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## **CHINA STRATEGIC HOLDINGS LIMITED**

**中策集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 235)**

### **POSSIBLE VERY SUBSTANTIAL DISPOSAL MANDATE FOR DISPOSAL(S) OF LISTED SECURITIES**

#### **THE POSSIBLE DISPOSAL(S) AND THE DISPOSAL MANDATE**

The Company proposes to seek approval for the Disposal Mandate from the Shareholders at the EGM in advance to allow the Directors to dispose of up to 133,600,000 Evergrande Vehicle Shares, representing approximately 1.37% of the total number of issued shares of Evergrande Vehicle as at the date of this announcement, during the Mandate Period.

#### **LISTING RULES IMPLICATIONS**

As the Directors will seek to dispose of the Evergrande Vehicle Shares at the highest price possible at the relevant circumstances, one or more applicable percentage ratios of the Disposal(s) may exceed 75% and the Disposal(s) may constitute very substantial disposal on the part of the Company under Chapter 14 of the Listing Rules and shall be subject to the Shareholders' approval at the EGM. On that basis, the Company proposes to comply with the requirements applicable for the highest transaction classification of a very substantial disposal under Chapter 14 of the Listing Rules.

The Company will seek the approval of the Shareholders at the EGM for the Disposal Mandate and the Disposal(s) to allow the Company to dispose of up to 133,600,000 Evergrande Vehicle Shares held by the Group during the Mandate Period.

The Company will despatch the circular containing, among others, (i) further details of the Disposal Mandate and the Disposal(s), and (ii) the notice of EGM as soon as possible in compliance with the Listing Rules. It is expected that the circular will be despatched on or before 15 October 2021.

**There is no assurance that the Company will proceed with the Disposal(s) after obtaining the Disposal Mandate. Whether and when the Company will proceed with the Disposal(s) or not will depend on a number of factors including without limitation the prevailing market sentiments and market conditions at the proposed time of executing the Disposal(s). The Shareholders and other public investors of the Company are therefore advised to exercise extreme caution when dealing in the Shares.**

## **BACKGROUND**

As at the date of this announcement, the Group, through the Seller, held 133,600,000 Evergrande Vehicle Shares, representing approximately 1.37% of the total number of issued shares of Evergrande Vehicle as at the date of this announcement. The Company intends to seek the Disposal Mandate to dispose of up to 133,600,000 Evergrande Vehicle Shares.

## **THE POSSIBLE DISPOSAL(S) AND THE DISPOSAL MANDATE**

The Company noted the recent significant price fluctuations of the Evergrande Vehicle Shares and the Company may, depending on the prevailing market sentiments and market conditions, from time to time in the future dispose of the Evergrande Vehicle Shares. In view of the number of the Evergrande Vehicle Shares held by the Group and given the volatility of the stock market, disposing of the Evergrande Vehicle Shares at the best possible prices, whether in an open market or in the off-market, requires prompt disposal actions at the right timing and the transactions would need to be completed within a very short period, it would not be practicable to seek prior Shareholders' approval for disposal(s) of the Evergrande Vehicle Shares when such approval is required under the Listing Rules. To allow flexibility in effecting future disposal(s) of the Evergrande Vehicle Shares at appropriate time(s) and price(s) so as to maximise the returns to the Group, the Company proposes to seek approval for the Disposal Mandate and the Disposal(s) from the Shareholders at the EGM in advance to allow the Directors to dispose of up to 133,600,000 Evergrande Vehicle Shares, representing approximately 1.37% of the total number of issued shares of Evergrande Vehicle as at the date of this announcement, during the Mandate Period.

As at the date of this announcement, the Group, through the Seller, beneficially owns 133,600,000 Evergrande Vehicle Shares, representing approximately 1.37% of the total number of issued shares of Evergrande Vehicle as at the date of this announcement. Depending on the then prevailing market sentiments and market conditions, the Seller may dispose of up to 133,600,000 Evergrande Vehicle Shares under the Disposal Mandate during the Mandate Period.

The Group may dispose of some of the 133,600,000 Evergrande Vehicle Shares held by the Group as at the date of this announcement in full compliance with the requirements of the Listing Rules prior to the obtaining of the Disposal Mandate. Should there be any such disposal resulting in a change of the maximum number of the Evergrande Vehicle Shares to be disposed of under the Disposal Mandate, the Company will announce such change in the circular to be despatched by the Company in respect of the Disposal Mandate.

The Disposal Mandate shall be conditional upon the approval by the Shareholders at the EGM.

### **Details of the Disposal Mandate**

The Disposal Mandate to be sought from the Shareholders at the EGM will be on the following terms:

**1. *Mandate Period***

The Disposal Mandate is for the Mandate Period, i.e., a period of 12 months from the date of passing of the relevant ordinary resolution at the EGM.

**2. *Maximum number of Evergrande Vehicle Shares to be disposed of***

The Disposal Mandate shall authorise and empower the Board to sell up to 133,600,000 Evergrande Vehicle Shares held by the Group, representing approximately 1.37% of the total number of issued shares of Evergrande Vehicle as at the date of this announcement.

**3. *Scope of Authority***

The relevant designated Directors shall be authorised and empowered to determine, decide, execute and implement with full discretion all matters relating to the Disposal(s), including but not limited to the number of batches of Disposal, the number of Evergrande Vehicle Shares to be sold in each Disposal and the timing of each Disposal.

**4. *Manner of Disposal(s)***

The Disposal(s) shall be conducted (i) in the open market on the Stock Exchange to Independent Third Party(ies) through the trading system of the Stock Exchange; and/or (ii) in the off-market through block trade(s) by entering into placing agreement(s), to dispose of, in part or in whole, the Approved Sale Shares to third party purchaser(s), who and whose ultimate beneficial owner(s) are Independent Third Party(ies). As at the date of this announcement, there is no potential purchaser who has indicated its intention to make the purchase of the Evergrande Vehicle Shares from the Group.

The selling price of the Evergrande Vehicle Shares shall be at the then market price(s) of the Evergrande Vehicle Shares at the relevant time, provided that:

- (i) each Disposal in the open market or in the off-market shall be at market price of no more than 20% discount to the average of the closing price as quoted on the Stock Exchange for the five (5) consecutive trading days immediately before the date of each Disposal during the Mandate Period; and
- (ii) the Minimum Selling Price of the Disposals shall be no less than HK\$2.20 per Evergrande Vehicle Share.

The maximum 20% discount to the average closing price of the Evergrande Vehicle Shares for the five (5) consecutive trading days immediately prior to the date of the relevant Disposal(s) represents the range of discounts to the referenced average closing price which the Company may consider in the exercise of the Disposal Mandate, having regard to the then prevailing share price performance of Evergrande Vehicle and market sentiments. Whilst the Company will try to dispose of the Evergrande Vehicle Shares under the Disposal Mandate at the best available price to the Company, the proposed discount to the average closing prices of the Evergrande Vehicle Shares allows the Company to have the flexibility to dispose of the Evergrande Vehicle Shares within a reasonable price range in the event that the market sentiments and market conditions are not favourable. Each Disposal will be subject to approval by at least one of the executive Directors of the Company. In respect of any Disposal in the open market, the Company will set a limit order or give instructions to brokers to set a limit order to ensure that transaction price for the relevant Disposal would be subject to the maximum 20% discount to the average closing price of the Evergrande Vehicle Shares for the five (5) consecutive trading days immediately prior to the date of the relevant Disposal(s).

The Minimum Selling Price was determined with reference to (i) the Historical Acquisition Costs (as defined below) of approximately HK\$1.64 per Evergrande Vehicle Share; (ii) the share price performance of Evergrande Vehicle as quoted on the Stock Exchange for the last twelve months, the last six months, the last 30 trading days and the last 5 trading days; and (iii) the prevailing market sentiments about the share price performance of Evergrande Vehicle.

In respect of the daily closing price of the Evergrande Vehicle Shares in the past twelve months immediately before the date of this announcement, the highest closing price was HK\$72.25, the lowest closing price was HK\$2.90. The average closing price of the Evergrande Vehicle Shares for the last twelve months from 1 September 2020 to 31 August 2021, the last six months from 1 March 2021 to 31 August 2021, the last 30 trading days including and up to the Last Trading Day and the last 5 trading days including and up to the Last Trading Day was approximately HK\$34.05, HK\$37.21, HK\$7.39 and HK\$3.26 respectively.

In respect of the daily trading volume of the Evergrande Vehicle Shares in the last twelve months from 1 September 2020 to 31 August 2021, the highest daily trading volume of the Evergrande Vehicle Shares was 271,085,650 Evergrande Vehicle Shares, the lowest daily trading volume of the Evergrande Vehicle Shares was 1,592,510 Evergrande Vehicle Shares and the average daily trading volume of the Evergrande Vehicle Shares was approximately 13,591,233 Evergrande Vehicle Shares. The maximum number of 133,600,000 Evergrande Vehicle Shares to be disposed of under the Disposal Mandate represents approximately 10 times of the average daily trading volume of the Evergrande Vehicle Shares in the last twelve months from 1 September 2020 to 31 August 2021.

In respect of the daily price fluctuation of the Evergrande Vehicle Shares in the past 30 trading days from 11 August 2021 to 21 September 2021, the daily price fluctuation of the Evergrande Vehicle Shares ranged from approximately 0% to 26.86%, and the daily price fluctuation of the Evergrande Vehicle Shares was over 10% on 12 trading days during the said period of 30 trading days. Furthermore, the percentage of price change of each Evergrande Vehicle Share of HK\$13.82 on 11 August 2021 compared to HK\$2.90 on 21 September 2021 was approximately 79.02%.

In order to make the Evergrande Vehicle Shares held by the Group to be more attractive in block trade(s), the Directors consider that it is fair and reasonable for the Company to offer certain percentage of discount to the market price. Using the five-day average closing price of the Evergrande Vehicle Shares of approximately HK\$3.45 per Evergrande Vehicle Share immediately before the date of this announcement, if the Evergrande Vehicle Shares are sold at 20% discount to the five-day average closing price of the Evergrande Vehicle Shares, the proposed selling price is approximately HK\$2.76.

In view of the above, the Directors consider the proposed maximum discount of 20% to the five-day average closing price of the Evergrande Vehicle Shares immediately before the date of each Disposal is fair and reasonable, as it will allow the Company to have the flexibility to dispose of the Evergrande Vehicle Shares within a reasonable price range (and promptly if need be in light of the volume of Evergrande Vehicle Shares held by the Group) in the event that the market sentiments and market conditions are not favourable.

The Company further considers that the Minimum Selling Price will allow flexibility for the Directors to accommodate fluctuation in market conditions in the exercise of the Disposal Mandate and at the same time reflect the lowest acceptable price to dispose of the Evergrande Vehicle Shares, and is thus fair and reasonable as far as the Company and the Shareholders are concerned.

The proposed maximum discount of 20% to the 5-day average closing price of the Evergrande Vehicle Shares will allow flexibility of the Group in disposing of the Evergrande Vehicle Shares promptly in light of the volume of the Evergrande Vehicle Shares held by the Group and the Minimum Selling Price, which was determined with reference to, among other factors, the Historical Acquisition Costs (as defined below), will safeguard the interests of the Company that the Evergrande Vehicle Shares would not be disposed of at a significant discount. Whilst the Company will try to dispose of the Evergrande Vehicle Shares under the Disposal Mandate at the best available price to the Company, it is necessary for the Disposal Mandate to maintain flexibility. For instance, in the event that the market sentiment about the share performance of Evergrande Vehicle and/or the market conditions are not favourable, there would be circumstances that the Company may have to dispose of the Evergrande Vehicle Shares at a discount to the previous market price. The 20% discount range has taken into consideration of market fluctuations and the disposal(s) of the Evergrande Vehicle Shares under the Disposal Mandate shall be subject to approval by at least one of the executive Directors of the Company to ensure that the disposal of the Evergrande Vehicle Shares would be at the best available price to the Company as at the time of relevant Disposal(s). As such, the Company considers that the terms of the Disposal Mandate are fair and reasonable.

#### **5. *Compliance***

The Disposal(s) shall comply with relevant applicable laws and regulations, including any applicable trading regulations of the Stock Exchange. The Company will also report on the progress of the Disposal(s) in the forthcoming annual report of the Company in compliance with the Listing Rules.

The Company will make appropriate announcement(s) in full compliance with the Listing Rules in the event that the Disposals cannot be completed within the Mandate Period.

#### **6. *The Minimum Selling Price***

The Minimum Selling Price of HK\$2.20 per Evergrande Vehicle Share represents:

- (a) a discount of approximately 24.14% to the closing price of HK\$2.90 per Evergrande Vehicle Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 32.52% to the average closing price of approximately HK\$3.26 per Evergrande Vehicle Share as quoted on the Stock Exchange for the last 5 trading days including and up to the Last Trading Day;
- (c) a discount of approximately 70.23% to the average closing price of approximately HK\$7.39 per Evergrande Vehicle Share as quoted on the Stock Exchange for the last 30 trading days including and up to the Last Trading Day;



- (d) a discount of approximately 94.09% to the average closing price of approximately HK\$37.21 per Evergrande Vehicle Share as quoted on the Stock Exchange for the last six months from 1 March 2021 to 31 August 2021;
- (e) a discount of approximately 93.54% to the average closing price of approximately HK\$34.05 per Evergrande Vehicle Share as quoted on the Stock Exchange for the last twelve months from 1 September 2020 to 31 August 2021;
- (f) a premium of approximately 34.15% to the Historical Acquisition Costs (as defined below) of each Evergrande Vehicle Share of approximately HK\$1.64; and
- (g) a premium of approximately 69.23% over the equity attributable to each Evergrande Vehicle Share of approximately HK\$1.30, which is the quotient of the unaudited total equity attributable to owners of Evergrande Vehicle of approximately HK\$12,742,267,000 (approximately RMB11,080,232,000) as at 30 June 2021 divided by 9,768,963,000 Evergrande Vehicle Shares in issue as at 30 June 2021.

The Minimum Selling Price was determined with reference to (i) the Historical Acquisition Costs (as defined below) of approximately HK\$1.64 per Evergrande Vehicle Share; (ii) the share price performance of Evergrande Vehicle as quoted on the Stock Exchange for the last twelve months, the last six months, the last 30 trading days and the last 5 trading days; and (iii) the prevailing market sentiments about the share price performance of Evergrande Vehicle. The Directors consider that the Minimum Selling Price will allow flexibility for the Company to accommodate fluctuations in market conditions in the exercise of the Disposal Mandate, and at the same time reflect the lowest acceptable price to the Company to dispose of the Evergrande Vehicle Shares, and is thus fair and reasonable as far as the Company and the Shareholders are concerned.

The Seller will effect the Disposal(s) in the open market or in the off-market through block trade(s) by entering into placing agreement(s) with licensed corporation(s) carrying out Type 1 (dealing in securities) regulated activity under the SFO as placing agent(s). Given the volatility of the stock market, whether the Disposal(s) are effected in the open market or in the off-market, the transactions would need to be completed within a very short period, hence it would not be practicable to seek prior Shareholders' approval for disposal(s) of the Evergrande Vehicle Shares when such approval is required under the Listing Rules. For any block trade, the terms and conditions of the sale would be negotiated on an arm's length basis. It is expected that the purchasers of the Evergrande Vehicle Shares and their respective ultimate beneficial owners will be Independent Third Parties. In the event that any purchaser of the Evergrande Vehicle Shares is a connected person of the Company, the Company will comply with the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## INFORMATION ON EVERGRANDE VEHICLE

Evergrande Vehicle is a company incorporated in Hong Kong with limited liability which together with its subsidiaries are principally engaged in technology research and development, production and sales of new energy vehicles, as well as health management businesses including “Internet+” community health management, international hospitals, elderly care and rehabilitation as at the date of this announcement. Evergrande Vehicle is a company listed on the Main Board of the Stock Exchange (stock code: 708).

Set out below is a summary of certain audited financial information of Evergrande Vehicle for the two years ended 31 December 2020 as extracted from the 2020 annual report of Evergrande Vehicle:

	For the year ended			
	31 December 2020		31 December 2019	
	<i>RMB million</i>	<i>HK\$ million</i>	<i>RMB million</i>	<i>HK\$ million</i>
Revenue	<b>15,487</b>	<b>17,810</b>	5,636	6,481
Loss before tax	<b>(7,395)</b>	<b>(8,504)</b>	(4,526)	(5,205)
Loss after tax	<b>(7,665)</b>	<b>(8,815)</b>	(4,947)	(5,689)

*Note:* Unless otherwise specified, conversions of RMB into HK\$ in this announcement are based on the exchange rate of RMB1.00 = HK\$1.15 for illustrative purpose.

According to the 2020 annual report of Evergrande Vehicle, the Evergrande Vehicle Group had an audited net liabilities of approximately HK\$6,715 million (approximately RMB5,839 million) as at 31 December 2020. According to the interim results announcement of Evergrande Vehicle dated 30 August 2021, the Evergrande Vehicle Group had an unaudited net assets of approximately HK\$13,887 million (approximately RMB12,076 million) as at 30 June 2021.

## INFORMATION OF THE COMPANY AND THE SELLER

The Company is an investment holding company, and the Group is principally engaged in the business of investment in securities, trading of merchandise, money lending as well as securities brokerage.

The Seller is an indirect wholly-owned subsidiary of the Company, it is incorporated in Hong Kong with limited liability and is principally engaged in investment in securities.

## REASONS FOR THE DISPOSAL MANDATE

The Company acquired the Evergrande Vehicle Shares for investment purpose. Having regard to the recent significant price fluctuations of the Evergrande Vehicle Shares, the Board decided to restructure its investment portfolio and to solidify the financial and cash position of the Group. The Disposal(s) will allow the Group to realise its investments and reallocate its financial resources to other business needs.



The Company noted the recent significant price fluctuations of the Evergrande Vehicle Shares and the Company may, depending on the prevailing market sentiments and market conditions, from time to time in the future dispose of the Evergrande Vehicle Shares. In view of the number of the Evergrande Vehicle Shares held by the Group and given the volatility of the stock market, disposing of the Evergrande Vehicle Shares at the best possible prices, whether in an open market or in the off-market, requires prompt disposal actions at the right timing and as the transactions would need to be completed within a very short period, it would not be practicable to seek prior Shareholders' approval for disposal(s) of the Evergrande Vehicle Shares when such approval is required under the Listing Rules. To allow flexibility in effecting future disposal(s) of the Evergrande Vehicle Shares at appropriate time(s) and price(s) so as to maximise the returns to the Group, the Company proposes to seek approval for the Disposal Mandate and the Disposal(s) from the Shareholders at the EGM in advance to allow the Directors to dispose of up to 133,600,000 Evergrande Vehicle Shares during the Mandate Period.

The Disposal(s) will be made with reference to the market prices of the Evergrande Vehicle Shares on open market. The Board is of the view that the Disposal Mandate and the Disposal(s) are on normal commercial terms, and that the terms are fair, reasonable and in the interests of the Company and the Shareholders as a whole.

#### **FINANCIAL IMPACT AND USE OF PROCEEDS**

Based on the closing price of per Evergrande Vehicle Share of HK\$2.90 as at the date of this announcement, the value of the 133,600,000 Evergrande Vehicle Shares was HK\$387,440,000.

The exact amount of the net proceeds from the Disposal(s) will be subject to the number of Evergrande Vehicle Shares being disposed of and the price at which they are sold. The Company therefore has no definitive plan as to how such net proceeds are going to be utilized. The Company may use the net proceeds from the Disposal(s) for one or some of the following three purposes:

- (1) to repay the short-term borrowings and interest-bearing notes payable of the Group;
- (2) to fund the potential acquisition of equity interests in a target company engaging in life insurance business in Hong Kong, which is under evaluation by the Group as disclosed in the Company's 2020 annual report, if and when the potential acquisition materializes; and
- (3) to apply to other business/investment opportunities or as general working capital of the Group.

The allocation of the net proceeds to the above three purposes and the timing of its application will be determined by the Directors with reference to the then prevailing circumstances and the funding needs of the Group.

The Group has started to invest in Evergrande Vehicle since March 2015, and the historical acquisition costs (the “**Historical Acquisition Costs**”) for 133,600,000 Evergrande Vehicle Shares held by the Group as at the date of this announcement amounted to approximately HK\$219,312,000, equivalent to approximately HK\$1.64 per Evergrande Vehicle Share. As at 1 January 2021, the carrying value (the “**Carrying Value**”) of 133,600,000 Evergrande Vehicle Shares amounted to HK\$4,034,720,000. The Group has thus recognised an unrealised cumulative gain on its holding of 133,600,000 Evergrande Vehicle Shares of approximately HK\$3,815,408,000 up to 31 December 2020.

Set out below are illustrations on the impact on earnings of the Company on the sale of 133,600,000 Evergrande Vehicle Shares at the Reference Selling Price or the Minimum Selling Price compared against their Historical Acquisition Costs or their Carrying Value as at 1 January 2021:

			Proceeds from sale based on the Reference Selling Price minus Carrying Value as at 1 January 2021 <i>(Note iv)</i>	Proceeds from sale based on the Minimum Selling Price minus Carrying Value as at 1 January 2021 <i>(Note v)</i>	Proceeds from sale based on the Reference Selling Price minus Historical Acquisition Costs <i>(Note vi)</i>	Proceeds from sale based on the Minimum Selling Price minus Historical Acquisition Costs <i>(Note vii)</i>	
	Historical Acquisition Costs <i>(Note i)</i>	Carrying Value as at 1 January 2021 <i>(Note ii)</i>	Cumulative holding gain up to 31 December 2020 <i>(Note iii)</i>				
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Disposal of 133,600,000 Evergrande Vehicle Shares	219,312	4,034,720	3,815,408	(3,573,800)	(3,740,800)	241,608	74,608

*Notes:*

- i.* Amount represents the Historical Acquisition Costs for 133,600,000 Evergrande Vehicle Shares of approximately HK\$219,312,000.
- ii.* Amount represents the Carrying Value of 133,600,000 Evergrande Vehicle Shares of HK\$4,034,720,000 as at 1 January 2021.
- iii.* Amount represents the difference of the Carrying Value and the Historical Acquisition Costs of 133,600,000 Evergrande Vehicle Shares amounting to approximately HK\$3,815,408,000, being the cumulative holding gain of 133,600,000 Evergrande Vehicle Shares up to 31 December 2020.
- iv.* Amount represents the difference between the proceeds from the sale of 133,600,000 Evergrande Vehicle Shares, based on the Reference Selling Price of approximately HK\$3.45 per Evergrande Vehicle Share, totaling approximately HK\$460,920,000 (excluding stamp duty and related expenses), and its Carrying Value of HK\$4,034,720,000 as at 1 January 2021, being a loss of approximately HK\$3,573,800,000.

- v. Amount represents the difference between the proceeds from the sale of 133,600,000 Evergrande Vehicle Shares, based on the Minimum Selling Price of HK\$2.20 per Evergrande Vehicle Share, totaling HK\$293,920,000 (excluding stamp duty and related expenses), and its Carrying Value of HK\$4,034,720,000 as at 1 January 2021, being a loss of HK\$3,740,800,000.
- vi. Amount represents the difference between the proceeds from the sale of 133,600,000 Evergrande Vehicle Shares, based on the Reference Selling Price of approximately HK\$3.45 per Evergrande Vehicle Share, totaling approximately HK\$460,920,000 (excluding stamp duty and related expenses), and its Historical Acquisition Costs of approximately HK\$219,312,000, being a gain of approximately HK\$241,608,000.
- vii. Amount represents the difference between the proceeds from the sale of 133,600,000 Evergrande Vehicle Shares, based on the Minimum Selling Price of HK\$2.20 per Evergrande Vehicle Share, totaling HK\$293,920,000 (excluding stamp duty and related expenses), and its Historical Acquisition Costs of approximately HK\$219,312,000, being a gain of approximately HK\$74,608,000.

Up to 31 December 2020, the Group has recognised an accumulative gain on its holding of 133,600,000 Evergrande Vehicle Shares of approximately HK\$3,815,408,000 (see Note iii of the above table), if all the 133,600,000 Evergrande Vehicle Shares are disposed of at the Reference Selling Price of approximately HK\$3.45, the Group will recognise a loss of approximately HK\$3,573,800,000 (see Note iv of the above table) on such disposal, which in effect represents a reversal of the cumulative holding gain previously recognised, leaving a balance of approximately HK\$241,608,000, and which is in turn equivalent to the gain on the disposal of the 133,600,000 Evergrande Vehicle Shares at the Reference Selling Price against their Historical Acquisition Costs (see Note vi of the above table). Upon the settlement of such disposal, the assets of the Group will be reduced by HK\$4,034,720,000, being the Carrying Value of 133,600,000 Evergrande Vehicle Shares, and increased by approximately HK\$460,920,000, being the cash proceeds from the disposal (excluding stamp duty and related expenses). The disposal will have no effect on the Group's liabilities.

If the 133,600,000 Evergrande Vehicle Shares are disposed of at the Minimum Selling Price of HK\$2.20, the Group will recognise a loss of HK\$3,740,800,000 (see Note v of the above table) on such disposal, which in effect represents a reversal of the cumulative holding gain previously recognised of approximately HK\$3,815,408,000 (see Note iii of the above table), leaving a balance of approximately HK\$74,608,000, and which is in turn equivalent to the gain on the disposal of the 133,600,000 Evergrande Vehicle Shares at the Minimum Selling Price against their Historical Acquisition Costs (see Note vii of the above table). Upon the settlement of such disposal, the assets of the Group will be reduced by HK\$4,034,720,000, being the Carrying Value of 133,600,000 Evergrande Vehicle Shares, and increased by HK\$293,920,000, being the cash proceeds from the disposal (excluding stamp duty and related expenses). The disposal will have no effect on the Group's liabilities.

The actual gain/loss to be recognised by the Group as a result of the Disposal(s) depending upon the actual Disposal price(s) of the Evergrande Vehicle Shares. The Group will exercise its endeavours to achieve the best available terms for the Disposal(s) but the Disposal price(s) of the Evergrande Vehicle Shares shall be subject to market fluctuations of and market sentiments for the Evergrande Vehicle Shares. The Company will exercise its endeavour to achieve the best available price in disposing of the Evergrande Vehicle Shares at the time of execution of each Disposal.

For the avoidance of doubt, the actual gain or loss to be recognised by the Group as a result of the Disposal(s) will be subject to the actual Disposal price(s) of the Evergrande Vehicle Shares and will be subject to the final audit to be performed by the Company's auditor.

### **LISTING RULES IMPLICATIONS**

As the Directors will seek to dispose of the Evergrande Vehicle Shares at the highest price possible at the relevant circumstances, one or more applicable percentage ratios of the Disposal(s) may exceed 75% and the Disposal(s) may constitute very substantial disposal on the part of the Company under Chapter 14 of the Listing Rules and shall be subject to the Shareholders' approval at the EGM. By way of illustration, assuming that all the 133,600,000 Evergrande Vehicle Shares held by the Group are being disposed of at a price above HK\$5.61 as at the date of this announcement, one of the applicable percentage ratios of the Disposal(s) will exceed 75% and the Disposal(s) will constitute very substantial disposal on the part of the Company under Chapter 14 of the Listing Rules and shall be subject to the Shareholders' approval at the EGM. On that basis, the Company proposes to comply with the requirements applicable for the highest transaction classification of a very substantial disposal under Chapter 14 of the Listing Rules.

The Company will seek the approval of the Shareholders at the EGM for the Disposal Mandate and the Disposal(s) to allow the Company to dispose of up to 133,600,000 Evergrande Vehicle Shares held by the Group during the Mandate Period. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders have a material interest in the Disposal Mandate and the Disposal(s). Accordingly, it is expected that no Shareholder is required to abstain from voting at the EGM.

The Company will despatch the circular containing, among others, (i) further details of the Disposal Mandate and the Disposal(s), and (ii) the notice of EGM as soon as possible in compliance with the Listing Rules. It is expected that the circular will be despatched on or before 15 October 2021.

Pursuant to Rule 14.68(2)(a)(i) of the Listing Rules, for a circular issued in relation to a very substantial disposal, it is required that financial information of either (a) Evergrande Vehicle; or (b) the Group with Evergrande Vehicle being shown separately, to be included in the circular in relation to the Disposal(s), where such financial information must be reviewed by the Company’s auditors or reporting accountants according to the relevant accounting standards as specified under Rule 14.68(2)(a)(i) of the Listing Rules (the “**Rules Requirements**”). According to Note 2 to Rule 14.68(2)(a)(i) of the Listing Rules, it provides that the Stock Exchange may be prepared to relax the Rules Requirements if the assets of Evergrande Vehicle are not consolidated in the accounts of the Group before the Disposal(s). In this connection, the Company has applied to the Stock Exchange for a waiver from strict compliance with the Rules Requirements and the Stock Exchange has granted a waiver to the Company from strict compliance with the Rules Requirements in the circular.

As alternative disclosure, the circular of the Company in respect of the Disposal Mandate will include and disclose extracts of (i) the consolidated balance sheet; (ii) the consolidated statement of comprehensive income; (iii) the consolidated statement of cash flows; and (iv) the consolidated statement of changes in equity of Evergrande Vehicle for the past three financial years ended 31 December 2020 and the six months ended 30 June 2021.

Further details of and reasons for the waiver together with alternative disclosures will be disclosed in the circular of the Company to be despatched to the Shareholders.

**There is no assurance that the Company will proceed with the Disposal(s) after obtaining the Disposal Mandate. Whether and when the Company will proceed with the Disposal(s) or not will depend on a number of factors including without limitation the prevailing market sentiments and market conditions at the proposed time of executing the Disposal(s). The Shareholders and other public investors of the Company are therefore advised to exercise extreme caution when dealing in the Shares.**

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Approved Sale Shares”	up to 133,600,000 Evergrande Vehicle Shares
“Board”	Board of Directors of the Company
“Company”	China Strategic Holdings Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange

“Directors”	directors of the Company
“Disposal(s)”	the proposed disposal(s) of up to 133,600,000 Evergrande Vehicle Shares by the Group under the Disposal Mandate
“Disposal Mandate”	the general and conditional mandate to be granted by the Shareholders to the Company at the EGM to dispose of up to 133,600,000 Evergrande Vehicle Shares during the Mandate Period
“EGM”	extraordinary general meeting of the Company to be held and convened for the purpose of considering and, if thought fit, approving the Disposal Mandate and the Disposal(s) contemplated thereunder
“Evergrande Vehicle”	China Evergrande New Energy Vehicle Group Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 708)
“Evergrande Vehicle Group”	Evergrande Vehicle and its subsidiaries
“Evergrande Vehicle Share(s)”	ordinary share(s) of Evergrande Vehicle
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Last Trading Day”	21 September 2021, being the last full trading day of the Shares on the Stock Exchange prior to the release of this announcement
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mandate Period”	the period of 12-month from the date of passing of the relevant resolution(s) approving the Disposal Mandate and the Disposal(s) at the EGM



“Minimum Selling Price”	HK\$2.20 per Evergrande Vehicle Share
“Reference Selling Price”	the average closing price of Evergrande Vehicle Shares for the five (5) consecutive trading days immediately prior to the date of this announcement, being approximately HK\$3.45 per Evergrande Vehicle Share
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Seller”	Guide Plus Investments Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By Order of the Board  
**China Strategic Holdings Limited**  
**Dr. Or Ching Fai**  
*Chairman*

Hong Kong, 21 September 2021

*As at the date of this announcement, the Board comprises one Non-executive Director, namely Dr. Or Ching Fai (Chairman); three Executive Directors, namely Mr. Sue Ka Lok (Chief Executive Officer), Mr. Chow Kam Wah and Mr. Chow Man Wai, Tony; and four Independent Non-executive Directors, namely Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander, Mr. Leung Hoi Ying and Mr. Lam Kin Fung, Jeffrey.*