press releases, telephone hotlines and websites. In certain situations where the time required to complete the repairs may be longer, we also provide substitute automobiles to our customers and/or a door-to-door delivery service. We maintain records of all relevant correspondence with our customers, and provide regular updates to the automobile manufacturer regarding the recall campaign. Work done in connection with a recall campaign is not charged to the customer but to the automobile manufacturer, using claim or reimbursement forms provided by the automobile manufacturer.

During the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, automobile manufacturers conducted automobile recalls for a number of their automobile models that we sold, including Mercedes-Benz, Lexus, Toyota and Honda. We are not liable for any damages caused by the automobiles under the recalls. We will provide assistance for automobile recalls conducted by the automobile manufacturers and charge fees for our services. Any work done in connection with the recalls is not charged to the customer but to the automobile manufacturer, using claim or reimbursement forms provided by the automobile manufacturer.

Automobile accessories

We have accumulated significant experience in this area by leveraging on our existing resources including our operational experience, highly trained service teams and extensive market knowledge. The automobile accessories we retail include GPS systems, audio and video equipment, decals, seat covers, floor mats, maintenance products for engine, handling and braking products, tyres, waxes and polishes. An automobile accessories division has been established in each of our 4S dealerships, comprising dedicated sales personnel and automotive engineers and technicians. Our automobile accessories are displayed both in dedicated showrooms in the 4S dealerships, and in the new automobiles exhibited in our 4S dealerships. We believe the increasing demand for automobile

styling and automobile care products, together with our large customer base derived from our new automobile sales business, will provide significant growth potential for our automobile accessories business.

We may be required to provide warranty with respect to automobile sales and after-sales services so as to protect the legitimate rights and interests of consumers. Under applicable PRC laws, we are required to provide a service warranty for the repair services that we perform. The warranty period commences from the date on which the repaired automobile leaves our store. Under the relevant PRC laws and regulations, automobile repairs are divided into several categories and the mandatory warranty period for each repair varies from the shorter of 10 days or 2,000 kilometres (in the case of basic repairs) to the shorter of 100 days or 20,000 kilometres (in the case of major repairs).

Other value-added businesses

Automobile rental services. In addition to automobile sales, certain of our 4S dealerships provide automobile rental services to customers. We intend to leverage the synergies between our automobile rental services, automobile sales and after-sales services to facilitate cross-selling among these business segments and to enhance our profit structure.

Used automobile sales business. We trade used automobiles through our 4S dealerships, and a substantial number of used automobiles we trade are sourced from our customers. Our used automobile sales business has provided an additional source for our after-sales business.

Automobile insurance service and finance service business. Automobile insurance agency services refer to the arrangement with independent insurance companies, pursuant to which employees of our 4S dealerships will promote the automobile-related insurances provided by such automobile insurance company to our customers at our premises and receive commission from the relevant insurance company. Automobile finance agency related services refer to the arrangement with independent financing entities, pursuant to which employees of our 4S dealerships will promote automobile financing products (for instance, instalment loans) provided by the financing entity to our customers at our premises and help process the application documents for the financing entities. In return, such financing entity will pay us service fee.

These types of services are either commission based or agency services, which do not require large amount of capital to operate. The costs of these types of services are generally labour costs for employees required and costs for necessary equipment. Accordingly, the cash flow generated from daily operation of the 4S dealerships are sufficient to carry out these types of services.

According to our PRC legal advisers, Commerce & Finance Law Office, each 4S dealership conducting automobile insurance agency services is required to obtain licences according to the Regulations on Administration of Concurrent-Business Insurance Agents (保險兼業代理管理暫行辦法) promulgated by the China Insurance Regulatory Commission. Several of the 4S dealerships in the Group have operated automobile insurance service business during the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, and all of them have either received or are in the process of applying for proper licences and registrations required to conduct these businesses. There are no regulatory approvals needed or licences required for automobile finance agency related services as currently conducted in certain 4S dealerships of the Group.

For the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, we recorded commission income of RMB1,788.6 million, RMB2,404.4 million, RMB2,885.2 million, RMB1,209.7 million and RMB1,306.5 million for our value-added services,

including used automobile sales business and automobile insurance service and finance service business. We have achieved growth in our commission income with a CAGR of 27.0% for the three years ended 31 December 2017, 2018 and 2019. As at 30 June 2020, our market penetration rate for automobile finance reached 58%.

Suppliers and Procurement

Suppliers

Our purchases include new automobiles, spare parts and automobile accessories. For the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, our costs incurred in relation to new automobile sales were approximately RMB71,684.6 million, RMB90,359.8 million, RMB103,311.6 million, RMB48,169.4 million and RMB48,294.3 million, respectively, representing approximately 92.4%, 92.4%, 91.8%, 92.3% and 91.5% of our total costs of sales and services, respectively.

Our top five suppliers are automobile manufacturers which supply us new automobiles and spare parts. For the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, purchases from our top five suppliers accounted for approximately 78.0%, 69.5%, 68.9%, 66.7% and 71.6% of our total purchases, respectively. For the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, purchases from our top supplier accounted for approximately 32.5%, 26.8%, 26.4%, 27.5% and 24.0% of our total purchases, respectively.

All of our top five suppliers are independent third parties.

New automobiles

We procure new automobiles directly from automobile manufacturers. The automobile manufacturers set annual non-binding supply quotas of new automobiles for each of their associated 4S dealerships as part of the annual sales plans. These quotas are determined after consideration of a variety of factors, including the automobile manufacturer's own annual production plans and the previous purchase orders and track record of the relevant 4S dealership and may be changed at the automobile manufacturers' discretion. Inventory is managed on a rolling monthly basis with supplies of new automobiles delivered monthly, based on our management's expectations of sales performance at the relevant 4S dealership.

Logistical and financing arrangements

New automobiles are delivered to us regularly, on the basis of orders placed by each of our 4S dealerships. The automobile manufacturers, who are Independent Third Parties, are responsible for the transportation of the new automobiles and bear the associated costs, such as insurance and logistical expenses, until they reach our 4S dealerships or warehouses and are in our custody. Title and risk of the new automobiles are transferred to us at our 4S dealerships or warehouses. In line with industry practice, the automobile manufacturers often require us to make full payment of the purchase price before delivery of the new automobiles to us.

To encourage an increase of purchase orders and sales, financing companies of certain automobile manufacturers extend short-term credit facilities including loans to us to purchase new automobiles. The purchase price is generally financed in full by the automobile manufacturer's automobile financing companies with an interest-free period up to 90 days. For automobiles we have purchased by utilising the loan from the automobile manufacturer's automobile financing

companies, the automobile financing companies will pay the balance of the purchase prices to the automobile manufacturers and thus become our lenders. Accordingly, title and risk of the new automobiles are still transferred to us at our 4S dealership or warehouses upon delivery. We will then repay the loan to our lenders pursuant to the financing arrangements.

All of the automobiles that we sell are purchased in the PRC, regardless of whether they are imported or manufactured locally. Since we do not import automobiles from overseas directly, we are not required to pay any import or custom duties or tariffs for our automobiles. The lead time required for delivery of the new automobiles we sell ranges from two to three weeks to, in extreme cases, four months, depending on whether the automobiles are manufactured in China or overseas. We have not been involved in the parallel import of automobiles into the PRC.

Spare parts and automobile accessories

We source our spare parts, automobile accessories and other automobile-related products from the automobile manufacturers and independent suppliers. Typically, we primarily source spare parts from the automobile manufacturers, and automobile accessories from independent suppliers. Title to spare parts and automobile accessories passes to us upon delivery. Due to the size of our dealership network, we are well-positioned to negotiate for a favourable pricing with our independent suppliers of automobile accessories.

We are entitled to return automobiles, spare parts and automobile accessories with manufacturing defects to the suppliers. If the defects were caused during transport, we will usually claim damages from the logistics and transport companies. From 2017 to the six months ended 30 June 2020, we had no significant purchase returns for automobiles, spare parts or automobile accessories.

Inventory management

We actively manage and maintain our inventories to ensure cost-efficiency, quality control and the timely distribution and sales of new automobiles, spare parts and automobile accessories. Our senior management is actively involved in setting inventory standards, and is continually seeking ways to further improve our inventory control.

We monitor our inventory at each of our 4S dealerships to maintain a reasonable level of inventory turnover. We also maintain an advanced database, which enables us to monitor and manage our inventory turnover of each 4S dealership in a real-time manner for new automobiles, spare parts and automobile accessories. Our average inventory turnover days were 29.8 days, 31.2 days, 30.4 days, 32.0 days and 29.7 days as at 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively. We strive to maintain optimal inventory levels to meet customer demand while managing our working capital requirements to finance our inventories.

In addition, we utilise our aggregate ordering and procuring power with an aim to obtain competitive pricing from suppliers of spare parts and automobile accessories. Through the Group's general budget plan and resources allocation, we are able to adjust the automobile quotas to some extent to improve mix of automobile inventory for our 4S dealerships. Automobile quota refers to the number of different types of automobile assigned by the automobile manufacturers in a given period of time. Usually the automobile manufacturers will set quota for certain types of automobiles, especially when the market demand for such types of automobile is large.

Marketing and promotional activities

We utilise a variety of methods to promote our Zhongsheng brand image, our 4S dealerships and the products and services we offer through our “one-stop automobile shop” business model to our customers.

Our marketing campaigns are organised at two levels, our headquarters in Dalian City and each of our 4S dealerships. Our headquarters is responsible for coordinating regional marketing campaigns, and supervises the local marketing campaigns conducted by each of our 4S dealerships. We advertise through outdoor advertisements, distributions of marketing materials at our 4S dealerships, radio commercials and Internet advertisements.

Through regular training, our automobile sales personnel have developed in-depth knowledge of the latest market trends and models and strong communication skills.

Our advertisement and promotion expenses were approximately RMB722.8 million, RMB764.0 million, RMB943.4 million, RMB334.0 million and RMB367.2 million, respectively, for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020.

Customer service

We place a high priority on providing our customers with consistent, high-quality customer service and support. Our corporate motto is “Zhongsheng — Lifetime Partner”, and it is central to our corporate culture. We believe that providing high-quality service to each of our customers is the key to building long-lasting customer relationships, and to attracting new customers for each of the businesses offered through our “one-stop automobile shop” business model. In line with this core principle, we provide systematic training courses to our customer-facing employees such as our sales personnel to achieve high customer satisfaction rankings.

Customer relationship management

We have adopted a customer relationship management system through our centralised ERP system which stores our customers’ information. Such system enables us to facilitate our interaction with and services to our customers. In addition, we assign customer relationship managers to our customers. We provide our customer relationship managers access to our database of customer records which tracks his or her consumption patterns and preferences for our products and services so that our customer relationship managers may understand their needs better and tailor a customised service strategy for each individual customer.

24-hour hotline and roadside assistance

We provide a 24-hour hotline to answer customer enquiries. We also provide 24-hour roadside assistance services to our customers, including automobile towing service.

Other initiatives

We organise other initiatives for our customers, including seminars such as basic repair and maintenance workshops, and social events including musical concerts and sporting events. We invite our customers to the launch of new models of automobiles. As a result of our customer-focused philosophy, our Group consistently ranked second among the Top 100 Automobile Dealers in China published by CADA for 2017, 2018, 2019 and 2020, and ranked first in terms of comprehensive profitability for 2018, 2019 and 2020. With our dedication and commitment to serve customers with

strong operational capability, in 2018, we were recognised as the National Outstanding Leadership by Dalian Lexus and Wuxi Lexus; in 2019, we had been named and awarded as the Best General Manager in Eastern China by BMW in Nanjing, the Best General Manager by Mercedes-Benz in Shanghai, Suzhou, Wuxi and Nanjing, the Best General Manager with the largest market share by Mercedes-Benz in Wuhan, and the Best Dealership and Best Market Development by Audi in Taizhou. In 2020, we were once again selected as one of the Fortune China 500, an international authoritative ranking, and ranked 82nd on the list. In addition, we were granted the “2019 Operational Excellence Group Award” by the CADA and with a total profit before tax of RMB5.201 billion in 2018, was selected as one of the Top 100 Listed Companies in China for 2019 for the first time.

Customers

Due to the retail nature of our business, we do not have one single major customer and cannot readily identify our top five customers. Our target customers are consumers residing in China’s rapidly developing cities, who are likely to purchase luxury or mid-to-high end brand automobiles and who we expect to have a high automobile usage.

Information Technology

Most of our dealerships are required to use the designated information technology systems developed and provided by various automobile manufacturers, which apply to all dealerships authorised by the same automobile manufacturer. We have developed a centralised ERP system to control our business operations, manage our customer relationships and improve efficiency in procurement, sales, inventory management, financial management and other administrative functions. We also use our information technology systems to identify fast and slow-selling automobile models or spare parts, accessories or other automobile-related products, analyse the sales trends of different products in different regions based on the historical data of purchase orders and sales data, and improve the mix of products and services offered at each of our 4S dealerships. Our efficient information technology systems have guided our business decision making, significantly improved our ordering, inventory and logistics management as well as financial and cash management, and helped us minimise the costs of maintaining inventory and improve our overall sales performance. We will continue to upgrade our information technology systems on an ongoing basis as necessary.

Employees

Employees

Our success is closely linked to the implementation of our growth strategies by our experienced, dedicated and innovative employees. We are committed to recruiting, training and retaining adequately skilled and experienced people throughout our operations to serve our customers better. We intend to do so through offering attractive remuneration packages, including discretionary bonuses and our Share Option Scheme, as well as by placing an emphasis on employee training and career development.

As at 30 June 2020, the Group had a total of 31,803 full-time employees. We are required under PRC laws and regulations to make mandatory contributions to various employee benefit plans that are organised by the government, including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund for those employees who are eligible for these benefits. We consider that we have sound relations with our

employees. We have not experienced any strikes, work stoppages or significant labour disputes and we have not experienced any significant difficulties in recruiting or retaining qualified staff during the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020.

Remuneration

We provide competitive compensation packages and benefits and offer attractive promotion opportunities to retain our key employees and attract talented individuals. We review the performance of our employees on a regular basis. The results of these reviews are used for salary and promotion appraisals. Our key employees are considered for annual incentive payments based on various performance criteria and their assessment results. Our sales personnel are considered for bonuses based on various performance criteria, including whether their individual sales target has been met and customer feedback on the quality of their service. We review our staff remuneration packages from time to time. Moreover, our rapid business growth has enabled us to offer our employees plenty of room for growth and promotion opportunities. As our 4S dealership network expands, more talented employees are able to step into management positions at new 4S dealerships.

Training

Our employees are critical to our success. We have invested, and intend to continue to invest substantially in our employees in order to recruit, assimilate and retain the best personnel for our business. We will also regularly review and improve the training programmes for our trainee managers and sales personnel, as well as maintain and deepen our relationships with the automobile manufacturers and local educational institutions in order to ensure our continued access to highly-skilled automotive engineers and technicians.

We have a deep bench of high-calibre store managers. We have devised and successfully implemented an in-house programme to train and develop our store managers, who are crucial to the success of our 4S dealerships. Many of our store managers have completed a training programme at our best-performing 4S dealerships. We also rotate each trainee manager to different positions in a 4S dealership, including deputy-store manager, sales director, service director and finance director, to ensure that our store managers are familiar with all operational aspects of a 4S dealership.

We provide systematic training courses to our customer-facing employees such as our sales personnel, and motivate our employees by granting bonuses and awards to encourage our 4S dealerships to achieve high customer satisfaction rankings.

We work together with the automobile manufacturers and local educational institutions to train automotive engineers and technicians. For instance, we draw engineering talent from Toyota's numerous automotive training schools in China. We have also participated in a joint initiative with Dalian Vocational Technical College, where we provide financial support and assist with the curriculum design for automotive engineering classes.

We are also able to achieve a high rate of retention for our employees in the face of intense competition for human resources, as our corporate policy is to promote capable personnel from within the Group's operations, thus motivating our employees. Further, our large scale of operations enables us to offer our employees a variety of opportunities to work with different automobile brands in several regions in China, as well as several other incentives and competitive remuneration packages.

Safety

The Group's dedicated safety council, led by three of the Group's Executive Directors, analyses, directs and coordinates safety procedures and plans in the short, medium and long-term, for our entire Group. Each of our subsidiaries has established a safety committee and appointed safety representatives or supervisors to report to the safety council, which meets four times a year.

The Group's safety inquiry commission, also led by three of the Group's Executive Directors, conducts bi-annual surveys of the Group's operations to identify potential safety or occupational hazards.

The Group's emergency incident commission is responsible for directing rescue operations in the event of an accident. The emergency incident commission is also in charge of providing detailed reports and recommendations for improvement.

We have also issued detailed safety regulations which emphasise the importance of safety education and training for all employees, and strict compliance with applicable PRC safety laws, rules, regulations and standards. Our safety regulations provide guidance on a variety of matters, and authorise the suspension of operations in the event of a serious incident. Our 4S dealerships are in compliance with applicable safety laws and regulations, and the Group has not experienced any material safety accidents at our 4S dealership during the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020.

Competition

The PRC automobile dealership industry is highly fragmented and competitive. In addition, with China's accession to the World Trade Organization in November 2001, it has become easier for foreign entities to enter and compete in the PRC automobile dealership industry. The Group was consistently ranked second among the Top 100 Automobile Dealers in China published by CADA for 2017, 2018, 2019 and 2020. In view of the increasing number of dealerships, we expect that the competition we face will be increasingly intense. We compete against other dealership groups primarily on the following bases: dealership authorisation rights, store locations, capital, service, customers, after-sales services offered and human capital. We also compete with independent repair shops and auto parts retail centres in after-sales services and spare part sales. Our dealership business is also affected by competition among the automobile manufacturers and their brands in terms of quality, design and price.

We expect the increasingly competitive nature of the PRC automobile dealership industry to present acquisition opportunities as, among other factors, intensive capital requirements deter new entrants and force out weaker players. As a leading national automobile dealership group in the PRC with a well-established track record of acquiring 4S dealerships and quickly and significantly improving the performance of such acquired 4S dealerships, we believe we are well-positioned to take advantage of such opportunities to expand our business and consolidate our leadership position further.

Intellectual Property Rights

Under a typical dealership agreement, we are entitled to use an automobile manufacturer's trade names, trademarks and other branding material in our promotional activities provided it is in a manner consistent with the standards set by the automobile manufacturer. We have also obtained our trademark registration of "Zhongsheng" (中升) for carrying out our business. As at 31 December 2019, we had no material patents. In order to defend our intellectual property rights and the

intellectual rights that we are licensed to use, we monitor whether there is any infringement of our brand by regularly conducting internet searches, including searches of the websites of the administration and industry commerce authorities.

Insurance coverage

We carry insurance covering risks including loss and theft of, and damage to, property (such as our fixed assets and inventories in all of our 4S dealerships). We believe that our insurance coverage is adequate for our operations and as at the date of this Offering Circular, we had not made nor been the subject of any material insurance claims. For more information, please see “*Risk Factors — Risks relating to our business — Our insurance coverage may be inadequate to protect us from all potential losses*”.

Legal proceedings and regulatory compliance

To the best of the knowledge of our Directors, there are no current litigation or arbitration proceedings or any pending or threatened litigation or arbitration proceedings against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations. However, we may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business.

Our PRC legal advisers, Commerce & Finance Law Office, has advised us that, the material PRC subsidiaries have obtained requisite licences, approvals and permits from the relevant government authorities that are material and necessary for our business operations in China.

DIRECTORS AND MANAGEMENT

Board of Directors

The board of directors of the Issuer at the date of this Offering Circular comprises of:

<u>Name</u>	<u>Title</u>
HUANG Yi	Chairman and Executive Director
LI Guoqiang	President, Executive Director and Chief Executive Officer
DU Qingshan	Executive Director
ZHANG Zhicheng	Executive Director
LI Guohui	Executive Director
TANG Xianfeng	Executive Director
NEWBIGGING David Alexander .	Non-executive Director
HSU David	Non-executive Director
SHEN Jinjun	Independent Non-executive Director
CHIN Siu Wa Alfred	Independent Non-executive Director
YING Wei	Independent Non-executive Director
LI Yanwei	Independent Non-executive Director

Executive Directors

HUANG Yi (黃毅), aged 58, is our Chairman and Executive Director. Mr. Huang is one of the two founders, and has been the Chairman of the Group since its inception in 1998.

He is responsible for the strategic management of the Group and for formulating our overall corporate direction and focus.

The Group is the largest luxury car dealer in China, ranking 82nd in the “Fortune China 500 Companies” in 2020. The Group’s brand portfolio covers luxury brands such as Mercedes-Benz, Lexus, Audi, BMW, Volvo, Jaguar Land Rover, as well as mid-to-high-end brands such as Toyota, Nissan and Honda. The Group is a Hong Kong listed company and is currently the auto dealer group with the largest market value in the world.

Prior to founding the Group, Mr. Huang was a director and deputy general manager at China Resources Machinery Co., Ltd. (“**China Resources Machinery**”), a state-owned enterprise engaged in importing and exporting automobiles and other machinery. Mr. Huang held numerous management positions in business administration, product procurement and sales operations in China Resources Machinery during his tenure between 1984 and 1994. In 1994, Mr. Huang joined China Automobile

Company Limited (“**China Automobile**”) as a director. In 1996, Mr. Huang invested in, and became a shareholder of, China Automobile. China Automobile, currently known as Hokuryo Holdings Company Limited, is presently an indirect wholly-owned subsidiary of the Group.

Mr. Huang has served as the president of the first and second sessions of Mercedes-Benz Dealer Association since November 2014, the president of the third and fourth sessions of Lexus China Dealer Advisory Council since 2013, as well as the president of the Advisory Council of GZ Toyota since 2012. Mr. Huang has substantial senior management experience and more than 32 years’ of experience and in-depth knowledge of the PRC automobile industry.

Mr. Huang received a Bachelor’s degree in Economics from Xiamen University in 1983.

LI Guoqiang (李國強), aged 56, is the other founder of the Group, and has been serving as the Group’s Chief Executive Officer and President since 1998 and as an Executive Director since 23 June 2008. He is also a director of the various companies in the Group. Mr. Li is responsible for the overall management and operations of the Group. Mr. Li has served as deputy chairman for the China Automobile Dealers Association (“CADA”) since December 2009. In 1995, Mr. Li founded Dalian Aotong Automobile Repair & Assembly Factory (“**Aotong Repair & Assembly**”), a company engaged in automobile repair and maintenance services. Mr. Li served as the factory director and legal representative of Aotong Repair & Assembly, and he was responsible for its overall management and operations. From 1996 to 1998, Mr. Li served as the vice chairman of Dalian Toyota Maintenance & Service Co., Ltd. and general manager of Dalian Bonded Zone Toyota Automobile Sales Co., Ltd., and was responsible for the decisions of procurement and sales of automobiles as well as the management of the national distribution networks during his tenure. In 1998, Mr. Li founded Dalian Aotong Industry Co., Ltd. (“**Aotong Industry**”), a company engaged in distribution of automobiles. Aotong Industry is the predecessor of Zhongsheng (Dalian) Group Co., Ltd., which is presently a wholly-owned subsidiary of the Group. Mr. Li has substantial senior management experience and more than 31 years’ experience and in-depth knowledge of the PRC automobile industry. Mr. Li also received a Distinguished Lexus Dealer award in 2007 from Toyota Motor (China) Investment Co., Ltd., as part of the Lexus Certification Program.

DU Qingshan (杜青山), aged 58, has been serving as Deputy General Manager of the Group since 2007. Mr. Du has been an Executive Director since 23 June 2008. He is responsible for the financial planning, strategy and management of the Group, and oversees all the financial matters of the Group. Prior to joining the Group in 2007, Mr. Du was appointed by the State-owned Assets Supervision and Administration Commission of Dalian Municipal Government to serve as the chief financial officer of a large-scale state-owned enterprise, Dalian DHI.DCW Group Co., Ltd. (“**Dalian DHI.DCW**”) and was in charge of the general financial and accounting affairs of Dalian DHI.DCW. Mr. Du was primarily responsible for the financial operations of Dalian DHI.DCW, which contributed to his over 30 years’ experience in the areas of accountancy and finance. Mr. Du received a Bachelor’s degree in Economics from the Shanghai University of Finance and Economics in 1986 and a master’s degree in Business Administration from Dongbei University of Finance and Economics in 2002.

ZHANG Zhicheng (張志誠), aged 47, has been serving as Vice-president of the Group since July 2008 and Executive Director since 31 March 2014. Mr. Zhang joined the Group in 2003, and has held numerous management positions in several of the Group’s key operating subsidiaries, including Fuzhou Zhongsheng Toyota Automobile Sales Co., Ltd., Dalian Zhongsheng Lexus Automobile Sales & Services Co., Ltd. and Dalian Zhongsheng Toyota Automobile Sales & Services Co., Ltd., primarily responsible for implementing the strategic decisions of the Group and liaising with the automakers regarding developing the brand automobile sales business of the Group. Mr. Zhang currently oversees the sales and management of the Group’s brand automobile sales business. Mr.

Zhang has over 17 years' relevant experience and in-depth expertise in the China's automobile industry. Mr. Zhang received a master's degree in Business Administration from Dongbei University of Finance and Economics in 2003. Mr. Zhang also received Peak Performance General Manager awards in both 2006 and 2007 from Toyota Motor (China) Investment Co., Ltd., as part of the Lexus Certification Program.

LI Guohui (李國輝), aged 49, joined the Group in July 2019 and currently serves as an Executive Director and joint chief financial officer of the Group. Mr. Li has served as senior manager in investment, merger and acquisition/financial analysis of International Maritime Carriers Group in Singapore and Hong Kong and accounting director of finance department of China Resources (Group) Co., Ltd. Mr. Li has served as an executive director, the chief financial officer and the vice president of China Resources Pharmaceutical Group Limited (a company listed on the Stock Exchange, stock code: 03320), a non-executive director of Dong-E E-Jiao Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000423) and China Resources Double Crane Pharmaceutical Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600062) and a supervisor of Sanjiu Medical & Pharmaceutical Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000999). Mr. Li received a Master's degree in Financial Management from Nanyang Technological University in Singapore and a Master's degree in Business Administration from Wuhan University and obtained professional qualifications as a Chartered Financial Analyst qualified by the CFA Institute of Chartered Financial Analyst and a Certified Public Accountant (Singapore) qualified by the Singapore Institute of Chartered Accountants.

TANG Xianfeng (唐憲峰), aged 51, joined the Group in January 2014 and currently serves as an Executive Director and vice-president of the Group, primarily responsible for construction and development. Prior to joining the Group, Mr. Tang served as the vice-president of Dalian Huarui Heavy Industry Group Co., Ltd. from January 2012 to December 2013. In addition, Mr. Tang also served as a designer in the research institute, office vice-director, assistant to the head of reducer factory, vice-director of labour and personnel department and head of port machinery factory of Dalian Daqi Group from 1999 to 2003. Mr. Tang joined Dalian DHI.DCW in June 2003 and served as the executive vice head and head of Second Business Division, assistant to the general manager and vice general manager of the Group. Mr. Tang obtained a Bachelor's degree in lifting transportation and mechanical engineering from Taiyuan Heavy Machinery Institute in 1991 and obtained a master's degree in mechanical engineering from Wuhan University of Technology in 2006. Mr. Tang obtained the senior professional manager qualification and was qualified as professor and researcher level senior engineer.

Non-executive Directors

David Alexander NEWBIGGING (紐璧堅), aged 48, has been serving as a Non-executive Director since 1 October 2019. Mr. Newbigging is a director of Jardine Matheson Holdings Limited (a company which has a standard listing on the London Stock Exchange (the "LSE"), with secondary listings on the Bermuda Stock Exchange (the "BSX") and the Singapore Exchange (the "SGX") with stock codes JAR, JMHBD.BH and J36 respectively) since October 2017.

Mr. Newbigging was group managing director of Jardine Cycle & Carriage Limited (a company listed on SGX with stock code C07) from April 2012 to September 2019. He was also a vice chairman of Refrigeration Electrical Engineering Corporation (a company listed on the Ho Chi Minh City Stock Exchange with stock code REE) from March 2013 to May 2020, a director of Siam City Cement Public Company Limited (a company listed on The Stock Exchange of Thailand with stock code SCCC) from May 2015 to September 2019, a commissioner of PT Astra International Tbk (a

company listed on the Indonesia Stock Exchange (the “**IDX**”) with stock code ASII) from April 2012 to June 2020. and vice president commissioner of PT United Tractors Tbk (a company listed on IDX with stock code UNTR) from April 2013 to April 2017.

Mr. Newbigging graduated from the University of Edinburgh with a Master of Arts Degree in Mental Philosophy. He has also completed the General Management Programme at Harvard Business School and the Stanford Executive Programme at Stanford Graduate School of Business, as well as INSEAD’s AVIRA programme.

HSU David (許立慶), aged 62, has been serving as a Non-executive Director since 20 March 2019. Mr. Hsu joined the board of directors of Jardine Matheson Holdings Limited in 2016, having first joined the Jardine Matheson Group in 2011. He is chairman of Jardine Matheson (China) Limited, with responsibility for supporting the Jardine Matheson Group’s business developments in Chinese mainland, Taiwan and Macau. Mr. Hsu is also a director of Jardine Matheson Limited.

Mr. Hsu is a director of Jardine Matheson Holdings Limited (which has a standard listing on the LSE, with secondary listings on the BSX and the SGX with stock codes JAR, JMHBDBH and J36 respectively) since May 2016 and Jardine Strategic Holdings Limited (a company which has a standard listing on the LSE, with secondary listings on the BSX and the SGX with stock codes JDS, JSHBDBH and J37 respectively) since January 2014.

Mr. Hsu was a non-executive director of Greatview Aseptic Packaging Company Limited (a listed company on the Stock Exchange, stock code: 00468) from August 2017 to March 2020.

He was previously chief executive of J.P. Morgan Asset Management in the Asia Pacific Region supervising the asset management operation in Greater China (Hong Kong, China and Taiwan), Japan, Korea, Singapore, Australia and India. Mr. Hsu is a vice chairman of the China Committee of the Hong Kong General Chamber of Commerce, and chairman of the Advisory Committee of FTSE TWSE Taiwan Index Series. Mr. Hsu is a past chairman of the Taiwan Securities Investment Trust and Consulting Association, and a former vice chairman of the Taiwan Pension Association. Mr. Hsu graduated from the National Chiao Tung University with a bachelor’s degree (first class honours) in management in 1980 and obtained an MBA degree from the National Cheng Chih University in Taiwan.

Independent Non-executive Directors

SHEN Jinjun (沈進軍), aged 63, has been serving as an Independent Non-executive Director since 16 November 2009. Mr. Shen served as an independent non-executive director of Wuchan Zhongda Group Co., Ltd. (Stock code: 600704), a company listed on the Shanghai Stock Exchange, from August 2011 to April 2017, has become an independent non-executive director of China Grand Automotive Services Co., Ltd. (Stock code: 600297), a company listed on the Shanghai Stock Exchange, since July 2015 and an independent non-executive director of Beijing Changjiu Logistics Corp. (Stock code: 603569), a company listed on the Shanghai Stock Exchange, since August 2016. Mr. Shen has served as deputy chairman and secretary chief for CADA since 2005 and has served as the chairman for CADA since 5 November 2014. Mr. Shen has also worked as the deputy chief of the Transport and Mechanical Section of Mechanical and Electrical Equipment Division of the State Administration of Supplies, chief of Automobile Section of Mechanical and Electrical Equipment Circulation Division of Ministry of Internal Trade and the chief of the Electrical, Mechanical and Metallic section of Production Circulation Division of the State Administration of Domestic Commerce. During that time, Mr. Shen was mainly responsible for administering the automobile

dealing industry and participated in the formulation of related regulations. Mr. Shen completed all the related courses of an associate degree majoring in electronics at the Beijing Open University in 1982 and obtained a graduation certificate.

CHIN Siu Wa Alfred (錢少華) (Former name: Qian Shaohua), aged 63, was appointed as an Independent Non-executive Director on 10 August 2018. Mr. Chin has been serving as group vice president at Shangri-La Asia Limited (“SA”, a company listed on the Stock Exchange with stock code 69) since February 2017 and served as vice president of development at SA from February 2004 to September 2007. Mr. Chin served as the non-executive director of the Kerry Logistics Network Limited (a company listed on the Stock Exchange with stock code 636) from November 2013 to May 2019. Mr. Chin served as a director of Kerry Properties Limited (“KPL”, a company listed on the Stock Exchange with stock code 683) from September 2007 to January 2017 and was re-designated as an executive director of KPL from July 2009 to January 2017. He also served as a co-managing director of KPL from August 2013 to September 2015. Mr. Chin served as chairman and general manager of Zhongshan City Tourism Group Company, a state-owned enterprise primarily engaged in the business of tourism development, from January 1996 to May 2002, where he was responsible for the day-to-day general management, asset management, and business development primarily for the PRC market. Mr. Chin graduated from South China Normal University in 1986 and completed an advanced management programme at Harvard Business School in 2002.

YING Wei (應偉), aged 54, was appointed as an Independent Non-executive Director on 19 December 2016. Mr. Ying served as an executive director and vice-president of China Resources Textiles (Holdings) Company Limited from 1989 to 2007. Mr. Ying served as a vice-president of China Water Affairs Group Limited (a company listed on the Stock Exchange, stock code: 855) from 2007 to 2009, an executive director and president of China Botanic Development Holdings Limited (renamed as China City Infrastructure Group Limited) (a company listed on the Stock Exchange, stock code: 2349) from 21 July 2008 to 30 July 2009 and an independent non-executive Director of China Public Procurement Limited (a company listed on the Stock Exchange, stock code: 1094) from 28 December 2012 to 24 March 2014. Mr. Ying served as a non-executive director of New Focus Auto Tech Holdings Limited (a company listed on the Stock Exchange, stock code: 360) from 28 August 2013 to 29 March 2018 and a non-executive director of China Health Group Limited (a company listed on the Stock Exchange, stock code: 673) from 18 June 2016 to 7 May 2018. Currently, Mr. Ying is a director of Giant Network Group Co., Ltd (formerly Chongqing New Century Cruise Co., Ltd.) (a company listed on the Shenzhen Stock Exchange, stock code: 2558), an independent non-executive director of CHTC Fong’s Industries Company Limited (a company listed on the Stock Exchange, stock code: 641) and Fountain Set (Holdings) Limited (a company listed on the Stock Exchange, stock code: 420). Mr. Ying is also a managing partner of CDH Shanghai Dinghui Bai Fu Wealth Management Co., Ltd. Mr. Ying is a non-practicing member of The Chinese Institute of Certified Public Accountants and holds a master’s degree in Business Administration from the University of San Francisco and a bachelor’s degree in Economics from Zhejiang Gongshang University (formerly Hangzhou College of Commerce).

LI Yanwei (李顏偉), aged 46, has been serving as an Independent Non-executive Director since 9 December 2019. Mr. Li joined Sina.com Technology (China) Co., Ltd. in 2003 and was engaged in the work relating to media in respect of the automobile industry. Mr. Li has been the founder of 秒車信息技術有限公司 Miaoche Information Technology Co., Ltd. since 2014. Mr. Li has also been a member of the expert committee of CADA since 2015. For each year from 2016 to 2019, Mr. Li was honoured with the title of Outstanding Expert of CADA. Mr. Li obtained a bachelor’s degree in law from Yanbian University.

Other Senior Management

HAO Qing (郝青), aged 45, joined the Group in July 1998 and currently serves as vice-president and brand general manager of the Group. Ms. Hao served as a sales manager in Dalian Free Trade Zone Nissan Automobile Sales and Service Co., Ltd. from July 1998 to August 2005. Ms. Hao joined Dalian Zhongsheng Lexus Automotive Sales & Service Co., Ltd. (“**Dalian Zhongsheng Lexus**”) from August 2005 to January 2012 and served as a sales manager, the vice-president and general manager. In addition, Ms. Hao served as the brand operation director and store manager at the Lexus Brand Office and Dalian Zhongsheng Lexus from January 2012 to December 2013; the regional general manager in the Dalian Regional Office and the general manager and store manager in the Lexus Brand Office from December 2013 to July 2015; and the brand general manager and store manager in the Lexus Brand Office from July 2015 to April 2019. Ms. Hao received the honour of National Outstanding General Manager of Lexus China Distributor from 2010 to 2013. Ms. Hao obtained a Bachelor’s degree in English from Liaoning Normal University.

SONG Lanlan (宋蘭蘭), aged 39, joined the Group in 2007 and currently serves as vice-president and Mercedes-Benz brand general manager. Ms. Song served as the sales consultant at Dalian Zhongsheng Lexus Automobile Sales & Service Co., Ltd. from May 2007 to August 2008; served as the sales director in Dalian Xinshengrong Automobile Sales Service Co., Ltd. from August 2008 to September 2009; served as the general manager at Dalian Zhongshengzhixing Automobile Sales Service Co., Ltd. from September 2009 to January 2012 and served as the Mercedes-Benz brand general manager of the Group from January 2012 to April 2019. Ms. Song obtained a diploma in international economics and trade from the Harbin Institute of Technology in 2002, a bachelor’s degree in international economics and trade from Dongbei University of Finance and Economics in 2007 and a Master’s degree in Business Administration from Peking University.

LI Yuanhua (李遠華), aged 40, joined the Group in October 2014 and currently serves as vice-president and director of audit and supervision department, primary responsible for duties in financial, human resources, audit and supervision. Prior to joining the Group, Ms. Li served in the finance and accounting department, securities department and branch office at Dalian Huarui Heavy Industry Group Co., Ltd. from July 2002 to November 2007 and served as the chief accountant at Dalian Huarui Heavy Industry Crane Company from December 2007 to January 2012, responsible for financing, salary management, bidding and operation management. In addition, Ms. Li served as the chief accountant at Dalian Huarui Heavy Industry Group Complete Company from January 2012 to September 2014, responsible for financing, procurement, engineering cost, risk control. Ms. Li served as a director of the audit and supervision department of the Group from October 2014 to July 2017, responsible for internal audit and served as a director of the financial management department and a director of the supervision department of the Group from August 2017 to November 2019. Ms. Li has been honoured the title of Model Worker several times from 2007 to 2013. In 2003, Ms. Li has been honoured the title of Dalian Model Worker. Ms. Li obtained a bachelor’s degree in accounting from Harbin University of Science and Technology in 2002 and qualified as an associate member (AAIA) of The Association of International Accountants in 2012.

ZHOU Xin (周新), aged 41, first joined the Group in October 2004 and currently serves as vice-president and general manager of operation management centre of the Group, primarily responsible for operational management. Ms. Zhou worked as front desk supervisor and deputy general manager of Dalian Zhongsheng Nissan Automobile Sales and Service Co., Ltd. from October 2004 to May 2010, August 2012 to January 2013, respectively. Ms. Zhou worked as after-sales manager of Dalian Zhongsheng Botong Automobile Sales Service Co., Ltd. from June 2010 to July 2012, and general manager of Dalian Zhongsheng Yingbin Toyota Automobile Sales Service Co., Ltd. from March 2016 to February 2017. Ms. Zhou has also worked as general manager

and executive director in Zhongsheng (Tianjin) Insurance Sales Co., Ltd. from January 2015 to February 2016, December 2017 to November 2020, respectively. Ms. Zhou has also worked in various capacities for the Group, including after-sales manager, regional after-sales director, general manager of the Volvo brand, director of after-sales management department. Ms. Zhou obtained a bachelor degree in e-commerce from Dongbei University of Finance and Economics in 2007.

Company Secretaries

MAK Sze Man (麥詩敏), aged 46, was appointed as Joint Company Secretary of the Company on 1 July 2010. She is a senior manager of Corporate Services Division of Tricor Services Limited and an associate member of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. Ms. Mak has over 23 years of experience in corporate secretarial area.

YAO Zhenchao (姚振超), aged 40, was appointed as Joint Company Secretary of the Company on 1 April 2019. She joined the Group in July 2011 and currently serves as the chief legal officer of the Company. She is admitted as a registered attorney in the PRC and the State of New York, the United States of America.

DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHARE OPTIONS

Directors and Chief Executives' Interests and Short Positions in shares, underlying shares and Debentures

As at the date of this Offering Circular, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO, which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules, were as follows:

Interests and short positions in the Company's shares

<u>Name of Director</u>	<u>Capacity/Nature of interest</u>	<u>Total number of ordinary shares</u>	<u>Approximate percentage of shareholding (%)</u>
Mr. Huang Yi	Interest of controlled corporation, founder of a discretionary trust and agreement to acquire interests	1,312,035,876 (Long position) 113,600,000 (Short position)	57.76 5.00
Mr. Li Guoqiang	Interest of controlled corporation, founder of a discretionary trust and agreement to acquire interests	1,312,035,876 (Long position)	57.76
Mr. Du Qingshan	Beneficial owner	5,500,000 (Long position) ⁽¹⁾	0.24
Mr. Zhang Zhicheng	Beneficial owner	5,500,000 (Long position) ⁽¹⁾	0.24

(1) These interests represent options granted to the Director as beneficial owner under the Share Option Scheme.

Save as disclosed above, none of the Directors or chief executives of the Company had or was 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 date of this Offering Circular.

Substantial shareholders' interests and short positions in shares and underlying shares

As at 30 June 2020, the followings are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares and underlying shares as recorded in the register of interests required to be kept by the Company pursuant to section 336 of Part XV of the SFO:

Interests and short positions in the shares and underlying shares of the Company

<u>Name of shareholder</u>	<u>Capacity/Nature of interest</u>	<u>Total number of ordinary shares</u>	<u>Approximate percentage of shareholding (%)</u>
Blue Natural Development Ltd. ⁽¹⁾	Beneficial owner and agreement to acquire interests	1,312,035,876 (Long position)	57.76
		1,312,035,876 (Long position)	57.76
Light Yield Ltd. ⁽²⁾ . . .	Beneficial owner, interest of controlled corporation and agreement to acquire interests	113,600,000 (Short position)	5.00
Vest Sun Ltd. ⁽³⁾	Interest of controlled corporation and agreement to acquire interests	1,312,035,876 (Long position)	57.76
Mountain Bright Limited ⁽⁴⁾	Beneficial owner and agreement to acquire interests	1,312,035,876 (Long position)	57.76
UBS TC (Jersey) Ltd	Trustee, interest of controlled corporation and agreement to acquire interests	1,312,035,876 (Long position)	57.76
Vintage Star Limited ⁽⁵⁾	Beneficial owner and agreement to acquire interests	1,312,035,876 (Long position)	57.76
Jardine Strategic Holdings Limited. . .	Interest of controlled corporation	453,412,844 (Long position)	19.96
Jardine Matheson Holdings Limited. . .	Interest of controlled corporation	453,412,844 (Long position)	19.96
JSH Investment Holdings Limited. . .	Beneficial owner	453,412,844 (Long position)	19.96
		180,666,699 (Long position)	7.95
		137,470,935 (Short position)	6.05
JPMorgan Chase & Co. ⁽⁶⁾	Interest of controlled corporation, investment manager, person having a security interest in shares and approved lending agent	26,196,064 (Lending pool)	1.15
FIL Limited	Interest of controlled corporation	117,246,500 (Long position)	5.16
Pandanus Associates Inc.	Interest of controlled corporation	117,246,500 (Long position)	5.16
Pandanus Partners L.P.	Interest of controlled corporation	117,246,500 (Long position)	5.16

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- (1) Blue Natural Development Ltd. is owned by Light Yield Ltd. (62.3%) and Vest Sun Ltd. (37.7%). Mr. Huang Yi and Mr. Li Guoqiang 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) Vest Sun Ltd. is wholly-owned by Mr. Li Guoqiang, who is also the sole director of Vest Sun Ltd.
 - (4) Mountain Bright Limited is wholly-owned by UBS TC (Jersey) Ltd. as trustee of a trust settlement for Mr. Huang Yi (the settler of the trust) and his family.
 - (5) Vintage Star Limited is wholly-owned by UBS TC (Jersey) Ltd. as trustee of a trust settlement for Mr. Li Guoqiang (the settler of the trust) and his family.
 - (6) JPMorgan Chase & Co. held 180,666,699 (long position), 137,470,935 (short position) and 26,196,064 (lending pool) shares of the Company through its controlled entities, and was deemed to have interests in the shares of the Company held by such entities.

Save as disclosed above, as at 30 June 2020, the Directors are not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Share Option Scheme

The Share Option Scheme (as defined in the Company's prospectus dated 16 March 2010) was conditionally approved by a resolution of the shareholders on 9 February 2010 and adopted by a resolution of the Board on the same day. The Share Option Scheme expired on 25 March 2020. No further options can be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to exercise any subsisting options granted prior to the expiry of the Share Option Scheme or otherwise as handled in accordance with the provisions of the Share Option Scheme.

On 26 April 2018, the Company offered to grant share options (the "**Share Options**") to two eligible Directors (namely Mr. Du Qingshan and Mr. Zhang Zhicheng) under the Share Option Scheme, subject to acceptance by Mr. Du Qingshan and Mr. Zhang Zhicheng, which will entitle them to subscribe for an aggregate of 11,000,000 new ordinary shares of HK\$0.0001 each in the capital of the Company. The Share Options were fully vested from 26 April 2019. The Share Options are exercisable from 26 April 2019 to 25 April 2028 (both dates inclusive) at a price of HK\$22.60 per share. The closing price of the shares in the Company immediately before 26 April 2018 was HK\$22.35 per share.

As at the date of this Offering Circular, no other options have been granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme. As at the date of this Offering Circular, the total number of shares available for issue under the Share Option Scheme was 11,000,000, representing approximately 0.48% of the issued share capital of the Company.

TAXATION

The following summary of certain Cayman Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings, decisions and practice in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retrospective effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Bonds or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

Cayman Islands

Pursuant to section 6 of the Tax Concessions Act (1999 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor in Cabinet of the Cayman Islands:

- That no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income, gains or appreciation shall apply to us or our operations; and
- That no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) On or in respect of our shares, debentures or our other obligations; or
 - (ii) By way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (1999 Revision).

The concessions shall be for a period of 20 years from the date of the undertaking, which is 1 July 2008.

Under the existing Cayman Islands laws:

- (a) payments of interest and principal on the Bonds will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of the Bonds, nor will gains derived from the disposal of the Bonds be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax;
- (b) no stamp duty is payable with respect to the issue of the Bonds and the Global Note; and
- (c) an instrument of transfer in respect of the Bonds or the Global Note is stampable if executed in or brought into the Cayman Islands.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong on payments of principal or interest with respect to the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “**Inland Revenue Ordinance**”) as it is currently applied by the Inland Revenue Department, interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (a) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which the interest is received or accrues are made available outside of Hong Kong; or
- (b) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong; or
- (c) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is with respect to the funds of the trade, profession or business; or
- (d) a corporation, other than a financial institution, and arises through or from carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance), even if the moneys in respect of which the interest is received or accrues are made available outside Hong Kong.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (as defined in section 16(3) of the Inland Revenue Ordinance) from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issuance or transfer of a Bond.

Estate Duty

There is no estate duty in Hong Kong, and thus no estate duty is payable under the Estate Duty Ordinance in respect of the Bonds.

People's Republic of China

Under the EIT Law and the Implementation Rules both of which took effect on 1 January 2008, enterprises established outside the PRC whose “de facto management bodies” are located in China are considered as “PRC tax resident enterprises”. The Implementation Rules define the term “de facto management body” as a management body that exercises overall and substantial control and management over the business, personnel, accounts and properties of an enterprise. The Company holds its shareholders’ meeting and board meetings outside China and keeps its shareholders’ list outside China. However, most of the Company’s Directors and senior management are currently based inside China and the Company keeps its books of account inside China. The above elements may be relevant for the tax authorities to determine whether it is a PRC resident enterprise for tax purposes. Although it is unclear under PRC tax law whether the Company has a “de facto management body” located in China for PRC tax purposes, it intends to take the position that it is not a PRC resident enterprise for tax purpose. The Company cannot assure you that tax authorities will respect its position. The Company’s PRC counsel, Commerce & Finance Law Office, has advised the Company that if it is deemed to be a PRC resident enterprise for enterprise income purpose, among other things, the Company would be subject to the PRC enterprise income tax at the rate of 25% on its worldwide income. Furthermore, the Company would be obligated to withhold PRC income tax of 7% on payments of interest on the Bonds to qualified investors that are non-resident enterprises located in Hong Kong or 10% on payments of interest or dividends to other investors, because the interest or dividends would be regarded as being derived from sources within the PRC. Such tax on interest or dividend payments to non-resident individual holders would be withheld at 20%. If the Company fails to do so, it may be subject to fines and other penalties. In addition, any gain realised by such non-resident enterprise investors from the transfer of the Bonds would be regarded as being derived from sources within the PRC and accordingly would be subject to PRC income tax at a rate of 10% and 20% in the case of non-resident individuals. However, if the Company is not considered as a PRC resident enterprise for enterprise income purposes, non-resident enterprise investors would not be subject to PRC income tax on any interest received on the Bonds or any gains realised from the transfer of the Bonds.

SUBSCRIPTION AND SALE

The Company has entered into a subscription agreement with the Joint Lead Managers dated 6 January 2021 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Company has agreed to sell to the Joint Lead Managers, and each Joint Lead Manager has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds.

The Company has agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate the Subscription Agreement in certain circumstances at any time up to the time when subscription moneys have been received and the Bonds issued.

The Joint Lead Managers and certain of their affiliates have, from time to time, performed, and may in the future perform, certain investment banking and advisory services for the Company and/or their affiliates for which they have received or will receive customary fees and expenses. The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and instruments of the Company.

The Joint Lead Managers or their respective affiliates may purchase the Bonds for their own account and enter into transactions, including (i) credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities or (ii) equity derivatives and stock loan transactions relating to the shares of the Company or its subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). The Joint Lead Managers and certain of their respective subsidiaries or affiliates have performed certain commercial banking, investment banking and advisory services for the Company or the Group from time to time for which they have received customary fees and expenses. In addition to the transactions services for the Company or the Group, the Joint Lead Managers may, from time to time, engage in other transactions with and perform services for the Company or the Group in the ordinary course of business of the Company or the Group.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

In connection with the issue of the Bonds, the joint lead managers (if any) acting as Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager) may over-allot Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or person(s) acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.

GENERAL

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Issuer or the Joint Lead Managers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds may be distributed or published, by the Issuer or the Joint Lead Managers, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer or the Joint Lead Managers.

United States

The Bonds have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Joint Lead Manager has represented, warranted and undertaken to the Issuer that:

1. it has not offered or sold, and will not offer or sell, any Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act; and
2. neither it nor any of its Affiliates (as defined in Rule 501(b) of Regulation D under the Securities Act) (nor any person acting on behalf of such Joint Lead Manager or any of its Affiliates) has engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Bonds.

Terms used in the paragraph above have the meanings given to them by Regulation S.

United Kingdom

Prohibition of Sales to UK Retail Investors

Each Joint Lead Manager has represented, warranted and undertaken that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or
 - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Other regulatory restrictions

Each Joint Lead Manager has represented, warranted and undertaken that:

1. it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
2. it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented, warranted and undertaken that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bond which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

1. the expression “retail investor” means a person who is one (or more) of the following:
 - (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
 - (b) a customer within the meaning of Directive 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Hong Kong

Each Joint Lead Manager has represented, warranted and undertaken that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “**prospectus**” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “**professional investors**” as defined in the SFO and any rules made under the SFO.

Singapore

Each Joint Lead Manager has represented, warranted and undertaken that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”) and, accordingly, each Joint Lead Manager has represented, warranted and undertaken that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

The People’s Republic of China

Each Joint Lead Manager has represented, warranted and undertaken that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People’s Republic of China (for such purposes, not including the Hong Kong and Macao Special Administrative Regions or Taiwan), except as permitted by the applicable laws and regulations of the People’s Republic of China.

The Cayman Islands

Each Joint Lead Manager has represented, warranted and undertaken that the public in the Cayman Islands will not be invited to subscribe directly or indirectly for the Bonds.

GENERAL INFORMATION

1. **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 227836407 and the International Securities Identification Number for the Bonds is XS2278364075.
2. **Legal Entity Identifier:** The Legal Entity Identifier (LEI) of the Issuer is 3003005VYMEBAJNJ2Y26.
3. **Listing of Bonds:** Application will be submitted to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only, and listing is expected to become effective on or about 14 January 2021.
4. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by resolutions of the Board of Directors of the Issuer passed on 2 November 2020.
5. **No Material Adverse Change:** Save as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospect of the Issuer or the Group since 31 December 2019.
6. **Litigation:** Neither the Issuer nor any of its subsidiaries is involved in any litigation or arbitration proceedings which are material in the context of the Bonds nor is the Issuer aware that any such proceedings are pending or threatened.
7. **Audited and Interim Financial Information:** The Company's (i) Audited Financial Information and (ii) Interim Financial Information incorporated by reference in this Offering Circular have been audited by Ernst & Young, Certified Public Accountants, as stated in its report appended to such statements.
8. **Documents:** Copies of the latest published annual report, the Audited Financial Information of the Company for the year ended 31 December 2019, Interim Financial Information, the Data Privacy Notice, as well as the Company's Memorandum and Articles of Association and copies of the Trust Deed and the Agency Agreement will be available for inspection from the Issue Date, at the specified office of the Company at Room 1803-09, 18th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong. Copies of the Trust Deed and the Agency Agreement will be available for inspection from the Issue Date upon prior written request and satisfactory proof of holding at the principal office of the Principal Paying Agent at One Canada Square, London E14 5AL United Kingdom during normal business hours, so long as any of the Bonds is outstanding.

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