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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)

DISCLOSEABLE TRANSACTION DISPOSAL OF LISTED SECURITIES

THE DISPOSAL

The Board announces that on 29 September 2021, Guide Plus, an indirect wholly-owned subsidiary of the Company, disposed of a total of 70,000,000 Evergrande Vehicle Shares to the Purchaser through a block trade transaction on the Stock Exchange, at the aggregate consideration of HK\$159,600,000 (exclusive of transaction costs). The Selling Price (exclusive of transaction costs) of each Disposed Share was HK\$2.28.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting and announcement requirements under the Listing Rules.

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INFORMATION OF EVERGRANDE VEHICLE

Evergrande Vehicle is a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 708). Based on public information, Evergrande Vehicle 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. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Evergrande Vehicle is a third party independent of the Company and its connected persons.

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	15,487	17,810	5,636	6,481
Loss before tax	(7,395)	(8,504)	(4,526)	(5,205)
Loss after tax	(7,665)	(8,815)	(4,947)	(5,689)

Note: Unless otherwise specified, conversions of RMB into HK\$ in this announcement are based on the exchange rate 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 PURCHASER

The Purchaser is Mr. Hung Hon Man, an individual investor. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser is a third party independent of the Company and its connected persons.

BASIS OF DETERMINATION OF THE CONSIDERATION

The Selling Price of HK\$2.28 per Disposed Share represents:

- (i) a discount of 1.72% to the closing price of HK\$2.32 per Evergrande Vehicle Share as quoted on the Stock Exchange on 28 September 2021, being the trading day immediately prior to the date of the Disposal; and

(ii) a discount of 8.06% to the average closing price of approximately HK\$2.48 per Evergrande Vehicle Share in the last five consecutive trading days immediately prior to the date of the Disposal.

The Selling Price was determined after arm's length negotiations between the Company and the Purchaser with reference to, among other things, the prevailing market price of the Evergrande Vehicle Shares. The Directors consider that the Disposal was on normal commercial terms and their terms including consideration were fair and reasonable.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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

The Group has started to invest in Evergrande Vehicle since March 2015. During the period of holding of the Disposed Shares and up to 31 December 2020 (i.e. the date the Company's latest audited consolidated financial statements were made up), the Company recognised unrealised gain attributable to the fair value changes of the Disposed Shares of approximately HK\$1,999,091,000. As a result of the Disposal, the expected loss to be realised for the year ending 31 December 2021, being the difference between the net aggregate consideration (after deducting therefrom the transaction costs) and the carrying value of the Disposed Shares, subject to auditor's review, is approximately HK\$1,955,019,000. Accordingly, the overall gain for the Disposal, being the sum of the unrealised gain recognised up to 31 December 2020 and the expected loss to be realised from the Disposal for the year ending 31 December 2021, is approximately HK\$44,072,000.

In light of the recent volatile market conditions and the recent significant price fluctuations of the Evergrande Vehicle Shares, and considering the possible difficulties to readily dispose of 70,000,000 Evergrande Vehicle Shares in the market, the Directors believe that it is beneficial to take this opportunity to dispose of the Evergrande Vehicle Shares by way of block trade. The Directors consider that notwithstanding the Disposal is made at an expected realised loss for the year ending 31 December 2021, in view of the overall gain on the Disposal at the Selling Price against the historical acquisition costs, and considering that the Disposal can provide immediate liquidity to improve the Group's cash position, thereby allowing it to better structure its asset portfolio and reallocate its financial resources to other business needs, the Directors consider that the Disposal is in the interest of the Company and the Shareholders as a whole.

Taking into account of the factors above, the Directors consider that the Disposal was on normal commercial terms and were fair and reasonable.

FINANCIAL EFFECT OF THE DISPOSAL

As a result of the Disposal, it is expected that the Group will recognise a loss of approximately

HK\$1,955,019,000 for the year ending 31 December 2021 (subject to the auditor's review) on such Disposal, which in effect represents a reversal of the cumulative holding gain previously recognised of approximately HK\$1,999,091,000, leaving a balance of approximately HK\$44,072,000, and which is in turn equivalent to the gain on disposal of the 70,000,000 Evergrande Vehicle Shares at the net aggregate consideration against their historical acquisition costs. Upon the settlement of such Disposal, the assets of the Group will be reduced by HK\$2,114,000,000, being the carrying value of 70,000,000 Evergrande Vehicle Shares as at 1 January 2021, and increased by HK\$159,600,000, being the cash proceeds from the Disposal (exclusive of transaction costs). The Disposal will have no effect on the Group's liabilities.

USE OF PROCEEDS

The net proceeds from the Disposal (i.e. proceeds from the Disposal and deducting therefrom the transaction costs), which amounting to approximately HK\$158,981,000, will be used for 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 materialises; 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.

LISTING RULES IMPLICATION

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Reference is made to the Company's announcement dated 21 September 2021 in relation to a proposed mandate for disposal of the Evergrande Vehicle Shares which may constitute a possible very substantial disposal for the Company under Chapter 14 of the Listing Rules (the "**VSD Announcement**"). Given the disposal of 70,000,000 Evergrande Vehicle Shares forming part of the subject of the VSD Announcement, the mandate for disposal of the Evergrande Vehicle Shares will be adjusted accordingly. Further information will be provided in the circular to be despatched to Shareholders.

DEFINITIONS

“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Disposed Shares
“Disposed Share(s)”	the disposal of a total of 70,000,000 Evergrande Vehicle Share(s) on 29 September 2021 by Guide Plus to the Purchaser through a block trade transaction on the Stock Exchange
“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
“Guide Plus”	Guide Plus Investments Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange

“Purchaser”	Mr. Hung Hon Man, an individual investor, who, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, is a third party independent of the Company and its connected persons
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Selling Price”	HK\$2.28 per Disposed Share
“Shareholders”	shareholders of the Company
“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, 29 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 and Mr. Leung Hoi Ying and Mr. Lam Kin Fung, Jeffrey.