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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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 AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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A letter from the Board of Directors of China Strategic Holdings Limited (the “**Company**”) is set out on pages 5 to 18 of this circular. A notice convening an extraordinary general meeting (the “**EGM**”) of the Company to be held at Plaza 3, Basement 3, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 18 November 2021 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. The proxy form for use at the aforesaid general meeting is enclosed with this circular. Such proxy form is also published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk).

Whether or not you intend to attend the EGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the Company’s share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the instrument appointing the proxy shall be deemed to be revoked.

### PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of the EGM attendees and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM, including:

- (i) compulsory body temperature checks
- (ii) compulsory wearing of surgical face masks and maintain a safe distance between seats
- (iii) no refreshments will be served
- (iv) no distribution of corporate gifts

**Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine requirement may be denied entry into the EGM venue, at the absolute discretion of the Company as permitted by the applicable laws.**

**Shareholders are strongly encouraged to appoint the Chairman of the EGM as his/her/its proxy and to return his/her/its proxy form by the time specified above, instead of attending the EGM in person.**

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## PRECAUTIONARY MEASURES FOR THE EGM

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To safeguard the health and safety of the EGM attendees and to prevent the spreading of the COVID-19 pandemic, the Company will implement the following precautionary measures at the EGM:

- (1) Compulsory temperature screening/checks will be carried out on every attendee at the entrance of the EGM venue. Any person with a body temperature exceeds 37.5 degrees Celsius, or is exhibiting flu-like symptoms, or is subject to any Hong Kong Government prescribed quarantine requirement may be denied entry into the EGM venue and be requested to leave the EGM venue.
- (2) Every attendee will be required to wear a surgical face mask throughout the EGM, and to maintain a safe distance between seats.
- (3) No refreshments will be served at the EGM.
- (4) No distribution of corporate gifts.

Attendees are requested to observe and practise good personal hygiene at all times. To the extent permitted under the applicable laws, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all stakeholders' health and safety, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative to attending the EGM in person, Shareholders are encouraged to consider appointing the Chairman of the EGM as his/her/its proxy to vote on the relevant resolutions at the EGM by submitting proxy forms with voting instructions inserted.

The proxy form for the EGM is enclosed with this circular. Alternatively, the proxy form can be downloaded from the Company's website at [www.cshldgs.com](http://www.cshldgs.com) and the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk). If you are not a registered shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited ("HKSCC")), you should consult directly with your banks, brokers, custodians or HKSCC (as the case may be) to assist you in the appointment of proxy.

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## DEFINITIONS

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

“Approved Sale Shares”	up to 63,600,000 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
“Disposed Shares”	the 70,000,000 Evergrande Vehicle Shares disposed of by the Seller on 29 September 2021
“Disposal(s)”	the possible disposal(s) of up to 63,600,000 Evergrande Vehicle Shares by the Group under the Disposal Mandate
“Disposal Mandate”	the general and conditional mandate to be granted by the Shareholders at the EGM to dispose of up to 63,600,000 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, the notice of which is set out on pages EGM-1 to EGM-3 of this circular
“EGM Notice”	notice convening the EGM as set out on pages EGM-1 to EGM-3 of this circular
“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

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## DEFINITIONS

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“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 the VSD Announcement
“Latest Practicable Date”	26 October 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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
“Previous Disposal”	disposal of the Disposed Shares by the Seller as disclosed in the Company’s announcement dated 29 September 2021
“Reference Selling Price”	the average closing price of the Evergrande Vehicle Shares for the five (5) consecutive trading days immediately prior to the date of the VSD 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

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## DEFINITIONS

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“VSD Announcement”                      announcement of the Company dated 21 September 2021 in relation to the Disposal Mandate

“%”    per cent.

*In the event of any inconsistency, the English text of this circular, the EGM Notice and the accompanying proxy form shall prevail over the Chinese text.*

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## LETTER FROM THE BOARD

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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)**

*Non-executive Director:*

Dr. Or Ching Fai SBS, JP (Chairman)

*Executive Directors:*

Mr. Sue Ka Lok (Chief Executive Officer)

Mr. Chow Kam Wah

Mr. Chow Man Wai, Tony

*Registered Office:*

Rooms 3206-3210, 32nd Floor

China Resources Building

26 Harbour Road

Wanchai

Hong Kong

*Independent Non-executive Directors:*

Ms. Ma Yin Fan

Mr. Chow Yu Chun, Alexander

Mr. Leung Hoi Ying

Mr. Lam Kin Fung, Jeffrey GBS, JP

29 October 2021

*To the Shareholders,*

Dear Sir or Madam,

**POSSIBLE VERY SUBSTANTIAL DISPOSAL  
MANDATE FOR DISPOSAL(S) OF LISTED SECURITIES  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

#### INTRODUCTION

References are made to (i) the VSD Announcement dated 21 September 2021 in relation to the Disposal Mandate; and (ii) the Company's announcement dated 29 September 2021 in relation to the Previous Disposal.

As announced in the VSD Announcement, the Company proposes to seek approval for a disposal mandate from the Shareholders authorising the Directors for the possible disposal(s) from time to time during the Mandate Period of up to 133,600,000 Evergrande Vehicle Shares held by the Group. Subsequent to the VSD Announcement, the Seller disposed of a total of 70,000,000 Evergrande Vehicle Shares forming part of the subject of the VSD Announcement and details of the Previous Disposal which

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## LETTER FROM THE BOARD

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constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules were announced by the Company in accordance with the requirements of the Listing Rules on 29 September 2021. As at the Latest Practicable Date, the Group, through the Seller, beneficially owns 63,600,000 Evergrande Vehicle Shares, representing approximately 0.65% of the total number of issued shares of Evergrande Vehicle as at the Latest Practicable Date. Accordingly, the proposed maximum number of Evergrande Vehicle Shares to be disposed of under the Disposal Mandate is adjusted to a maximum of 63,600,000 Evergradne Vehicle Shares. 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) (on an aggregated basis with the Previous Disposal) may exceed 75% and the Disposal(s) (on an aggregated basis with the Previous Disposal), if proceeded with, may constitute a very substantial disposal on the part of the Company under Chapter 14 of the Listing Rules and shall be subject to 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 purpose of this circular is to give you further details of the possible Disposal(s), the Disposal Mandate, the EGM Notice and such other information as required by the Listing Rules.

### **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 as at the Latest Practicable Date 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 63,600,000 Evergrande Vehicle Shares, representing approximately 0.65% of the total number of issued shares of Evergrande Vehicle as at the Latest Practicable Date, during the Mandate Period.

As at the Latest Practicable Date, the Group, through the Seller, beneficially owns 63,600,000 Evergrande Vehicle Shares, representing approximately 0.65% of the total number of issued shares of Evergrande Vehicle as at the Latest Practicable Date. Depending on the then prevailing market sentiments and market conditions, the Seller may dispose of up to 63,600,000 Evergrande Vehicle Shares under the Disposal Mandate during the Mandate Period.



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## LETTER FROM THE BOARD

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The Disposal Mandate is 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 63,600,000 Evergrande Vehicle Shares held by the Group, representing approximately 0.65% of the total number of issued shares of Evergrande Vehicle as at the Latest Practicable Date.

**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 Latest Practicable Date, 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 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 Disposal(s) shall be no less than HK\$2.20 per Evergrande Vehicle Share.

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## LETTER FROM THE BOARD

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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 twelve months from 1 September 2020 to 31 August 2021, the 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; 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 the VSD 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 twelve months from 1 September 2020 to 31 August 2021, the 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 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 63,600,000 Evergrande Vehicle Shares to be disposed of under the Disposal Mandate represents approximately 5 times of the average daily trading volume of the Evergrande Vehicle Shares in the twelve months from 1 September 2020 to 31 August 2021.

In respect of the daily price fluctuation of the Evergrande Vehicle Shares in the 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%.

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## LETTER FROM THE BOARD

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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 the VSD 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 to 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 for 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 sentiments about the share price 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 Disposal(s) cannot be completed within the Mandate Period.

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## LETTER FROM THE BOARD

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### 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 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 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;
- (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; and
- (h) a discount of approximately 41.02% to the closing price of HK\$3.73 per Evergrande Vehicle Share as quoted on the Stock Exchange on the Latest Practicable Date.

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 twelve months from 1 September 2020 to 31 August 2021, the 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; 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.

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## LETTER FROM THE BOARD

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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 Latest Practicable Date. 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 circular 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.

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## LETTER FROM THE BOARD

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### 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 as at the Latest Practicable Date 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 63,600,000 Evergrande Vehicle Shares during the Mandate Period.

The Disposal(s) will be made with reference to the market prices of the Evergrande Vehicle Shares in 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 HK\$3.73 per Evergrande Vehicle Share as at the Latest Practicable Date, the value of the 63,600,000 Evergrande Vehicle Shares was HK\$237,228,000.

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## LETTER FROM THE BOARD

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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 (the “**Potential Acquisition**”), 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. In respect of the Potential Acquisition, the Company has previously submitted an indicative offer and is still in the process of communicating with the selling shareholders of the target company and the relevant regulatory authorities on various issues about the Potential Acquisition.

The Group has started to invest in Evergrande Vehicle since March 2015, and the historical acquisition costs (the “**Historical Acquisition Costs**”) for 63,600,000 Evergrande Vehicle Shares held by the Group as at the Latest Practicable Date amounted to approximately HK\$104,403,000, equivalent to approximately HK\$1.64 per Evergrande Vehicle Share. As at 1 January 2021, the carrying value (the “**Carrying Value**”) of 63,600,000 Evergrande Vehicle Shares amounted to HK\$1,920,720,000. The Group has thus recognised an unrealised cumulative gain on its holding of 63,600,000 Evergrande Vehicle Shares of approximately HK\$1,816,317,000 up to 31 December 2020.

## LETTER FROM THE BOARD

Set out below are illustrations on the impact on earnings of the Company on the sale of 63,600,000 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>	Carrying Value as at 1 January 2021 <i>(Note iv)</i>	Carrying Value as at 1 January 2021 <i>(Note v)</i>	Historical Acquisition Costs <i>(Note vi)</i>	Historical Acquisition Costs <i>(Note vii)</i>
Disposal of 63,600,000 Evergrande Vehicle Shares	104,403	1,920,720	1,816,317	(1,701,300)	(1,780,800)	115,017	35,517

*Notes:*

- i.* Amount represents the Historical Acquisition Costs for 63,600,000 Evergrande Vehicle Shares of approximately HK\$104,403,000.
- ii.* Amount represents the Carrying Value of 63,600,000 Evergrande Vehicle Shares of HK\$1,920,720,000 as at 1 January 2021.
- iii.* Amount represents the difference of the Carrying Value and the Historical Acquisition Costs of 63,600,000 Evergrande Vehicle Shares amounting to approximately HK\$1,816,317,000, being the cumulative holding gain of 63,600,000 Evergrande Vehicle Shares up to 31 December 2020.
- iv.* Amount represents the difference between the proceeds from the sale of 63,600,000 Evergrande Vehicle Shares, based on the Reference Selling Price of approximately HK\$3.45 per Evergrande Vehicle Share, totaling HK\$219,420,000 (excluding stamp duty and related expenses), and its Carrying Value of HK\$1,920,720,000 as at 1 January 2021, being a loss of HK\$1,701,300,000.
- v.* Amount represents the difference between the proceeds from the sale of 63,600,000 Evergrande Vehicle Shares, based on the Minimum Selling Price of HK\$2.20 per Evergrande Vehicle Share, totaling HK\$139,920,000 (excluding stamp duty and related expenses), and its Carrying Value of HK\$1,920,720,000 as at 1 January 2021, being a loss of HK\$1,780,800,000.
- vi.* Amount represents the difference between the proceeds from the sale of 63,600,000 Evergrande Vehicle Shares, based on the Reference Selling Price of approximately HK\$3.45 per Evergrande Vehicle Share, totaling HK\$219,420,000 (excluding stamp duty and related expenses), and its Historical Acquisition Costs of approximately HK\$104,403,000, being a gain of approximately HK\$115,017,000.
- vii.* Amount represents the difference between the proceeds from the sale of 63,600,000 Evergrande Vehicle Shares, based on the Minimum Selling Price of HK\$2.20 per Evergrande Vehicle Share, totaling HK\$139,920,000 (excluding stamp duty and related expenses), and its Historical Acquisition Costs of approximately HK\$104,403,000, being a gain of approximately HK\$35,517,000.



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## LETTER FROM THE BOARD

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Up to 31 December 2020, the Group has recognised an accumulative gain on its holding of 63,600,000 Evergrande Vehicle Shares of approximately HK\$1,816,317,000 (see Note iii of the above table), if all the 63,600,000 Evergrande Vehicle Shares are disposed of at the Reference Selling Price of approximately HK\$3.45, the Group will recognise a loss of HK\$1,701,300,000 (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\$115,017,000, and which is in turn equivalent to the gain on the disposal of the 63,600,000 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\$1,920,720,000, being the Carrying Value of 63,600,000 Evergrande Vehicle Shares, and increased by HK\$219,420,000, 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 63,600,000 Evergrande Vehicle Shares are disposed of at the Minimum Selling Price of HK\$2.20, the Group will recognise a loss of HK\$1,780,800,000 (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\$1,816,317,000 (see Note iii of the above table), leaving a balance of approximately HK\$35,517,000, and which is in turn equivalent to the gain on the disposal of the 63,600,000 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\$1,920,720,000, being the Carrying Value of 63,600,000 Evergrande Vehicle Shares, and increased by HK\$139,920,000, 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.

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## LETTER FROM THE BOARD

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### 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) (on an aggregated basis with the Previous Disposal) may exceed 75% and the Disposal(s) (on an aggregated basis with the Previous Disposal) 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 63,600,000 Evergrande Vehicle Shares held by the Group are being disposed of at a price above HK\$9.99 as at the Latest Practicable Date, one of the applicable percentage ratios of the Disposal(s) (on an aggregated basis with the Previous Disposal) will exceed 75% and the Disposal(s) (on an aggregated basis with the Previous Disposal) 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 63,600,000 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.

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 the current case, the Company is proposing to dispose of equity capital in another listed company and hence Rule 14.68(2)(a) of the Listing Rules would be applicable. However, as at the Latest Practicable Date, the Company only held a minority interest of not more than 1% in Evergrande Vehicle through the Seller and the Group is merely a passive investor. The Group held its investments in Evergrande Vehicle as a financial asset at fair value through profit or loss and the financial results of Evergrande Vehicle have never been consolidated with the results of the Group. As such, it is impractical and unduly burdensome for the Company to prepare the financial information of Evergrande Vehicle required under Rule 14.68(2)(a)(i) and such information would be of minor importance only for the assessment of the impact of the subject transaction under the Disposal Mandate. Further, as a minority shareholder of Evergrande Vehicle, the Company cannot have access to the financial information of Evergrande Vehicle other than those disclosed to public by Evergrande Vehicle under the Listing Rules. In other words, strict compliance with Rule 14.68(2)(a)(i) of the Listing Rules would not be practicable or possible for the Company.

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## LETTER FROM THE BOARD

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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.

The Company considers that the omission of the financial information of Evergrande Vehicle required under Rule 14.68(2)(a)(i) is not likely to mislead investors and/or the Shareholders. As a listed company in Hong Kong, the financial results of Evergrande Vehicle is publicly available under the relevant Listing Rules and the Shareholders and investors can make an informed assessment. In other words, there would be no other undue risks to the Shareholders and investors for not including the financial information of Evergrande Vehicle required under Rule 14.68(2)(a)(i).

### **EGM**

A notice convening the EGM to be held at Plaza 3, Basement 3, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 18 November 2021 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

In order to be eligible to attend and vote at the EGM, all unregistered holders of the Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 12 November 2021.

A proxy form for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the instrument appointing the proxy shall be deemed to be revoked.

### **VOTING BY WAY OF POLL**

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the chairman of the EGM will put the resolution set out in the EGM Notice to be voted by way of poll pursuant to Article 80 of the Articles of Association of the Company. An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has any material interest in the transactions contemplated under the Disposal Mandate and no other Shareholder is required from abstain from voting on the relevant ordinary resolution(s) approving the Disposal Mandate and the transactions contemplated thereunder at the EGM.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

On the basis of the information set out in this circular, the Board believes that the Disposal(s) and the Disposal Mandate are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Disposal(s) and the Disposal Mandate.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

### WARNING

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.

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

**1. FINANCIAL INFORMATION**

Financial information of the Group for each of the three years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021 are disclosed in the following documents which have been published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cshldgs.com](http://www.cshldgs.com)):

- annual report of the Company for the year ended 31 December 2018 published on 29 April 2019 (pages 54 to 139):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/lt20190429962.pdf>

- annual report of the Company for the year ended 31 December 2019 published on 28 April 2020 (pages 56 to 137):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042801858.pdf>

- annual report of the Company for the year ended 31 December 2020 published on 28 April 2021 (pages 69 to 155):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0428/2021042801193.pdf>

- interim report of the Company for the six months ended 30 June 2021 published on 28 September 2021 (pages 16 to 46):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0928/2021092801045.pdf>

**2. INDEBTEDNESS STATEMENT**

As at the close of business on 30 September 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group was as follows:

**Borrowing**

As at 30 September 2021, the Group had outstanding borrowing of approximately HK\$150,516,000 which is secured and unguaranteed. The outstanding borrowing is secured by two share charges each charging over the issued share of a wholly-owned subsidiary of the Company and two debentures each incorporating a first floating charge over the assets of a wholly-owned subsidiary of the Company which includes property, plant and equipment, club debentures, debt securities, trade and other receivables, equity securities and bank balances and cash.

**Notes payable**

As at 30 September 2021, the Group had outstanding notes payable of approximately HK\$687,405,000 which is unsecured and unguaranteed.

**Lease liabilities**

As at 30 September 2021, the Group had unsecured and unguaranteed lease liabilities of approximately HK\$19,561,000.

**General**

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payable in the ordinary course of the business, as at the close of business on 30 September 2021, the Group does not have any other material debt securities, issued or outstanding, or authorised or otherwise created but unissued, term loan, other borrowing or indebtedness in the nature of borrowing of the Group including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits or hire purchase commitments, mortgages, charges, covenants, other contingent liabilities or guarantees.

**3. WORKING CAPITAL STATEMENT**

The Directors, after due and careful consideration, are of the opinion that taking into account (i) the internal resources of the Group; (ii) the existing borrowing facilities available; and (iii) the existing cash and bank balances, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular. The Company has obtained the relevant confirmation required under Rule 14.66(12) of the Listing Rules.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, save as disclosed in this circular, the interim results announcement of the Company dated 27 August 2021, the VSD Announcement and the announcement of the Company dated 29 September 2021 in relation to the Previous Disposal, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group was made up.

## 5. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in the business of investments in securities, trading of merchandise, money lending as well as securities brokerage.

During the six months ended 30 June 2021 (“HY2021”), the Group continued to principally engage in the business of investment in securities, trading of merchandise, money lending as well as securities brokerage.

During HY2021, there are signs that the global pandemic situation has gradually improved and is under control following the launch of vaccination programs in many countries and regions, however, the emergence of the coronavirus variants recently and the new wave of outbreaks in some countries have created new uncertainties to the world community. There are also indicators that the conditions of major economies including China, the US and the UK have stabilised and on their recovery path from which the Group would be able to benefit, though the heightened political and economic tensions between China and the US have brought to the Group new business challenges. The Group was thus operating in an exceptionally complex business environment during HY2021 and had been cautious in managing its businesses. For HY2021, the Group recorded an increase in revenue by 127% to HK\$325,476,000 (30 June 2020: HK\$143,085,000), mainly due to the increase in sales of the trading operation, and a loss attributable to owners of the Company of HK\$196,625,000 (30 June 2020: profit of HK\$51,651,000), largely resulting from the net fair value loss on listed equity securities held by the Group.

There are signs that the conditions of major economies have stabilised and gaining the momentum to recovery, particularly for those countries like China, the US and the UK which has a high or growing vaccination coverage on the population. China has achieved positive GDP growth in the first half of 2021 and there are indicators that its economy is undergoing a stable and sustainable recovery, from which Hong Kong, being one of the nation’s major cities and gateways, is well positioned to be benefited. The pandemic situation in Hong Kong has been stabilised following the launch of the vaccination program by the government and there are strong signs that the economy is on the recovery path. However, with the emergence of the new variant virus and the new wave of outbreaks in some countries, it is difficult to predict the evolution and duration of the pandemic. Looking forward, the Group’s management will thus continue to adopt a cautious and disciplined approach in managing the Group’s businesses as well as in seizing business and investment opportunities. The Group is continuing with its evaluation process of acquiring the entire equity interests in a target company engaging in insurance business in Hong Kong, with the view to diversify the Group’s businesses and income base and to create value for shareholders. Announcements will be made to inform shareholders as and when there is further material development of this investment opportunity.

## 6. MANAGEMENT DISCUSSION AND ANALYSIS

Reproduced below is the management discussion and analysis of the Group's operations for the financial years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021 respectively. The information reproduced below is principally extracted from the sections of "Business Review", "Financial Review" and "Human Resources and Remuneration Policy" under the "Management Discussion and Analysis" section of the annual report of the Company for each of the three financial years ended 31 December 2020 and the interim report of the Company for the six months ended 30 June 2021 to provide further information relating to the financial conditions and results of operations of the Group during the respective periods stated. Capitalised terms used in this section shall have the same meaning as those defined in the respective annual report or interim report. These extracted materials below were prepared prior to the date of this circular and speak as of the date they were originally published, representing the opinion and beliefs made by the then Directors at such time when the related annual report or interim report was issued.

### For the year ended 31 December 2018

#### *Business Review*

For the year ended 31 December 2018, the Group continued to principally engage in the business of investment in securities, trading of commodities and electronic components, money lending as well as securities brokerage.

The increase in the Group's revenue by 11% to HK\$1,477,776,000 (2017: HK\$1,337,246,000) was largely due to the increase in interest income generated by the money lending business and securities investments, as well as the increase in sales of the trading operation, whereas the 462% increase in profit attributable to owners of the Company to HK\$708,790,000 (2017: HK\$126,193,000) was mainly due to the substantial net gains derived from the listed equity securities portfolio held by the Group and the increased profit contribution from the money lending business.

#### *Investment in Securities*

The Group generally acquires securities listed on the Stock Exchange or other recognised stock exchanges and over-the-counter markets with good liquidity that can facilitate swift execution of securities transactions, and sometimes directly from target companies. For making investment or divestment decision on securities of individual target company, references will usually be made to the latest financial information, news and announcements issued by the target company, investment analysis reports that the Company has access to, as well as industry or macro-economic news. When deciding on acquiring securities to be held for long-term purpose, particular emphasis will be placed on the past financial performance of the target company including its sales and profit growth, financial healthiness, dividend policy, business prospect, industry and macroeconomic outlook. When deciding on acquiring securities to be held other than for long-term purpose, in addition to the factors mentioned, references will also be made to prevailing market sentiments on different sectors of the investment markets. In terms of return, for long-term securities investments, the Company mainly emphasises on return of investment in form of capital appreciation and dividend/interest income. For securities investments other than for long-term holding, the Company mainly emphasises on return of investment in form of trading gains.



At 31 December 2018, the Group's investment in securities operation held (i) a financial asset at fair value through profit or loss ("FVTPL") portfolio (constituted by non-current and current portions), comprising equity securities listed in Hong Kong and unlisted convertible securities, valued at HK\$2,092,411,000 (2017: HK\$1,314,561,000 (restated), including equity securities of HK\$44,259,000 previously classified as available-for-sale ("AFS") investments); and (ii) a debt instrument at fair value through other comprehensive income ("FVTOCI") portfolio (constituted by non-current and current portions), comprising listed debt securities in Hong Kong or overseas, valued at HK\$991,682,000 (2017: HK\$1,279,121,000 (restated), representing debt instruments previously classified as AFS investments). As a whole, the operation recorded a revenue of HK\$122,084,000 (2017: HK\$88,110,000) and a profit of HK\$735,422,000 (2017: HK\$165,454,000).

#### Financial assets at FVTPL

At 31 December 2018, the Group held a financial asset at FVTPL portfolio amounting to HK\$2,092,411,000 measured at market/fair value. During the year under review, the portfolio generated a revenue of HK\$21,103,000 (2017: HK\$22,173,000 (restated), including dividend income of HK\$1,818,000 previously recognised as dividend income from AFS investments) representing dividends from equity securities of HK\$17,067,000 (2017: HK\$14,349,000 (restated), including dividend income of HK\$1,818,000 previously recognised as dividend income from AFS investments) and interest income from equity-linked notes and convertible securities of HK\$4,036,000 (2017: HK\$7,824,000). The Group recognised a net gain on financial assets at FVTPL of HK\$619,093,000, which comprised net unrealised gain and net realised gain of HK\$595,709,000 and HK\$23,384,000 respectively (2017: net gain on financial assets at FVTPL of HK\$65,345,000, which comprised net unrealised gain and net realised loss of HK\$170,317,000 and HK\$104,972,000 respectively). The net gain on financial assets at FVTPL was mainly due to the net increase in fair value of the Group's listed equity securities portfolio and the net realised gain on disposal of listed equity securities during the year. Such net increase in fair value of the Group's listed equity securities portfolio was mainly contributed by the increase in fair value of the Group's investment in listed shares of Evergrande Health Industry Group Limited, in which the Group has started to invest since March 2015, amounting to HK\$868,197,000 during the year.

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

At 31 December 2018, the weightings of the Group's top five and other investments to the market/fair value of the Group's financial asset at FVTPL portfolio of HK\$2,092,411,000 (together with other information) are as below:

Company name	Approximate weighting to the market/fair value of the Group's financial asset at FVTPL portfolio %	% of shareholding interest %	Acquisition costs HK\$'000 A	*Acquisition costs during the year/carrying amount at 1 January 2018 HK\$'000 B	Market/fair value at 31 December 2018 HK\$'000 C	Accumulated unrealised gain (loss) recognised up to 31 December 2018 HK\$'000 D = C - A	Unrealised gain (loss) recognised during the year ended 31 December 2018 HK\$'000 E = C - B
Evergrande Health Industry Group Limited (stock code: 708)	65.77	1.55	219,312	507,883	1,376,080	1,156,768	868,197
Bank of Zhengzhou Co., Ltd. (stock code: 6196)	9.12	3.30#	195,428	195,428	190,919	(4,509)	(4,509)
The Cross-Harbour (Holdings) Limited (stock code: 32)	7.29	3.52	77,377	162,888	152,634	75,257	(10,254)
Get Nice Holdings Limited (stock code: 64)	3.58	3.10	78,000	90,000	75,000	(3,000)	(15,000)
Emperor International Holdings Limited (stock code: 163)	2.91	0.89	77,630	86,203	60,869	(16,761)	(25,334)
Others	11.33	N/A	693,685	454,300	236,909	(456,776)	(217,391)
	<u>100.00</u>		<u>1,341,432</u>	<u>1,496,702</u>	<u>2,092,411</u>	<u>750,979</u>	<u>595,709</u>

\* The amount represented the costs of the securities acquired during the year ended 31 December 2018 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current financial year.

# The percentage of shareholding interest was calculated on the basis of 1,518,000,000 H shares of Bank of Zhengzhou Co., Ltd. (stock code: 6196) in issue at 31 December 2018.

Debt instruments at FVTOCI (debt instruments previously recognised as AFS investments)

At 31 December 2018, the Group's debt instrument at FVTOCI portfolio of HK\$991,682,000 was measured at market/fair value. During the year under review, the Group's debt instrument at FVTOCI portfolio generated total revenue amounting to HK\$100,981,000 (2017: HK\$65,937,000 (restated)), representing interest income from debt securities. According to the maturity of the debt securities, part of the debt instruments at FVTOCI of HK\$3,822,000 was classified as current assets.

During the year under review, the Group invested HK\$46,562,000 for acquiring debt securities issued by various property companies listed on the Stock Exchange.

At the year end, a net fair value loss on the debt instrument at FVTOCI portfolio amounting to HK\$145,512,000 was recognised as other comprehensive expense (2017: gain on AFS investment portfolio of HK\$33,516,000). Such net fair value loss on debt investments held by the Group was mainly a result of the general increase in market interest rates during the year, which caused the market value of debt securities held by the Group to drop.

During the year under review, the Group disposed of debt securities amounting to HK\$126,089,000 and debt securities of HK\$62,400,000 were redeemed by an issuer. A loss on disposal and on redemption totalling HK\$2,789,000 was released from the Group's investment revaluation reserve and reclassified as loss in the current year (2017: gain of HK\$8,779,000).

At 31 December 2018, the Group invested in debt securities of various aircraft leasing company, banking company and property company and their respective weightings to the market/fair value of the Group's debt instrument at FVTOCI of HK\$991,682,000 (together with other information) are as below:

Category of companies	Approximate weighting to the market/fair value of the Group's debt instrument at FVTOCI portfolio %	Yield to maturity on acquisition %	Acquisition costs HK\$'000	*Acquisition costs during the year/carrying amount at 1 January 2018	Market/fair value at 31 December 2018	Accumulated fair value gain (loss) recognised up to 31 December 2018	Fair value gain (loss) recognised during the year ended 31 December 2018
				A			
Debt securities listed in Hong Kong or overseas							
Aircraft leasing	12.77	5.09	148,348	144,692	126,652	(21,696)	(18,040)
Banking	15.03	3.73 – 3.91	156,999	161,312	149,088	(7,911)	(12,224)
Property	72.20	4.68 – 14.41	786,862	825,096	715,942	(70,920)	(109,154)
	<u>100.00</u>		<u>1,092,209</u>	<u>1,131,100</u>	<u>991,682</u>	<u>(100,527)</u>	<u>(139,418)</u>

\* The amount represented the costs of the securities acquired during the year ended 31 December 2018 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current financial year.

The yield to maturity on acquisition of debt securities which were held by the Group at the year end ranging from 3.73% to 14.41% per annum.

### Trading

The Group's trading business is mainly conducted through China Strategic Metal and Minerals Limited, a wholly-owned subsidiary of the Company. During the year under review, the Group's trading operation continued to focusing on trading of commodities including metal minerals, metal, coke products and electronic components. The revenue of the operation of HK\$1,072,587,000 (2017: HK\$1,050,406,000) was in line with last year while its profit dropped by 12% to HK\$8,740,000 (2017: HK\$9,965,000). The drop in the operation's profit was primarily a result of reduced margin earned from certain transactions owing to increased competition amongst traders in commodity markets. The management will step up its effort in maintaining the competitiveness of the operation and will continue to look for new business opportunities.

*Money Lending*

The Group's money lending business is conducted through CS Credit Limited and U Credit (HK) Limited, both are wholly-owned subsidiaries of the Company. The operation continued to record encouraging results by posting a significant growth in revenue of 42% to HK\$269,369,000 (2017: HK\$189,555,000), and an increase in profit of 43% to HK\$266,829,000 (2017: HK\$186,184,000). Such increases were mainly due to the higher average amount of loans advanced to borrowers during the year and the management's effort in enlarging the operation's clientele base. During the year under review, there was no default in repayments from borrowers, nevertheless, an impairment allowance of HK\$11,800,000, as a general provision, was recognised against loan receivables.

At 31 December 2018, 91% (2017: 92%) of the loan portfolio is secured by collaterals, 8% (2017: 2%) is guaranteed by credible guarantors, and with the remaining 1% (2017: 6%) being unsecured.

Before granting loans to potential customers, the Group uses credit assessment process to assess the potential borrower's credit quality individually and defines the credit limits granted to the borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly.

*Securities Brokerage*

The Group's securities brokerage business is conducted through CS Wealth Securities Limited, a wholly-owned subsidiary of the Company licensed by the Hong Kong Securities and Futures Commission to carry out dealing in securities activities. During the year under review, the securities brokerage business achieved a strong increase in revenue of 50% to HK\$13,736,000 (2017: HK\$9,175,000) and increase in profit of 9% to HK\$7,484,000 (2017: HK\$6,885,000). The increases in the operation's revenue and profit are largely due to the management's effort in promoting its business and expanded its business scope to participation of corporate shares placing and underwriting exercises. The profit of the operation increased at a lesser rate than its revenue was mainly a result of additional headcounts and increase in certain administrative expenses of the operation.

*Overall Results*

For the year ended 31 December 2018, the Group recorded profit attributable to owners of the Company of HK\$708,790,000 (2017: HK\$126,193,000) and basic earnings per share of HK4.17 cents (2017: HK0.74 cent). The Group also recorded total comprehensive income attributable to owners of the Company of HK\$585,625,000 (2017: HK\$150,930,000). The profitable results recorded by the Group were mainly attributed to the profit of the securities investment operation of HK\$735,422,000 (2017: HK\$165,454,000) and profit of the money lending business of HK\$266,829,000 (2017: HK\$186,184,000).

*Financial Review**Liquidity, Financial Resources and Capital Structure*

For the year ended 31 December 2018, the Group financed its operation mainly by cash generated from its operations, credit facilities provided by banks and securities brokers, funds raised through issuance of interest bearing notes and shareholders' funds. At the year end, the Group had current assets of HK\$4,987,044,000 (2017: HK\$3,934,227,000) and liquid assets comprising bank balances and cash as well as financial assets at FVTPL (excluding clients' money held relating to the Group's securities brokerage business and pledged bank deposits) totalling HK\$2,230,534,000 (2017: HK\$1,618,055,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$831,834,000 (2017: HK\$2,133,885,000), was at a ratio of about 6.0 (2017: 1.8). At 31 December 2018, the Group's trade and other receivables amounted to HK\$182,910,000 (2017: HK\$56,632,000) which mainly comprised trade receivables from cash and margin clients of the securities brokerage business and the outstanding principal of a convertible bond subscribed by the Group which was due for repayment before the year end as the Group had not exercised the conversion option. The Group also had deferred tax liabilities amounting to HK\$84,242,000 (2017: HK\$34,853,000) that was principally related to the net unrealised gain on financial assets at FVTPL valued at market/fair value and unused tax losses at the year end.

At 31 December 2018, the equity attributable to owners of the Company amounted to HK\$3,645,982,000 (2017: HK\$3,072,157,000) and was equivalent to an amount of approximately HK21.46 cents (2017: HK18.08 cents) per share of the Company. The increase in equity attributable to owners of the Company of HK\$573,825,000 was mainly a result of the significant profit and gains recognised by the Group during the year.

At 31 December 2018, the Group's borrowings represented bank borrowings and margin financing raised mainly for acquiring debt and equity securities. The borrowings bore interests at floating rates, secured by certain debt and equity securities and were repayable within one year or on demand. In December 2016, the Company issued 2-year unsecured notes with nominal value of HK\$1,500,000,000 bearing interest at 7% per annum and 8% per annum for the first and second year respectively. During the year, notes with nominal value of HK\$200,000,000 were redeemed and the Company executed a supplemental deed poll to extend the maturity date of the remaining notes with nominal value of HK\$1,300,000,000 for further two years to 16 December 2020 bearing interest at 9.5% per annum and 10% per annum for the third and fourth year respectively. In addition, the Company issued a new tranche of 2-year unsecured notes in August 2018 with nominal value of HK\$200,000,000 bearing interest at 9.5% per annum and 10% per annum for the first and second year respectively.

The Group's gearing ratio, calculated on the basis of total liabilities of HK\$2,416,401,000 (2017: HK\$2,168,738,000) divided by the equity attributable to owners of the Company of HK\$3,645,982,000 (2017: HK\$3,072,157,000), was about 66% (2017: 71%). The decrease in the Group's gearing ratio was mainly due to the significant profit recognised this year though there were new borrowings raised for acquiring debt and equity securities during the year. The Group's finance costs increased to HK\$162,053,000 (2017: HK\$134,890,000) were primarily a result of the new borrowings raised during the year.

With the amount of liquid assets on hand as well as credit facilities granted by banks and securities brokers, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

#### *Foreign Currency Management*

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in Hong Kong dollars and United States dollars. During the year under review, the Group had not experienced any significant exposure to exchange rate fluctuations, as such, the Group had not entered into any foreign currency forward contracts, currency swaps or other financial derivatives for hedging purposes.

#### *Contingent Liability*

At 31 December 2018, the Group had no significant contingent liability (2017: nil).

#### *Pledge of Assets*

At 31 December 2018, debt securities of HK\$828,005,000 (2017: HK\$744,281,000), equity securities of HK\$1,713,361,000 (2017: HK\$19,349,000) and bank deposits of HK\$31,394,000 (2017: HK\$30,821,000) were pledged to secure credit facilities granted.

#### *Capital Commitment*

At 31 December 2018, the Group had no significant capital commitment (2017: nil).

#### *Human Resources and Remuneration Policy*

At 31 December 2018, the Group had 55 (2017: 55) employees including directors of the Company and staff costs (including directors' emoluments) for the year amounted to HK\$31,278,000 (2017: HK\$38,876,000). The remuneration packages for directors and staff are normally reviewed annually and are structured by reference to prevailing market terms and individual competence, performance and experience. The Group operates a Mandatory Provident Fund Scheme for employees in Hong Kong. In addition, the Group provides other employee benefits including medical insurance, training subsidy, discretionary bonus and participation in the Company's share option scheme.

**For the year ended 31 December 2019***Business Review*

During the year ended 31 December 2019, the Group continued to principally engage in the business of investment in securities, trading of commodities and electronic components, money lending as well as securities brokerage.

With the backdrop of the ongoing trade disputes between the United States and China, the uncertainties once emerged from the Brexit issue, the series of social events taking place in Hong Kong, and the volatile sentiments of the global and local investment markets throughout the year, 2019 was no doubt a very challenging year for the Group. The Group's financial performance was to a large extent negatively affected by these events, for the year under review, the Group's revenue declined by 47% to HK\$779,962,000 (2018: HK\$1,477,776,000), mainly due to the decrease in sales of the trading operation, and in contrast to the profit results achieved by the Group last year, the loss attributable to owners of the Company for the year was HK\$322,947,000 (2018: profit of HK\$708,790,000), largely a result of the net fair value loss recorded for the Group's listed equity securities investments and impairment loss recognised for the loan portfolio held by the Group.

*Investment in Securities*

The Group generally acquires securities listed on the Stock Exchange or other recognised stock exchanges and over-the-counter markets with good liquidity that can facilitate swift execution of securities transactions, and sometimes directly from target companies. For making investment or divestment decision on securities of individual target company, references will usually be made to the latest financial information, news and announcements issued by the target company, investment analysis reports that the Company has access to, as well as industry or macro-economic news. When deciding on acquiring securities to be held for long-term purpose, particular emphasis will be placed on the past financial performance of the target company including its sales and profit growth, financial healthiness, dividend policy, business prospect, industry and macroeconomic outlook. When deciding on acquiring securities to be held other than for long-term purpose, in addition to the factors mentioned, references will also be made to prevailing market sentiments on different sectors of the investment markets. In terms of return, for long-term securities investments, the Company mainly emphasises on return of investment in the form of capital appreciation and dividend/interest income. For securities investments other than for long-term holding, the Company mainly emphasises on return of investment in the form of trading gains.

At 31 December 2019, the Group's securities investments comprised (i) a financial asset at fair value through profit or loss ("FVTPL") portfolio, comprising equity securities listed in Hong Kong, valued at HK\$1,454,098,000 (2018: HK\$2,092,411,000, constituted by non-current and current portions); and (ii) a debt instrument at fair value through other comprehensive income ("FVTOCI") portfolio (constituted by non-current and current portions) comprising debt securities listed in Hong Kong or overseas, valued at HK\$957,361,000 (2018: HK\$991,682,000). As a whole, the Group's securities investments recorded a revenue of HK\$100,664,000 (2018: HK\$122,084,000) and a loss of HK\$336,341,000 (2018: profit of HK\$735,422,000).



## Financial assets at FVTPL

At 31 December 2019, the Group held a financial asset at FVTPL portfolio amounting to HK\$1,454,098,000 measured at market/fair value. During the year under review, the portfolio generated a revenue of HK\$27,319,000 (2018: HK\$21,103,000) representing dividends from equity securities of HK\$22,491,000 (2018: HK\$17,067,000) and interest income from equity-linked notes and convertible securities of HK\$4,828,000 (2018: HK\$4,036,000). The Group recognised a net loss on financial assets at FVTPL of HK\$436,888,000, which comprised net unrealised loss and net realised loss of HK\$409,214,000 and HK\$27,674,000 respectively (2018: net gain of HK\$619,093,000, which comprised net unrealised gain and net realised gain of HK\$595,709,000 and HK\$23,384,000 respectively).

The net loss on financial assets at FVTPL recognised was mainly attributed to the net decrease in fair value of the Group's listed equity securities portfolio primarily owing to the volatile conditions of the Hong Kong stock market during the year. Such net decrease in fair value of the Group's listed equity securities portfolio mainly comprised the decrease in fair value of the Group's investment in listed shares of Evergrande Health Industry Group Limited ("**Evergrande Health**", HKEX stock code: 708) which amounted to HK\$338,008,000 during the year, in contrast to the increase in fair value of HK\$868,197,000 recognised in last year.

The Group has started to invest in Evergrande Health since March 2015, despite the unrealised fair value loss recognised in the current year, up to 31 December 2019, the accumulative holding gain of this investment amounted to HK\$818,760,000. At the year end, the Group held 133,600,000 ordinary shares in Evergrande Health which represented approximately 1.55% of its issued share capital, and the carrying value of the Group's investment in Evergrande Health amounted to HK\$1,038,072,000 which represented approximately 20% of the Group's total assets. Evergrande Health is principally engaged in healthcare business in the PRC as well as the technology research and development, production and sales of new energy vehicles in the PRC and other countries. According to its latest published interim financial information, its healthcare business generated revenue of RMB2.4 billion in the first half of 2019 and it has completed the layout of the new energy vehicle industry chain, and aims to become a major and powerful new energy vehicle group in the world. Although Evergrande Health recorded a loss for its interim results and expected to record an increase in loss for its 2019 full year results according to its profit warning announcement dated 22 March 2020, given that the loss is expected to be primarily attributable to the development of the new energy vehicle business, which is in its investment stage and resulted in an increase in expenditure related to purchase of fixed assets and equipment, research and development and interest payments as elaborated in the announcement, the Group is optimistic about the prospect of Evergrande Health in the medium to long term. Subject to market conditions, the Group presently has no intention to realise this investment.

## APPENDIX I

## FINANCIAL INFORMATION OF THE GROUP

At 31 December 2019, the weightings of the Group's top five and other investments to the market/fair value of the Group's financial asset at FVTPL portfolio of HK\$1,454,098,000 (together with other information) are as below:

Company name	Approximate weighting to the market/fair value of the Group's financial asset at FVTPL portfolio %	Approximate weighting to the carrying amount of the Group's total assets at 31 December 2019 %	% of shareholding interest	Acquisition costs HK\$'000 A	*Acquisition costs during the year/carrying amount at 1 January 2019 HK\$'000 B	Market/fair value at 31 December 2019 HK\$'000 C	Accumulated unrealised gain (loss) recognised up to 31 December 2019 HK\$'000 D = C - A	Unrealised gain (loss) recognised during the year ended 31 December 2019 HK\$'000 E = C - B	Dividend income recognised during the year ended 31 December 2019 HK\$'000
Evergrande Health (HKEX stock code: 708)	71.39	19.98	1.55	219,312	1,376,080	1,038,072	818,760	(338,008)	-
Bank of Zhengzhou Co., Ltd. (HKEX stock code: 6196)	8.86	2.48	3.01 <sup>#</sup>	178,194	174,083	128,849	(49,345)	(45,234)	7,018
Emperor International Holdings Limited (HKEX stock code: 163)	5.55	1.55	1.27	107,295	90,534	80,753	(26,542)	(9,781)	4,575
Get Nice Holdings Limited (HKEX stock code: 64)	4.64	1.30	3.10	78,000	75,000	67,500	(10,500)	(7,500)	5,250
Shengjing Bank Co., Ltd (HKEX stock code: 2066)	2.98	0.83	0.31	54,599	24,381	43,257	(11,342)	18,876	879
Others	6.58	1.84	N/A	408,077	123,234	95,667	(312,410)	(27,567)	4,769
	<u>100.00</u>	<u>27.98</u>		<u>1,045,477</u>	<u>1,863,312</u>	<u>1,454,098</u>	<u>408,621</u>	<u>(409,214)</u>	<u>22,491</u>

\* The amount represented the costs of the securities acquired during the year ended 31 December 2019 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current financial year.

# The percentage of shareholding interest was calculated on the basis of 1,518,000,000 H shares of Bank of Zhengzhou Co., Ltd. (HKEX stock code: 6196) in issue at 31 December 2019.

### Debt instruments at FVTOCI

At 31 December 2019, the Group's debt instrument at FVTOCI portfolio of HK\$957,361,000 was measured at market/fair value. During the year under review, the Group's debt instrument at FVTOCI portfolio generated total revenue amounting to HK\$73,345,000 (2018: HK\$100,981,000), representing interest income from debt securities. According to the maturity of the debt securities, part of the debt instruments at FVTOCI of HK\$7,816,000 was classified as current assets.

During the year under review, the Group invested HK\$66,667,000 (2018: HK\$46,562,000) for acquiring debt securities issued by various property companies listed on the Stock Exchange.

At the year end, a net fair value gain on the debt instrument at FVTOCI portfolio amounting to HK\$56,400,000 was recognised as other comprehensive income (2018: net fair value loss of HK\$145,512,000). Such net fair value gain on debt investments was mainly a result of the general cut in market interest rates during the year which caused the market value of debt securities held by the Group to rise.

During the year under review, the Group disposed of debt securities amounting to HK\$149,588,000 and debt securities of HK\$7,800,000 were redeemed by an issuer. A gain on disposal and on redemption totalling HK\$1,606,000 was released from the Group's investment revaluation reserve and recognised as gain during the year (2018: loss totalling HK\$2,789,000).

At 31 December 2019, the Group invested in debt securities of an aircraft leasing company, a banking company and seven property companies and their respective weightings to the market/fair value of the Group's debt instruments at FVTOCI of HK\$957,361,000 (together with other information) are as below:

Category of companies	Approximate	Approximate	Yield to	* Acquisition	* Acquisition	Market/fair	Accumulated	Fair value
	weighting to	weighting to					fair	
	the market/ fair	the carrying		costs during	the year/ carrying	value at	(loss)	gain
	value of the Group's debt instrument at	amount of the Group's total assets at	maturity on	Acquisition	amount at	value at	recognised	recognised
	FVTOCI	31 December	acquisition	costs	1 January	31 December	31 December	31 December
	portfolio	2019	acquisition	costs	2019	2019	2019	2019
	%	%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				A	B	C	D = C - A	E = C - B
<i>Debt securities listed in Hong Kong or overseas</i>								
Aircraft leasing	14.40	2.65	5.09	148,348	126,652	137,881	(10,467)	11,229
Banking	8.68	1.60	3.73 – 3.91	78,499	74,544	83,061	4,562	8,517
Property	76.92	14.17	4.75 – 12.50	776,247	707,828	736,419	(39,828)	28,591
	<u>100.00</u>	<u>18.42</u>		<u>1,003,094</u>	<u>909,024</u>	<u>957,361</u>	<u>(45,733)</u>	<u>48,337</u>

\* The amount represented the costs of the securities acquired during the year ended 31 December 2019 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current financial year.

The yield to maturity of debt securities acquired which were held by the Group at the year end ranging from 3.73% to 12.50% per annum.

*Trading*

The Group's trading business is mainly conducted through China Strategic Metal and Minerals Limited, a wholly-owned subsidiary of the Company. During the year under review, the Group's trading operation continued to focus on trading of commodities including metal minerals, coke products and electronic components. The operation reported a decline in revenue by about 63% to HK\$396,108,000 (2018: HK\$1,072,587,000), and a decrease in profit of over 74% to HK\$2,288,000 (2018: HK\$8,740,000). The decreases in revenue and profit of the operation were principally due to the decline in volume of commodities and products traded resulting mainly from the trade disputes between the United States and China, and the slowdown of the European economy in general, which adversely affected the business of the end customers of the operation. Owing to unfavourable market conditions, the commodity trading business of the operation is on temporary halt while the electronic components business is continuing. The management is stepping up its effort to explore new business opportunities in order to improve the results of the operation and will resume the commodities trading business when market conditions improve.

*Money Lending*

The Group's money lending business is conducted through CS Credit Limited and U Credit (HK) Limited, both are wholly-owned subsidiaries of the Company. The operation recorded an increase in revenue of 2% to HK\$273,977,000 (2018: HK\$269,369,000) while profit decreased by 52% to HK\$128,293,000 (2018: HK\$266,829,000). The operation's revenue for the year was in line with that of last year as the size of the Group's loan portfolio remained at similar levels for the two years, whilst the decrease in the operation's profit was largely due to the impairment allowance of HK\$142,289,000 (2018: nil) recognised for the year which primarily represented the credit risk involved in collectability of a default loan and certain other non-default loans determined under the Group's loan impairment policy. The Group is considering various actions for recovery of the default loan.

At 31 December 2019, 90% (2018: 91%) of the loan portfolio is secured by collaterals, 3% (2018: 8%) is guaranteed by guarantors, and with the remaining 7% (2018: 1%) being unsecured.

Before granting loans to potential customers, the Group uses credit assessment process to assess the potential borrowers' credit quality individually and defines the credit limits granted to the borrowers. The credit limits granted to the borrowers are reviewed by the management regularly.

*Securities Brokerage*

The Group's securities brokerage business is conducted through CS Wealth Securities Limited ("CS Wealth"), a wholly-owned subsidiary of the Company licensed by the Hong Kong Securities and Futures Commission to carry out dealing in securities activities. During the year under review, revenue and profit of the operation decreased by 33% to HK\$9,213,000 (2018: HK\$13,736,000) and 16% to HK\$6,292,000 (2018: HK\$7,484,000) respectively. The decreases in revenue and profit were largely due to the lesser number of corporate shares placing and underwriting exercises participated by CS Wealth during the year which to a certain extent, caused by the volatile market conditions of Hong Kong stock market.

*Overall Results*

For the year ended 31 December 2019, the Group recorded loss attributable to owners of the Company of HK\$322,947,000 (2018: profit attributable to owners of the Company of HK\$708,790,000) and basic loss per share of HK1.90 cents (2018: basic earnings per share of HK4.17 cents). The Group reported total comprehensive expense attributable to owners of the Company of HK\$276,193,000 (2018: total comprehensive income attributable to owners of the Company of HK\$585,625,000) which included a net fair value gain on debt securities of HK\$56,400,000 (2018: net fair value loss of HK\$145,512,000). The loss results recorded by the Group were mainly attributed to the substantial overall loss recognised for the Group's securities investments of HK\$336,341,000 (2018: profit of HK\$735,422,000) and the decreases in profit generated by the Group's money lending, trading and securities brokerage operation amounting to HK\$128,293,000 (2018: HK\$266,829,000), HK\$2,288,000 (2018: HK\$8,740,000) and HK\$6,292,000 (2018: HK\$7,484,000) respectively.

*Financial Review**Liquidity, Financial Resources and Capital Structure*

For the year ended 31 December 2019, the Group financed its operation mainly by cash generated from its operations, credit facilities provided by banks and securities brokers, funds raised through issuance of interest bearing notes and shareholders' funds. At the year end, the Group had current assets of HK\$4,185,622,000 (2018: HK\$4,987,044,000) and liquid assets comprising bank balances and cash as well as financial assets at FVTPL (excluding clients' money held relating to the Group's securities brokerage business and pledged bank deposits) totalling HK\$1,589,891,000 (2018: HK\$2,230,534,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$1,825,502,000 (2018: HK\$831,834,000), was at a ratio of about 2.3 (2018: 6.0). At 31 December 2019, the Group's trade and other receivables amounted to HK\$113,327,000 (2018: HK\$182,910,000) which mainly comprised trade receivables from cash and margin clients of the securities brokerage business, deposits placed with securities brokers, and the outstanding principal of a note receivable. The Group had deferred tax assets amounting to HK\$8,148,000 (2018: deferred tax liabilities of HK\$84,242,000) which principally related to the allowance for expected credit losses for loan receivables (2018: the net unrealised gain on financial assets at FVTPL valued at market/fair value and unused tax losses) at the year end.

At 31 December 2019, the equity attributable to owners of the Company amounted to HK\$3,369,789,000 (2018: HK\$3,645,982,000) and was equivalent to an amount of approximately HK19.84 cents (2018: HK21.46 cents) per share of the Company. The decrease in equity attributable to owners of the Company of HK\$276,193,000 was mainly a result of the loss recognised by the Group during the year.

At 31 December 2019, the Group's borrowings represented bank borrowings and securities margin financing raised mainly for acquiring debt and equity securities. The borrowings bore interests at floating rates, secured by certain debt and equity securities and were repayable within one year or on demand. In December 2016, the Company issued 2-year unsecured notes with nominal value of HK\$1,500,000,000 (the "2016 Notes") bearing interest at 7% per annum and 8% per annum for the first and second year respectively. During the second half of 2018, the 2016 Notes with nominal value of HK\$200,000,000 were redeemed and the Company executed a supplemental deed poll to extend the maturity date of the remaining notes with nominal value of HK\$1,300,000,000 for further two years to 16 December 2020 bearing interest at 9.5% per annum and 10% per annum for the third and fourth year respectively. In addition, the Company issued a new tranche of 2-year unsecured notes in August 2018 with nominal value of HK\$200,000,000 bearing interest at 9.5% per annum and 10% per annum for the first and second year respectively. During the second half of 2019, the 2016 Notes with nominal value of HK\$250,000,000 were further redeemed.

The Group's gearing ratio, calculated on the basis of total liabilities of HK\$1,825,502,000 (2018: HK\$2,416,401,000) divided by the equity attributable to owners of the Company of HK\$3,369,789,000 (2018: HK\$3,645,982,000), was about 54% (2018: 66%). The decrease in the Group's gearing ratio was mainly due to the partial redemption of the 2016 Notes and partial repayments made for margin financing during the year. The Group's finance costs increased to HK\$171,095,000 (2018: HK\$162,053,000) were primarily a result of the increase in the average amount of borrowings and interest rates during the year.

With the amount of liquid assets on hand as well as credit facilities granted by banks and securities brokers, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

#### *Foreign Currency Management*

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in Hong Kong dollars and United States dollars. During the year under review, the Group had not experienced any significant exposure to exchange rate fluctuations, as such, the Group had not entered into any foreign currency forward contracts, currency swaps or other financial derivatives for hedging purposes.

#### *Contingent Liability*

At 31 December 2019, the Group had no significant contingent liability (2018: nil).

#### *Pledge of Assets*

At 31 December 2019, debt securities of HK\$914,387,000 (2018: HK\$828,005,000), equity securities of HK\$1,352,744,000 (2018: HK\$1,713,361,000) and bank deposits of HK\$32,067,000 (2018: HK\$31,394,000) were pledged to secure credit facilities granted.

*Capital Commitment*

At 31 December 2019, the Group had no significant capital commitment (2018: nil).

*Human Resources and Remuneration Policy*

At 31 December 2019, the Group had 46 (2018: 55) employees including directors of the Company and staff costs (including directors' emoluments) for the year amounted to HK\$24,975,000 (2018: HK\$31,278,000). The remuneration packages for directors and staff are normally reviewed annually and are structured by reference to prevailing market terms and individual competence, performance and experience. The Group operates a Mandatory Provident Fund Scheme for employees in Hong Kong. In addition, the Group provides other employee benefits including medical insurance, training subsidy, discretionary bonus and participation in the Company's share option scheme.

**For the year ended 31 December 2020***Business Review*

During the year ended 31 December 2020 ("FY2020"), the Group was principally engaged in the business of investment in securities, trading of electronic components, money lending as well as securities brokerage.

With the health crises of the COVID-19 pandemic continued on a global scale, the Group was confronted with economic chaos and unprecedented market challenges during the year. The slowdown of economic activities of many countries including China, the US, the UK, Japan, Korea and many European countries, the volatilities of global financial markets including Hong Kong, and the decrease of international trade flow across the globe, all had, by different extent, posed negative impact on the Group's operations. In fact, the market conditions were more chaotic in Hong Kong owing to the occurrence of social events and the unsettled China-US trade disputes. Against this backdrop, the Group has adopted a cautious and disciplined approach in managing its businesses. For FY2020, the Group recorded a decline in revenue by 67% to HK\$256,347,000 (2019: HK\$779,962,000), mainly due to the decreases in sales of the trading operation and interest income from the money lending business, and a profit attributable to owners of the Company of HK\$2,283,187,000 (2019: loss of HK\$322,947,000), largely resulting from the net fair value gain on listed equity securities held by the Group.

*Investment in Securities*

The Group generally acquires securities listed on the Stock Exchange or other recognised stock exchanges and over-the-counter markets with good liquidity that can facilitate swift execution of securities transactions, and sometimes directly from target companies. For making investment or divestment decision on securities of individual target company, references will usually be made to the latest financial information, news and announcements issued by the target company, investment analysis reports that the Company has access to, as well as industry or macro-economic news. When deciding on acquiring securities to be held for long-term purpose, particular emphasis will be placed on the past financial performance of the target company including its sales and profit growth, financial healthiness, dividend policy, business prospect, industry and macroeconomic outlook. When deciding on acquiring securities to be held other than for long-term purpose, in addition to the factors mentioned, references will also be made to prevailing market sentiments on different sectors of the investment markets. In terms of return, for long-term securities investments, the Company mainly emphasises on return of investment in the form of capital appreciation and dividend/interest income. For securities investments other than for long-term holding, the Company mainly emphasises on return of investment in the form of trading gains.

At 31 December 2020, the Group's securities investments comprised (i) a financial asset at fair value through profit or loss ("FVTPL") portfolio, comprising equity securities listed in Hong Kong, valued at HK\$4,073,317,000 (2019: HK\$1,454,098,000); and (ii) a debt instrument at fair value through other comprehensive income ("FVTOCI") portfolio comprising debt securities listed in Hong Kong or overseas, valued at HK\$401,813,000 (2019: HK\$957,361,000, constituted by non-current and current portions). As a whole, the Group's securities investments recorded a revenue of HK\$64,931,000 (2019: HK\$100,664,000) and a profit of HK\$2,939,628,000 (2019: loss of HK\$336,341,000).

## Financial assets at FVTPL

At 31 December 2020, the Group held a financial asset at FVTPL portfolio amounting to HK\$4,073,317,000 measured at market/fair value. During FY2020, the portfolio generated a revenue of HK\$7,033,000 (2019: HK\$27,319,000) representing dividends from equity securities of HK\$7,033,000 (2019: HK\$22,491,000), whilst no interest income from equity-linked notes and convertible securities this year (2019: HK\$4,828,000). The Group recognised a net gain on financial assets at FVTPL of HK\$2,905,676,000, which comprised net unrealised gain and net realised loss of HK\$2,979,472,000 and HK\$73,796,000 respectively (2019: net loss of HK\$436,888,000, which comprised net unrealised loss and net realised loss of HK\$409,214,000 and HK\$27,674,000 respectively).

The net gain on financial assets at FVTPL recognised was mainly attributed to the net increase in fair value of the Group's listed equity securities portfolio during the year. Such net increase in fair value mainly comprised the increase in fair value of the Group's investment in listed shares of China Evergrande New Energy Vehicle Group Limited ("**Evergrande Vehicle**", HKEX stock code: 708, formerly known as Evergrande Health Industry Group Limited) which amounted to HK\$2,996,648,000 during the year, in contrast to the decrease in fair value of HK\$338,008,000 recognised in the prior year.



The Group has started to invest in Evergrande Vehicle since March 2015, including the unrealised fair value gain recognised in the current year, up to 31 December 2020, the accumulative holding gain of this investment amounted to HK\$3,815,408,000. At the year end, the Group held 133,600,000 ordinary shares in Evergrande Vehicle which represented approximately 1.52% of its issued shares, and the carrying value of the Group's investment in Evergrande Vehicle amounted to HK\$4,034,720,000 which represented approximately 47.57% of the Group's total assets. Evergrande Vehicle is 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. According to its latest published annual financial information, its healthcare business generated revenue of RMB15.3 billion while its new energy vehicle business recorded revenue of RMB187.5 million. Evergrande Vehicle has established a full industry chain of new energy vehicles covering automobile manufacturing, electric motor control, power batteries, vehicle sales, smart charging, shared mobility and other aspects and built advanced intelligent manufacturing bases in Tianjin, Shanghai, Guangzhou and other locations in accordance with the Industry 4.0 Standard. Evergrande Vehicle will endeavor to facilitate the mass production of the nine Hengchi models at full speed, and continue to devote itself to the innovation and application of new energy vehicle technologies and product R&D as well as to introduce additional vehicle models to enrich its product mix and elevate the smart manufacturing standards in China. The Group is optimistic about the prospect of Evergrande Vehicle in the medium to long-term. Subject to market conditions, the Group presently has no intention to realise this investment.

At 31 December 2020, the weightings of the Group's investment in Evergrande Vehicle and other investments to the market/fair value of the Group's financial asset at FVTPL portfolio of HK\$4,073,317,000 (together with other information) are as below:

Company name	Approximate weighting to the market/fair value of the Group's financial asset at FVTPL portfolio	Approximate weighting to the carrying amount of the Group's total assets at 31 December 2020	% of shareholding interest	Acquisition costs	*Acquisition costs during the year/carrying amount at 1 January 2020	Market/fair value at 31 December 2020	Accumulated unrealised gain (loss) recognised up to 31 December 2020	Unrealised gain (loss) recognised during the year ended 31 December 2020	Dividend income recognised during the year ended 31 December 2020
	%	%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				A	B	C	D = C - A	E = C - B	
Evergrande Vehicle (HKEX stock code: 708)	99.05	47.57	1.52	219,312	1,038,072	4,034,720	3,815,408	2,996,648	-
Emperor International Holdings Limited (HKEX stock code: 163)	0.73	0.35	0.74	62,311	46,897	29,819	(32,492)	(17,078)	1,285
Others	0.22	0.10	N/A	194,346	8,876	8,778	(185,568)	(98)	5,748
	<u>100.00</u>	<u>48.02</u>		<u>475,969</u>	<u>1,093,845</u>	<u>4,073,317</u>	<u>3,597,348</u>	<u>2,979,472</u>	<u>7,033</u>

\* The amount represented the costs of the securities acquired during the year ended 31 December 2020 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current financial year.

## Debt instruments at FVTOCI

At 31 December 2020, the Group's debt instrument at FVTOCI portfolio of HK\$401,813,000 was measured at market/fair value. During FY2020, the Group's debt instrument at FVTOCI portfolio generated total revenue amounting to HK\$57,898,000 (2019: HK\$73,345,000), representing interest income from debt securities. According to the maturity of the debt securities, no debt instruments at FVTOCI (2019: HK\$7,816,000) was classified as current assets. During FY2020, the Group did not acquire debt securities (2019: HK\$66,667,000 for acquiring debt securities issued by various property companies listed on the Stock Exchange).

At the year end, a net fair value loss on the debt instrument at FVTOCI portfolio amounting to HK\$29,768,000 was recognised as other comprehensive expense (2019: net fair value gain of HK\$56,400,000 recognised as other comprehensive income).

During the year under review, the Group disposed of debt securities amounting to HK\$525,780,000 (2019: HK\$149,588,000) whilst no debt securities (2019: HK\$7,800,000) were redeemed. A loss on disposal of HK\$17,079,000 (2019: a gain on disposal and on redemption totalling HK\$1,606,000) was released from the Group's investment revaluation reserve and recognised as loss during the year.

For FY2020, the Group recognised impairment loss of HK\$18,873,000 (2019: HK\$859,000) on debt instruments at FVTOCI by reference to exposures at default, recovery rate and adjustments for forward looking information.

At 31 December 2020, the Group invested in debt securities of two property companies with details as below:

Category of companies	Approximate weighting to the carrying amount of the Group's total assets at 31 December 2020 %	Yield to maturity on acquisition %	Acquisition costs HK\$'000 A	* Acquisition costs during the year/ carrying amount at 1 January 2020 HK\$'000 B	Market/fair value at 31 December 2020 HK\$'000 C	Accumulated fair value loss recognised up to 31 December 2020 HK\$'000 D = C - A	Fair value loss recognised during the year ended 31 December 2020 HK\$'000 E = C - B
<i>Debt securities listed in Hong Kong or overseas</i>							
Property	4.74	5.62 - 9.50	460,235	418,604	401,813	(58,422)	(16,791)

\* The amount represented the costs of the securities acquired during the year ended 31 December 2020 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current financial year.

The yield to maturity on acquisition of the debt securities which were held by the Group at the year end ranging from 5.62% to 9.50% per annum.

*Trading*

During FY2020, the Group's trading operation was focused on trading of electronic components. The operation reported a decline in revenue by 99% to HK\$4,062,000 (2019: HK\$396,108,000), and its result experienced a turnaround and recorded loss of HK\$165,000 (2019: profit of HK\$2,288,000). The decrease in revenue and loss incurred were principally due to the temporary halt of trading of commodities resulting mainly from the unsettled trade disputes between China and the US, and the slowdown of the European economy in general, which adversely affected the business of the end customers of the operation. The management is stepping up its effort to explore new business opportunities in order to improve the results of the operation and will resume the commodities trading business when market conditions improve.

*Money Lending*

The Group's money lending business is conducted through CS Credit Limited and U Credit (HK) Limited, both are wholly-owned subsidiaries of the Company. The operation recorded a decrease in revenue of 34% to HK\$180,764,000 (2019: HK\$273,977,000) and experienced a turnaround of results by recording a loss of HK\$27,348,000 (2019: profit of HK\$128,293,000). The decrease in revenue was mainly due to the lower average amount of loans advanced to borrowers during FY2020 whilst the loss of the operation was largely due to the recognition of net impairment allowance of HK\$202,923,000 (2019: HK\$142,289,000).

The net impairment allowance recognised primarily represented the credit risk involved in collectability of certain default and non-default loans determined under the Group's loan impairment policy, with reference to factors including the credit history of the borrowers, the realisation value of collaterals pledged to the Group, and the prevailing economic conditions (the negative impact of the COVID-19 pandemic on the current state of the Hong Kong economy has also been considered). The Group is considering various actions for recovery of the default and non-default loans. At the year end, the balance of the impairment allowance was HK\$373,254,000 (2019: HK\$154,089,000).

At 31 December 2020, 99% (2019: 90%) of the carrying amount of the loan portfolio (after impairment allowance) is secured by collaterals, nil (2019: 3%) is guaranteed by guarantors, and with the remaining 1% (2019: 7%) being unsecured.

Before granting loans to potential customers, the Group performs credit assessment process to assess the potential borrowers' credit quality individually and defines the credit limits granted to the borrowers. The credit limits granted to the borrowers are reviewed by the management regularly.

*Securities Brokerage*

The Group's securities brokerage business is conducted through CS Wealth Securities Limited, a wholly-owned subsidiary of the Company licensed by the Hong Kong Securities and Futures Commission to carry out dealing in securities activities. During FY2020, revenue of the operation decreased by 28% to HK\$6,590,000 (2019: HK\$9,213,000) and profit decreased by 42% to HK\$3,671,000 (2019: HK\$6,292,000) respectively. The decreases in revenue and profit of the operation were mainly due to the volatilities and negative investment sentiments of the Hong Kong stock market which to a certain extent resulting from the continuation of the COVID-19 pandemic.

*Overall Results*

For FY2020, the Group recorded profit attributable to owners of the Company of HK\$2,283,187,000 (2019: loss of HK\$322,947,000) and basic earnings per share of HK13.29 cents (2019: basic loss per share of HK1.90 cents). The Group reported total comprehensive income attributable to owners of the Company of HK\$2,294,579,000 (2019: total comprehensive expense of HK\$276,193,000) which included a net fair value loss on debt securities of HK\$29,768,000 (2019: net fair value gain of HK\$56,400,000). The profitable results recorded by the Group were mainly attributed to the substantial overall gain recognised for the Group's securities investments of HK\$2,939,628,000 (2019: loss of HK\$336,341,000), though the profitable results were partly offset by the loss incurred by the money lending operation of HK\$27,348,000 (2019: profit of HK\$128,293,000) and loss incurred by the trading operation of HK\$165,000 (2019: profit of HK\$2,288,000). The securities brokerage operation recorded a reduced profit of HK\$3,671,000 (2019: HK\$6,292,000) for the year.

*Financial Review**Liquidity, Financial Resources and Capital Structure*

For FY2020, the Group financed its businesses mainly by cash generated from operations, credit facilities provided by banks, finance company and securities brokers, funds raised through issuance of interest bearing notes and placement of shares as well as shareholders' funds. At the year end, the Group had current assets of HK\$8,000,306,000 (2019: HK\$4,185,622,000) and liquid assets comprising bank balances and cash as well as financial assets at FVTPL (excluding clients' money held relating to the Group's securities brokerage business and pledged bank deposits) totalling HK\$6,314,049,000 (2019: HK\$1,589,891,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$1,611,842,000 (2019: HK\$1,825,502,000), was at a ratio of about 5.0 (2019: 2.3). At 31 December 2020, the Group's trade and other receivables amounted to HK\$175,487,000 (2019: HK\$113,327,000), which mainly comprised trade receivables from cash and margin clients of the securities brokerage business, deposits placed with securities brokers, and the outstanding principal of a note receivable. The Group had deferred tax assets amounting to HK\$27,067,000 (2019: HK\$8,148,000) and deferred tax liabilities of HK\$435,393,000 (2019: nil) which were principally related to the allowance for expected credit losses for loan receivables, net unrealised gain on financial assets at FVTPL valued at market/fair value and unused tax losses at the year end.

At 31 December 2020, the equity attributable to owners of the Company amounted to HK\$5,939,048,000 (2019: HK\$3,369,789,000) and was equivalent to an amount of approximately HK29.13 cents (2019: HK19.84 cents) per share of the Company. The increase in equity attributable to owners of the Company of HK\$2,569,259,000 was mainly a result of the profit recognised by the Group and the issuance of new shares during the year.

At 31 December 2020, the Group's borrowings represented short-term secured borrowings that bore interests at fixed rate or floating rate and were repayable within one year or on demand. The borrowings were secured by two share charges each charging over the issued share of a wholly-owned subsidiary of the Company, two debentures each incorporating a first floating charge over all the assets of a wholly-owned subsidiary of the Company, and certain debt and equity securities held by the Group.

During the second half of 2020, the Company issued four tranches of notes comprising (i) the 2-year unsecured notes with nominal value of HK\$500,000,000 bearing interest of 5.5% per annum in July 2020; (ii) the 1-year unsecured notes with nominal value of HK\$500,000,000 bearing interest of 3.0% per annum in August 2020; (iii) the 270-day unsecured notes with nominal value of HK\$500,000,000 bearing interest of 2.0% per annum in September 2020; and (iv) the 270-day unsecured notes with nominal value of HK\$200,000,000 bearing interest 2.0% per annum in October 2020. All the four tranches of notes carry options for the Company to early redeem the notes, by giving not less than 15 days' notice to the noteholders, in whole or in part at 100% of the principal amount outstanding, together with interest accrued and unpaid at the date fixed for redemption.

On 20 November 2020, the Company entered into a subscription agreement with a subscriber (the "**Subscriber**") whereby the Company conditionally agreed to allot and issue and the subscriber conditionally agreed to subscribe for 3,397,540,000 subscription shares at the subscription price of HK\$0.060 per share (the "**Share Subscription**"). Upon completion of the Share Subscription on 11 December 2020, 3,397,540,000 new shares were allotted and issued by the Company to the Subscriber. The gross proceeds from the Share Subscription amounted to approximately HK\$203,852,000, after deducting directly attributable costs of approximately HK\$619,000, the net proceeds amounted to approximately HK\$203,233,000 and the net subscription price was approximately HK\$0.060 per share. The net proceeds had been fully utilised as intended as general working capital of the Group. The Subscriber was a company wholly owned by Dr. Cheng Kar-Shun, Henry *GBM*, *GBS*. Details of the Share Subscription were set out in the announcements of the Company dated 20 November 2020 and 11 December 2020.

The Group's gearing ratio, calculated on the basis of total liabilities of HK\$2,542,650,000 (2019: HK\$1,825,502,000) divided by the equity attributable to owners of the Company of HK\$5,939,048,000 (2019: HK\$3,369,789,000), was about 43% (2019: 54%). The decrease in the Group's gearing ratio was mainly due to increase in equity attributable to owners of the Company during the year. The Group's finance costs decreased to HK\$158,640,000 (2019: HK\$171,095,000) were primarily a result of the decreases in the average amount of borrowings and charging interest rates during the year.

With the amount of liquid assets on hand as well as credit facilities granted by banks, finance company and securities brokers, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

*Foreign Currency Management*

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in Hong Kong dollars and United States dollars. During the year under review, the Group had not experienced any significant exposure to exchange rate fluctuations, as such, the Group had not entered into any foreign currency forward contracts, currency swaps or other financial derivatives for hedging purposes.

*Contingent Liability*

At 31 December 2020, the Group had no significant contingent liability (2019: nil).

*Pledge of Assets*

At 31 December 2020, property, plant and equipment of HK\$17,042,000 (2019: nil), club debentures of HK\$1,453,000 (2019: nil), debt securities of HK\$401,813,000 (2019: HK\$914,387,000), trade and other receivables of HK\$66,670,000 (2019: nil), equity securities of HK\$4,073,317,000 (2019: HK\$1,352,744,000), bank balances and cash of HK\$109,252,000 (2019: nil) were pledged to secure the Group's borrowings. In addition, the Group's credit facility for settlement of the securities brokerage activities was secured by the Group's bank deposits of HK\$3,096,000 (2019: HK\$32,067,000 in aggregate to secure credit facilities for issuance of letters of credit and settlement of the securities brokerage activities).

*Capital Commitment*

At 31 December 2020, the Group had no significant capital commitment (2019: nil).

*Human Resources and Remuneration Policy*

At 31 December 2020, the Group had 60 (2019: 46) employees including directors of the Company and staff costs (including directors' emoluments) for the year amounted to HK\$27,630,000 (2019: HK\$24,975,000). The remuneration packages for directors and staff are normally reviewed annually and are structured by reference to prevailing market terms and individual competence, performance and experience. The Group operates Mandatory Provident Fund Scheme for employees in Hong Kong. In addition, the Group provides other employee benefits including medical insurance, training subsidy, discretionary bonus and participation in the Company's share option scheme.

**For the six months ended 30 June 2021***Business Review*

During the six months ended 30 June 2021 (“HY2021”), the Group continued to principally engage in the business of investment in securities, trading of merchandise, money lending as well as securities brokerage.

During HY2021, there are signs that the global pandemic situation has gradually improved and is under control following the launch of vaccination programs in many countries and regions, however, the emergence of the coronavirus variants recently and the new wave of outbreaks in some countries have created new uncertainties to the world community. There are also indicators that the conditions of major economies including China, the US and the UK have stabilised and on their recovery path from which the Group would be able to benefit, though the heightened political and economic tensions between China and the US have brought to the Group new business challenges. The Group was thus operating in an exceptionally complex business environment during HY2021 and had been cautious in managing its businesses. For HY2021, the Group recorded an increase in revenue by 127% to HK\$325,476,000 (30 June 2020: HK\$143,085,000), mainly due to the increase in sales of the trading operation, and a loss attributable to owners of the Company of HK\$196,625,000 (30 June 2020: profit of HK\$51,651,000), largely resulting from the net fair value loss on listed equity securities held by the Group.

*Investment in Securities*

The Group generally acquires securities listed on the Stock Exchange or other recognised stock exchanges and over-the-counter markets with good liquidity that can facilitate swift execution of securities transactions, and sometimes directly from target companies. For making investment or divestment decision on securities of individual target company, references will usually be made to the latest financial information, news and announcements issued by the target company, investment analysis reports that the Company has access to, as well as industry or macro-economic news. When deciding on acquiring securities to be held for long-term purpose, particular emphasis will be placed on the past financial performance of the target company including its sales and profit growth, financial healthiness, dividend policy, business prospects, industry and macroeconomic outlook. When deciding on acquiring securities to be held other than for long-term purpose, in addition to the factors mentioned, references will also be made to prevailing market sentiments on different sectors of the investment markets. In terms of return, for long-term securities investments, the Company mainly emphasises on return of investment in the form of capital appreciation and dividend/interest income. For securities investments other than for long-term holding, the Company mainly emphasises on return of investment in the form of trading gains.

At 30 June 2021, the Group's securities investments comprised (i) a financial asset at fair value through profit or loss ("FVTPL") portfolio, comprising mainly equity securities listed in Hong Kong, valued at HK\$3,920,722,000 (31 December 2020: HK\$4,073,317,000); and (ii) a debt instrument at fair value through other comprehensive income ("FVTOCI") portfolio comprising listed debt securities, valued at HK\$319,020,000 (31 December 2020: HK\$401,813,000). As a whole, the Group's securities investments recorded a revenue of HK\$21,249,000 (30 June 2020: HK\$37,190,000) and a loss of HK\$148,094,000 (30 June 2020: profit of HK\$291,996,000).

#### Financial assets at FVTPL

At 30 June 2021, the Group held a financial asset at FVTPL portfolio amounting to HK\$3,920,722,000 measured at market/fair value. During HY2021, the portfolio generated a revenue of HK\$271,000 (30 June 2020: HK\$4,608,000) representing dividends from equity securities. The Group recognised a net loss on financial assets at FVTPL of HK\$152,895,000, which comprised net unrealised loss of HK\$152,895,000 for listed equity securities held by the Group at the period end (30 June 2020: net gain of HK\$249,770,000, which comprised net unrealised gain and net realised loss of HK\$268,385,000 and HK\$18,615,000 respectively).

The net loss on financial assets at FVTPL recognised was mainly attributed to the net decrease in fair value of the Group's listed equity securities portfolio during the interim period. Such net decrease in fair value mainly comprised the decrease in fair value of the Group's investment in listed shares of China Evergrande New Energy Vehicle Group Limited ("**Evergrande Vehicle**", HKEX stock code: 708) which amounted to HK\$173,680,000 for HY2021, in contrast to the increase in fair value of HK\$348,696,000 recognised in the prior period.

The Group has started to invest in Evergrande Vehicle since March 2015, including the unrealised fair value loss recognised in the current period, up to 30 June 2021, the accumulative holding gain of this investment amounted to HK\$3,641,728,000. At the period end, the Group held 133,600,000 ordinary shares in Evergrande Vehicle which represented approximately 1.37% of its issued shares, and the carrying value of the Group's investment in Evergrande Vehicle amounted to HK\$3,861,040,000 which represented approximately 46.96% of the Group's total assets. Evergrande Vehicle is 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. According to its latest published annual financial information, its healthcare business generated revenue of RMB15.3 billion while its new energy vehicle business recorded revenue of RMB187.5 million. Evergrande Vehicle has established a full industry chain of new energy vehicles covering automobile manufacturing, electric motor control, power batteries, vehicle sales, smart charging, shared mobility and other aspects and built advanced intelligent manufacturing bases in Tianjin, Shanghai, Guangzhou and other locations in accordance with the Industry 4.0 Standard. Evergrande Vehicle will endeavor to facilitate the mass production of the nine Hengchi models at full speed, and continue to devote itself to the innovation and application of new energy vehicle technologies and product R&D as well as to introduce additional vehicle models to enrich its product mix and elevate the smart manufacturing standards in China.



The Company noted that recently there are certain negative news about China Evergrande Group, the holding company of Evergrande Vehicle, and that the share price of Evergrande Vehicle has dropped significantly from the period end date to the date of the interim report, with the value of the Group's investment in listed shares of Evergrande Vehicle, determined based on the closing share price of Evergrande Vehicle of HK\$5.18 quoted on the Stock Exchange as at the date of the interim report, decreased by 82% to HK\$692,048,000 compared to the value of the Group's investment as at the period end of HK\$3,861,040,000. Depending on a number of factors including without limitation the publicly available information about the business development and prospects of Evergrande Vehicle, prevailing market sentiments and market conditions, the Group will consider to dispose of part or all of its investment in listed shares of Evergrande Vehicle as and when the Company considers it appropriate to do so.

At 30 June 2021, the weightings of the Group's investment in Evergrande Vehicle and other investments to the market/fair value of the Group's financial asset at FVTPL portfolio of HK\$3,920,722,000 (together with other information) are as below:

Company name	Approximate weighting to the market/fair value of the Group's financial asset at FVTPL portfolio %	Approximate weighting to the carrying amount of the Group's total assets at 30 June 2021 %	% of shareholding interest %	Acquisition costs HK\$'000 A	*Acquisition costs during the period/carrying amount at 1 January 2021 HK\$'000 B	Market/fair value at 30 June 2021 HK\$'000 C	Accumulated unrealised gain (loss) recognised up to 30 June 2021 HK\$'000 D = C - A	Unrealised gain (loss) recognised during the period ended 30 June 2021 HK\$'000 E = C - B	Dividend income recognised during the period ended 30 June 2021 HK\$'000
Evergrande Vehicle (HKEX stock code: 708)	98.48	46.96	1.37	219,312	4,034,720	3,861,040	3,641,728	(173,680)	-
Emperor International Holdings Limited (HKEX stock code: 163)	0.78	0.37	0.74	62,311	29,819	30,632	(31,679)	813	271
Others	0.74	0.35	N/A	194,646	9,078	29,050	(165,596)	19,972	-
	<u>100.00</u>	<u>47.68</u>		<u>476,269</u>	<u>4,073,617</u>	<u>3,920,722</u>	<u>3,444,453</u>	<u>(152,895)</u>	<u>271</u>

\* The amount represented the costs of the securities acquired during the six months ended 30 June 2021 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current interim period.

#### Debt instruments at FVTOCI

At 30 June 2021, the Group's debt instrument at FVTOCI portfolio of HK\$319,020,000 was measured at market/fair value. During HY2021, the Group's debt instrument at FVTOCI portfolio generated total revenue amounting to HK\$20,978,000 (30 June 2020: HK\$32,582,000), representing interest income from debt securities. According to the maturity of the debt securities, all debt instruments at FVTOCI were classified as non-current assets. During HY2021, the Group did not acquire any debt securities (30 June 2020: nil).

At the period end, a net fair value loss on the debt instrument at FVTOCI portfolio amounting to HK\$60,376,000 (30 June 2020: HK\$55,502,000) was recognised as other comprehensive expense.

During HY2021, the Group disposed of debt securities for consideration of HK\$22,417,000 (30 June 2020: HK\$309,172,000). A loss on disposal of HK\$1,018,000 (30 June 2020: HK\$965,000) was released from the Group's investment revaluation reserve and recognised as loss during the current period.

For HY2021, the Group recognised impairment loss of HK\$15,562,000 (30 June 2020: reversal of impairment loss of HK\$3,220,000) on debt instruments at FVTOCI by reference to exposures at default, recovery rate and adjustments for forward looking information.

At 30 June 2021, the Group invested in debt securities of a property company with details as below:

Category of companies	Approximate weighting to the market/fair value of the Group's debt instrument at FVTOCI portfolio %	Approximate weighting to the carrying amount of the Group's total assets at 30 June 2021 %	Yield to maturity on acquisition %	Acquisition costs HK\$'000 A	* Acquisition costs during the period/ carrying amount at 1 January 2021 HK\$'000 B	Market/fair value at 30 June 2021 HK\$'000 C	Accumulated fair value loss recognised up to 30 June 2021 HK\$'000 D = C - A	Fair value loss recognised during the period ended 30 June 2021 HK\$'000 E = C - B
<i>Debt securities listed overseas</i>								
Property	100.00	3.88	8.75 - 9.50	436,800	380,571	319,020	(117,780)	(61,551)

\* The amount represented the costs of the securities acquired during the six months ended 30 June 2021 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current interim period.

The yield to maturity on acquisition of the debt securities which were held by the Group at the period end ranging from 8.75% to 9.50% per annum.

### Trading

During HY2021, the Group's trading operation was focused on trading of coke products. The operation reported an increase in revenue by over 63 times to HK\$222,394,000 (30 June 2020: HK\$3,430,000), and recorded profit of HK\$244,000 (30 June 2020: HK\$113,000). The increase in revenue and profit earned were principally due to the resumption of the commodities trading business resulting mainly from the improvement in conditions of the European economy in general. The management is stepping up its effort to explore new business opportunities in order to improve the results of the operation.

*Money Lending*

The Group's money lending business is conducted through CS Credit Limited, U Credit (HK) Limited and Chap Yik Limited, all are wholly-owned subsidiaries of the Company. For HY2021, the operation recorded a decrease in revenue of 24% to HK\$75,724,000 (30 June 2020: HK\$99,116,000) and achieved a turnaround of results by recording a profit of HK\$36,628,000 (30 June 2020: loss of HK\$143,994,000). The decrease in revenue was mainly due to the lower average amount of loans advanced to borrowers during HY2021, and there was a reduction in net impairment allowance against loan receivables which amounting to HK\$35,244,000 for the current period (30 June 2020: HK\$241,265,000).

The net impairment allowance recognised primarily represented the credit risk involved in collectability of certain default and non-default loans determined under the Group's loan impairment policy, with reference to factors including the credit history of the borrowers, the realisation value of collaterals pledged to the Group, and the prevailing economic conditions (the negative impact of the COVID-19 pandemic on the current state of the Hong Kong economy has also been considered). The Group is considering various actions for recovery of the default and non-default loans. At the period end, the balance of the impairment allowance was HK\$420,303,000 (31 December 2020: HK\$373,254,000).

The outstanding principal of the Group's loan portfolio (before impairment allowance) increased by 5% to HK\$1,908,107,000 (31 December 2020: HK\$1,821,549,000), during the current period, the management continued to be prudent in granting new loans in light of the prevailing economic conditions in Hong Kong.

At 30 June 2021, 99% (31 December 2020: 99%) of the carrying amount of the loan portfolio (after impairment allowance) is secured by collaterals and with the remaining 1% (31 December 2020: 1%) being unsecured. Before granting loans to potential customers, the Group performs credit assessment process to assess the potential borrowers' credit quality individually and defines the credit limits granted to the borrowers. The credit limits granted to the borrowers are reviewed by the management regularly.

*Securities Brokerage*

The Group's securities brokerage business is conducted through CS Wealth Securities Limited, a wholly-owned subsidiary of the Company which is licensed by the Hong Kong Securities and Futures Commission to carry out dealing in securities activities. During HY2021, revenue of the operation increased by 82% to HK\$6,109,000 (30 June 2020: HK\$3,349,000) and profit increased by 114% to HK\$4,139,000 (30 June 2020: HK\$1,937,000). The increase in revenue of the operation was the combined effect of the increase in its brokerage income, which rose by 23% to HK\$3,093,000 (30 June 2020: HK\$2,507,000), mainly due to the improvement in investment sentiments of the Hong Kong stock market during the period, and the increase in its interest income from margin financing, which rose by about 5 times to HK\$3,016,000 (30 June 2020: HK\$505,000), due to its enlarged margin financing portfolio which amounted to HK\$124,976,000 at the period end.

*Overall Results*

For HY2021, the Group recorded loss attributable to owners of the Company of HK\$196,625,000 (30 June 2020: profit of HK\$51,651,000) and basic loss per share of HK0.96 cent (30 June 2020: earnings per share of HK0.30 cent). The Group reported total comprehensive expense attributable to owners of the Company of HK\$228,059,000 (30 June 2020: total comprehensive income of HK\$2,361,000) which included a net fair value loss on debt securities of HK\$60,376,000 (30 June 2020: HK\$55,502,000). The loss results recorded by the Group were mainly attributed to the substantial overall loss recognised for the Group's securities investments of HK\$148,094,000 (30 June 2020: profit of HK\$291,996,000), though the loss results were partly offset by the profit earned by the money lending operation of HK\$36,628,000 (30 June 2020: loss of HK\$143,994,000) and profit earned by the securities brokerage operation of HK\$4,139,000 (30 June 2020: HK\$1,937,000). The trading operation recorded an increased profit of HK\$244,000 (30 June 2020: HK\$113,000) for the current period.

*Financial Review**Liquidity, Financial Resources and Capital Structure*

For HY2021, the Group financed its businesses mainly by cash generated from operations, credit facilities available from banks, finance company and securities brokers, and funds raised through issuance of interest bearing notes. At the period end, the Group had current assets of HK\$7,709,429,000 (31 December 2020: HK\$8,000,306,000) and liquid assets comprising bank balances and cash as well as financial assets at FVTPL (excluding clients' money held relating to the Group's securities brokerage business and pledged bank deposits) totalling HK\$6,141,061,000 (31 December 2020: HK\$6,314,049,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$1,600,330,000 (31 December 2020: HK\$1,611,842,000), was at a ratio of about 4.8 (31 December 2020: 5.0). At 30 June 2021, the Group's trade and other receivables amounted to HK\$148,030,000 (31 December 2020: HK\$175,487,000), which mainly comprised trade receivables from cash and margin clients of the securities brokerage business, and deposits placed with securities brokers. The Group had deferred tax assets amounting to HK\$32,342,000 (31 December 2020: HK\$27,067,000) and deferred tax liabilities of HK\$396,785,000 (31 December 2020: HK\$435,393,000) which were principally related to the allowance for expected credit losses for loan receivables and debt instruments at FVTOCI, net unrealised gain/loss on financial assets at FVTPL and debt instruments at FVTOCI, and unused tax losses at the period end.

At 30 June 2021, the equity attributable to owners of the Company amounted to HK\$5,727,398,000 (31 December 2020: HK\$5,939,048,000) and was equivalent to an amount of approximately HK28.10 cents (31 December 2020: HK29.13 cents) per share of the Company. The decrease in equity attributable to owners of the Company of HK\$211,650,000 was mainly a result of the loss for the current period recognised by the Group. At 30 June 2021, the Group's borrowings represented short-term secured borrowings that bore interests at fixed rate and were repayable within one year or on demand. The borrowings were secured by two share charges each charging over the issued share of a wholly-owned subsidiary of the Company, two debentures each incorporating a first floating charge over all the assets of a wholly-owned subsidiary of the Company, and certain debt and equity securities held by the Group.

During the second half of 2020, the Company issued four tranches of notes comprising (i) the 2-year unsecured notes with nominal value of HK\$500,000,000 bearing interest of 5.5% per annum in July 2020; (ii) the 1-year unsecured notes with nominal value of HK\$500,000,000 bearing interest of 3.0% per annum in August 2020; (iii) the 270-day unsecured notes with nominal value of HK\$500,000,000 bearing interest of 2.0% per annum in September 2020; and (iv) the 270-day unsecured notes with nominal value of HK\$200,000,000 bearing interest of 2.0% per annum in October 2020. All the four tranches of notes carry options for the Company to early redeem the notes, by giving not less than 15 days' notice to the noteholders, in whole or in part at 100% of the principal amount outstanding, together with interest accrued and unpaid at the date fixed for redemption. In June 2021, the Company executed a supplemental deed poll to extend the maturity date of the 270-day notes issued in September 2020 with nominal value of HK\$500,000,000 for 270 days to 15 March 2022.

The Group's gearing ratio, calculated on the basis of total liabilities of HK\$2,494,658,000 (31 December 2020: HK\$2,542,650,000) divided by the equity attributable to owners of the Company of HK\$5,727,398,000 (31 December 2020: HK\$5,939,048,000), was about 44% (31 December 2020: 43%). The Group's finance costs increased to HK\$73,274,000 (30 June 2020: HK\$66,635,000) were primarily a result of the increase in the average amount of borrowings during the period. With the amount of liquid assets on hand as well as credit facilities available from banks, finance company and securities brokers, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

#### *Foreign Currency Management*

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in Hong Kong dollars and United States dollars. During HY2021, the Group had not experienced any significant exposure to exchange rate fluctuations, as such, the Group had not entered into any foreign currency forward contracts, currency swaps or other financial derivatives for hedging purposes.

#### *Contingent Liability*

At 30 June 2021, the Group had no significant contingent liability (31 December 2020: nil).

#### *Pledge of Assets*

At 30 June 2021, property, plant and equipment of HK\$15,443,000 (31 December 2020: HK\$17,042,000), club debentures of HK\$1,453,000 (31 December 2020: HK\$1,453,000), debt securities of HK\$319,020,000 (31 December 2020: HK\$401,813,000), trade and other receivables of HK\$15,999,000 (31 December 2020: HK\$66,670,000), equity securities of HK\$3,920,422,000 (31 December 2020: HK\$4,073,317,000), bank balances and cash of HK\$2,313,000 (31 December 2020: HK\$109,252,000) were pledged to secure the Group's borrowings. In addition, the Group's credit facility for settlement of the securities brokerage activities was secured by the Group's bank deposits of HK\$3,096,000 (31 December 2020: HK\$3,096,000).

*Capital Commitment*

At 30 June 2021, the Group had no significant capital commitment (31 December 2020: nil).

*Human Resources and Remuneration Policy*

At 30 June 2021, the Group had 57 (30 June 2020: 53) employees including directors of the Company and staff costs (including directors' emoluments) for the period amounted to HK\$15,419,000 (30 June 2020: HK\$11,513,000). The remuneration packages for directors and staff are normally reviewed annually and are structured by reference to prevailing market terms and individual competence, performance and experience. The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") for employees in Hong Kong. In addition, the Group provides other employee benefits including medical insurance, training subsidy, discretionary bonus and participation in the Company's share option scheme.

The Group's contributions to the MPF Scheme vest fully and immediately with the employees, thus there were no forfeited contributions available to the Group to reduce the existing level of contributions to the MPF Scheme.

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## APPENDIX II FINANCIAL INFORMATION OF EVERGRANDE VEHICLE

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Set out below are the published financial information of Evergrande Vehicle which comprises the consolidated balance sheets of the Evergrande Vehicle Group as at 31 December 2018, 2019 and 2020 and 30 June 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Evergrande Vehicle Group for each of the periods then ended.

The consolidated balance sheets of the Evergrande Vehicle Group as at 31 December 2018, 2019 and 2020 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Evergrande Vehicle Group for each of year then ended which were extracted from the annual reports of Evergrande Vehicle for the respective years. In the opinions of the independent auditor of Evergrande Vehicle as stated in the respective annual reports of Evergrande Vehicle, the consolidated financial statements for each of the years ended 31 December 2018, 2019 and 2020 give a true and fair view of the consolidated financial position of the Evergrande Vehicle Group and of the consolidated financial performance and cash flows of the Evergrande Vehicle Group for each of the years then ended.

The interim condensed consolidated balance sheet of the Evergrande Vehicle Group as at 30 June 2021 and the interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cashflows of the Evergrande Vehicle Group for the period then ended were extracted from the interim report of Evergrande Vehicle for the six months ended 30 June 2021.

The Directors noted that the consolidated financial statements of both the Company and Evergrande Vehicle for the years ended 31 December 2018, 2019 and 2020 have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), the condensed consolidated interim financial information of both the Company and Evergrande Vehicle for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the HKICPA and that the principal accounting policies applied by Evergrande Vehicle in the preparation of its consolidated financial statements are materially consistent with those applied by the Company in the preparation of its consolidated financial statements.

The financial information of Evergrande Vehicle contained in this appendix appears for information purposes only. The Directors take no responsibility for the financial information of Evergrande Vehicle, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the financial information of Evergrande Vehicle contained in this appendix.

## APPENDIX II FINANCIAL INFORMATION OF EVERGRANDE VEHICLE

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended	Year ended		
	30 June 2021	31 December 2020	31 December 2019	31 December 2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	6,923,244	15,486,625	5,635,559	3,133,018
Cost of sales	(6,675,969)	(12,791,802)	(3,748,437)	(1,987,750)
<b>Gross profit</b>	247,275	2,694,823	1,887,122	1,145,268
Other (costs)/income, net	(1,512)	(6,909)	23,117	(776)
Other (losses)/gains, net	(658,515)	214,636	33,483	(141,839)
Selling and marketing expenses	(1,451,965)	(2,237,848)	(868,182)	(265,938)
Administrative expenses	(2,088,035)	(5,114,518)	(3,155,621)	(334,940)
Net impairment losses on financial assets	(51,721)	(37,022)	(50,233)	(4,523)
Fair value (losses)/gains on investment properties, net	(29,300)	(126,420)	14,228	–
<b>Operating (loss)/profit</b>	(4,033,773)	(4,613,258)	(2,116,086)	397,252
Finance income	58,385	146,351	149,165	21,155
Finance costs	(1,049,762)	(2,841,482)	(2,373,593)	(492,493)
Finance costs, net	(991,377)	(2,695,131)	(2,224,428)	(471,338)
Share of net losses of investments accounted for using the equity method	(412,376)	(59,173)	(53,694)	(1,057,909)
Fair value gains/(losses) on financial assets at fair value through profit or loss	946,674	(27,701)	(132,128)	–
Fair value losses on derivative financial liabilities	(301,066)	–	–	–
<b>Loss before income tax</b>	(4,791,918)	(7,395,263)	(4,526,336)	(1,131,995)
Income tax expenses	(29,708)	(269,644)	(421,142)	(296,383)
<b>Loss for the period/year</b>	(4,821,626)	(7,664,907)	(4,947,478)	(1,428,378)



**APPENDIX II FINANCIAL INFORMATION OF EVERGRANDE VEHICLE**

	Six months ended	Year ended		
	30 June 2021	31 December 2020	31 December 2019	31 December 2018
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Other comprehensive (loss)/income:</b>				
Items that may be reclassified to profit or loss:				
Currency translation differences	(336,614)	2,749,478	(526,616)	(66,331)
Items that will not be reclassified to profit or loss:				
Revaluation gains arising from transfer of construction in progress to investment properties, net of tax	—	—	6,631	—
	<u>(336,614)</u>	<u>2,749,478</u>	<u>(519,985)</u>	<u>(66,331)</u>
<b>Total comprehensive loss for the period/year</b>	<u>(5,158,240)</u>	<u>(4,915,429)</u>	<u>(5,467,463)</u>	<u>(1,494,709)</u>
<b>(Loss) income attributable to:</b>				
Owners of the Company	(4,786,897)	(7,394,075)	(4,426,307)	(1,429,381)
Non-controlling interests	<u>(34,729)</u>	<u>(270,832)</u>	<u>(521,171)</u>	<u>1,003</u>
<b>Loss for the period/year</b>	<u>(4,821,626)</u>	<u>(7,664,907)</u>	<u>(4,947,478)</u>	<u>(1,428,378)</u>
<b>Total comprehensive (loss) income attributable to:</b>				
Owners of the Company	(5,123,511)	(4,557,182)	(4,886,413)	(1,495,712)
Non-controlling interests	<u>(34,729)</u>	<u>(358,247)</u>	<u>(581,050)</u>	<u>1,003</u>
<b>Total comprehensive loss for the period/year</b>	<u>(5,158,240)</u>	<u>(4,915,429)</u>	<u>(5,467,463)</u>	<u>(1,494,709)</u>
<b>Loss per share for loss attributable to owners of the Company</b> (expressed in RMB cents per share)				
– Basic loss per share	(51.310)	(85.103)	(51.230)	(16.544)
– Diluted loss per share	<u>(51.310)</u>	<u>(85.103)</u>	<u>(51.230)</u>	<u>(16.544)</u>

## APPENDIX II FINANCIAL INFORMATION OF EVERGRANDE VEHICLE

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at			
	30 June 2021	31 December 2020	31 December 2019	31 December 2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	21,294,077	17,058,834	10,422,736	1,534,925
Land use rights	–	–	–	590,743
Right-of-use assets	5,493,443	4,709,499	3,301,792	–
Investment properties	908,800	938,100	1,064,520	–
Intangible assets	11,990,210	10,243,587	7,581,130	5,199
Goodwill	5,964,172	6,244,210	6,193,274	–
Trade receivables	72,849	139,361	73,735	–
Prepayments	1,284,037	1,285,886	1,776,031	183,644
Investments accounted for using the equity method	1,060,075	1,460,784	1,210,964	–
Financial assets at fair value through profit or loss	5,034,197	4,454,618	4,718,278	3,979,937
Deferred income tax assets	407,717	308,369	71,215	34,472
	<u>53,509,577</u>	<u>46,843,248</u>	<u>36,413,675</u>	<u>6,328,920</u>
<b>Current assets</b>				
Trade and other receivables and prepaid taxes	12,456,381	7,973,999	4,593,702	507,137
Prepayments	6,505,462	6,386,076	7,585,624	1,024,442
Properties under development	64,849,748	61,126,374	29,317,271	11,170,539
Completed properties held for sale	14,023,488	12,678,679	2,679,747	1,169,672
Inventories	319,017	310,350	505,526	34,619
Contract acquisition costs	714,876	601,355	40,014	9,942
Financial assets at fair value through profit or loss	198,259	–	–	–
Restricted cash	2,936,427	3,668,420	2,415,109	367,825
Cash and cash equivalents	9,577,100	10,476,239	9,857,780	1,570,014
	<u>111,580,758</u>	<u>103,221,492</u>	<u>56,994,773</u>	<u>15,854,190</u>
<b>Total assets</b>	<u><u>165,090,335</u></u>	<u><u>150,064,740</u></u>	<u><u>93,408,448</u></u>	<u><u>22,183,110</u></u>

## APPENDIX II FINANCIAL INFORMATION OF EVERGRANDE VEHICLE

	As at			
	30 June 2021	31 December 2020	31 December 2019	31 December 2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital and share premium	25,562,422	3,759,410	250,936	250,936
Reserves	3,301,820	3,187,047	(2,237,168)	101,536
Accumulated losses	(17,784,010)	(12,997,113)	(5,514,204)	(1,014,940)
	<u>11,080,232</u>	<u>(6,050,656)</u>	<u>(7,500,436)</u>	<u>(662,468)</u>
<b>Non-controlling interests</b>	995,434	212,134	6,204,869	–
<b>Total equity/(deficit)</b>	<u><u>12,075,666</u></u>	<u><u>(5,838,522)</u></u>	<u><u>(1,295,567)</u></u>	<u><u>(662,468)</u></u>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Finance leases	–	–	–	45,307
Lease liabilities	636,674	589,422	223,221	–
Deferred income	3,816,604	2,641,094	1,551,100	–
Borrowings	21,821,897	55,915,728	47,214,338	11,248,425
Deferred income tax liabilities	2,159,433	2,216,209	2,591,663	–
	<u>28,434,608</u>	<u>61,362,453</u>	<u>51,580,322</u>	<u>11,293,732</u>
<b>Current liabilities</b>				
Contract liabilities	35,884,516	23,464,876	2,444,932	99,284
Finance leases	–	–	–	8,705
Lease liabilities	269,718	214,351	214,373	–
Derivative financial liabilities	300,383	–	–	–
Trade and other payables	73,045,007	52,964,764	24,282,087	7,330,851
Borrowings	13,268,475	16,290,530	15,172,530	3,613,900
Current income tax liabilities	1,811,962	1,606,288	1,009,771	499,106
	<u>124,580,061</u>	<u>94,540,809</u>	<u>43,123,693</u>	<u>11,551,846</u>
<b>Total liabilities</b>	<u><u>153,014,669</u></u>	<u><u>155,903,262</u></u>	<u><u>94,704,015</u></u>	<u><u>22,845,578</u></u>
<b>Total equity/(deficit) and liabilities</b>	<u><u>165,090,335</u></u>	<u><u>150,064,740</u></u>	<u><u>93,408,448</u></u>	<u><u>22,183,110</u></u>

## APPENDIX II FINANCIAL INFORMATION OF EVERGRANDE VEHICLE

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2021*

	Attributable to owners of the Company					Non- controlling interests	Total equity
	Share capital	Share premium	Reserves	Accumulated losses	Total		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>		
<b>At 1 January 2021</b>	250,936	3,508,474	3,187,047	(12,997,113)	(6,050,656)	212,134	(5,838,522)
<b>Comprehensive loss</b>							
Loss for the period	-	-	-	(4,786,897)	(4,786,897)	(34,729)	(4,821,626)
Other comprehensive loss	-	-	(336,614)	-	(336,614)	-	(336,614)
<b>Total comprehensive loss</b>	-	-	(336,614)	(4,786,897)	(5,123,511)	(34,729)	(5,158,240)
<b>Transactions with owners in their capacity as owners</b>							
Issuance of ordinary shares in connection with private placement	-	21,803,012	-	-	21,803,012	-	21,803,012
Share-based compensation	-	-	451,387	-	451,387	-	451,387
Capital injection from non-controlling interests	-	-	-	-	-	818,029	818,029
<b>Total transactions with owners in their capacity as owners</b>	-	21,803,012	451,387	-	22,254,399	818,029	23,072,428
<b>Balance at 30 June 2021</b>	<u>250,936</u>	<u>25,311,486</u>	<u>3,301,820</u>	<u>(17,784,010)</u>	<u>11,080,232</u>	<u>995,434</u>	<u>12,075,666</u>

## APPENDIX II FINANCIAL INFORMATION OF EVERGRANDE VEHICLE

*For the year ended 31 December 2020*

	Attributable to owners of the Company					Non- controlling interests	Total deficit
	Share capital	Share premium	Reserve	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
<b>At 1 January 2020</b>	250,936	–	(2,237,168)	(5,514,204)	(7,500,436)	6,204,869	(1,295,567)
<b>Comprehensive loss</b>							
Loss for the year	–	–	–	(7,394,075)	(7,394,075)	(270,832)	(7,664,907)
Other comprehensive income/(loss)	–	–	2,836,893	–	2,836,893	(87,415)	2,749,478
<b>Total comprehensive loss</b>	–	–	2,836,893	(7,394,075)	(4,557,182)	(358,247)	(4,915,429)
<b>Transactions with owners in their capacity as owners</b>							
Transfer to statutory reserve	–	–	88,834	(88,834)	–	–	–
Issuance of ordinary shares in connection with private placement	–	3,508,474	–	–	3,508,474	–	3,508,474
Share-based compensation	–	–	142,775	–	142,775	–	142,775
Capital injection from non-controlling interests	–	–	–	–	–	1,035,176	1,035,176
Changes in ownership interests in subsidiaries without change of control	–	–	2,355,713	–	2,355,713	(6,669,664)	(4,313,951)
<b>Total transactions with owners in their capacity as owners</b>	–	3,508,474	2,587,322	(88,834)	6,006,962	(5,634,488)	372,474
<b>Balance at 31 December 2020</b>	<u>250,936</u>	<u>3,508,474</u>	<u>3,187,047</u>	<u>(12,997,113)</u>	<u>(6,050,656)</u>	<u>212,134</u>	<u>(5,838,522)</u>

## APPENDIX II FINANCIAL INFORMATION OF EVERGRANDE VEHICLE

*For the year ended 31 December 2019*

	Attributable to owners of the Company							Non-controlling interests	Total deficit	
	Share capital	Special reserve	Capital contribution Reserve	Other reserve	Exchange reserve	Statutory reserve	Accumulated losses			Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>At 1 January 2019</b>	250,936	85,582	796	-	(76,769)	91,927	(1,014,940)	(662,468)	-	(662,468)
<b>Comprehensive loss</b>										
Loss for the year	-	-	-	-	-	-	(4,426,307)	(4,426,307)	(521,171)	(4,947,478)
Other comprehensive income/(loss)	-	-	-	6,631	(466,737)	-	-	(460,106)	(59,879)	(519,985)
<b>Total comprehensive loss</b>	-	-	-	6,631	(466,737)	-	(4,426,307)	(4,886,413)	(581,050)	(5,467,463)
<b>Transactions with owners in their capacity as owners</b>										
Transfer to statutory reserve	-	-	-	-	-	72,957	(72,957)	-	-	-
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	5,955,632	5,955,632
Non-controlling interests arising from business combination	-	-	-	-	-	-	-	-	3,322,936	3,322,936
Changes in ownership interests in subsidiaries without change of control	-	-	-	(1,951,555)	-	-	-	(1,951,555)	(2,492,649)	(4,444,204)
<b>Total transactions with owners in their capacity as owners</b>	-	-	-	(1,951,555)	-	72,957	(72,957)	(1,951,555)	6,785,919	4,834,364
<b>Balance at 31 December 2019</b>	<u>250,936</u>	<u>85,582</u>	<u>796</u>	<u>(1,944,924)</u>	<u>(543,506)</u>	<u>164,884</u>	<u>(5,514,204)</u>	<u>(7,500,436)</u>	<u>6,204,869</u>	<u>(1,295,567)</u>

## APPENDIX II FINANCIAL INFORMATION OF EVERGRANDE VEHICLE

*For the year ended 31 December 2018*

	Attributable to owners of the Company									
	Share capital <i>RMB'000</i>	Special reserve <i>RMB'000</i>	Capital contribution Reserve <i>RMB'000</i>	Other reserve <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Retained earnings/ (accumulated losses) <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total deficit <i>RMB'000</i>
<b>At 1 January 2018</b>	250,936	85,582	796	-	(10,438)	45,820	460,548	833,244	(1,003)	832,241
<b>Comprehensive loss</b>										
(Loss)/profit for the year	-	-	-	-	-	-	(1,429,381)	(1,429,381)	1,003	(1,428,378)
Other comprehensive loss	-	-	-	-	(66,331)	-	-	(66,331)	-	(66,331)
<b>Total comprehensive loss</b>	-	-	-	-	(66,331)	-	(1,429,381)	(1,495,712)	1,003	(1,494,709)
<b>Transactions with owners in their capacity as owners</b>										
Transfer to statutory reserve	-	-	-	-	-	46,107	(46,107)	-	-	-
<b>Total transactions with owners in their capacity as owners</b>	-	-	-	-	-	46,107	(46,107)	-	-	-
<b>Balance at 31 December 2018</b>	<u>250,936</u>	<u>85,582</u>	<u>796</u>	<u>-</u>	<u>(76,769)</u>	<u>91,927</u>	<u>(1,014,940)</u>	<u>(662,468)</u>	<u>-</u>	<u>(662,468)</u>

## APPENDIX II FINANCIAL INFORMATION OF EVERGRANDE VEHICLE

### CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	Year ended		
	30 June 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>	31 December 2019 <i>RMB'000</i>	31 December 2018 <i>RMB'000</i>
<b>Cash flows of operating activities</b>				
Cash generated from/(used in) operations	4,818,805	4,010,029	(13,926,140)	(3,264,515)
Interest paid	(1,690,291)	(4,492,411)	(1,651,675)	(527,794)
Income tax paid	(347,635)	(1,478,770)	(218,847)	(145,892)
Net cash from/(used in) operating activities	<u>2,780,879</u>	<u>(1,961,152)</u>	<u>(15,796,662)</u>	<u>(3,938,201)</u>
<b>Cash flows of investing activities</b>				
Purchases of property, plant and equipment and construction in progress	(3,014,318)	(5,883,302)	(3,732,258)	(700,903)
Purchases of intangible assets	(1,708,897)	(3,819,237)	(1,181,782)	(2,437)
Purchases of right-of-use assets	(855,426)	(1,276,216)	(2,149,076)	–
Investments accounted for using the equity method	(64,000)	(602,633)	(706,226)	(5,688,075)
Investment in financial assets at fair value through profit and loss	(51,516)	(2,000)	(741,849)	–
Prepayments for acquisition of land use rights	–	–	–	(20,279)
Proceeds from government grants for construction	1,175,510	1,098,234	1,345,900	–
Acquisition of subsidiaries, net of cash acquired	–	–	(10,882,483)	–
Interest received	58,385	146,351	149,165	21,155
Repayments from joint ventures	–	1,161,403	508,153	–
Cash advance to associates	–	–	(14,715)	–
Repayments from associates	–	65,193	–	–
Repayments from related parties	293,566	–	–	–
Payments for change of joint ventures to subsidiaries, net	–	(5,622)	–	–
Disposal of property, plant and equipment	8,066	3,089	5,365	–
Disposal of intangible assets	–	–	140	–
Net cash used in investing activities	<u>(4,158,630)</u>	<u>(9,114,740)</u>	<u>(17,399,666)</u>	<u>(6,390,539)</u>



**APPENDIX II FINANCIAL INFORMATION OF EVERGRANDE VEHICLE**

	Six months ended	Year ended		
	30 June 2021	31 December 2020	31 December 2019	31 December 2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	3,739,000	42,391,773	47,020,813	13,292,325
Repayments of borrowings	(40,536,196)	(30,393,471)	(7,385,633)	(3,689,400)
Prepayments for acquisition of interests in subsidiaries without change of control	–	–	(153,178)	–
Issuance of ordinary shares in connection with private placement	21,961,563	3,349,923	–	–
Capital injection from non-controlling interests	818,029	1,035,176	5,955,632	–
Proceeds from related parties	14,632,288	–	–	–
Acquisition of interests in subsidiaries without change of control	–	(4,614,371)	(3,808,000)	–
Principal element of lease payment	(65,017)	(231,620)	(111,240)	(6,562)
Net cash generated from financing activities	<u>549,667</u>	<u>11,537,410</u>	<u>41,518,394</u>	<u>9,596,363</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(828,084)	461,518	8,322,066	(732,377)
Cash and cash equivalents at beginning of the period/year	10,476,239	9,857,780	1,570,014	2,301,683
Effect of exchange difference on cash and cash equivalents	<u>(71,055)</u>	<u>156,941</u>	<u>(34,300)</u>	<u>708</u>
<b>Cash and cash equivalents at end of the period/year</b>	<u><u>9,577,100</u></u>	<u><u>10,476,239</u></u>	<u><u>9,857,780</u></u>	<u><u>1,570,014</u></u>

**(A) THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP****1. Introduction**

The following is the unaudited pro forma financial information of the Group, comprising the unaudited pro forma consolidated statement of financial position as at 31 December 2020 and the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2020 and related notes (collectively, the “**Unaudited Pro Forma Financial Information**”).

The Unaudited Pro Forma Financial Information is prepared by the directors of the Company in accordance with Paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants, for the purpose of illustrating the effect of the possible very substantial disposal in relation to the possible disposal of 63,600,000 ordinary shares of the Evergrande Vehicle Shares i.e., the Disposal(s) as described in the section headed “Letter from the Board” in this circular.

The Unaudited Pro Forma Financial Information presented below is prepared to illustrate (i) the consolidated statement of financial position of the Group as at 31 December 2020 as if the Disposal(s) had been completed on 31 December 2020; and (ii) the consolidated statement of profit or loss and other comprehensive income of the Group and the consolidated statement of cash flows of the Group for the year ended 31 December 2020 as if the Disposal(s) had been completed on 1 January 2020.

The Unaudited Pro Forma Financial Information of the Group is based upon the consolidated financial information of the Group for year ended 31 December 2020, which has been derived from the Company’s published annual report for the year then ended, dated 26 March 2021, after taking into account pro forma adjustments as summarised in the accompanying notes that are clearly shown and explained, factually supportable and directly attributable to the Disposal(s).

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and is based on certain assumptions, estimates and current available information. Accordingly, because of its hypothetical nature, it may not give a true picture of the financial results, cash flows and financial position of the Group had the Disposal(s) been completed as at the specified dates or any future dates.

The Unaudited Pro Forma Financial Information of the Group should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Company for the year ended 31 December 2020, and other financial information included elsewhere in this circular.

The Unaudited Pro Forma Financial Information of the Group is presented in two scenarios as follow:

Scenario I: Assuming the Disposal(s) at the Minimum Selling Price; and

Scenario II: Assuming the Disposal(s) at the Reference Selling Price.

## 2. Scenario I – Disposal(s) at the Minimum Selling Price

### 2.1 Unaudited pro forma consolidated statement of financial position of the Group as at 31 December 2020

	Audited consolidated statement of financial position as at 31 December 2020 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustment (i) <i>HK\$'000</i> <i>Note (b)</i>	Unaudited pro forma consolidated statement of financial position as at 31 December 2020 (after the Previous Disposal) <i>HK\$'000</i>	Pro forma adjustment (ii) <i>HK\$'000</i> <i>Note (c)</i>	Unaudited pro forma consolidated statement of financial position as at 31 December 2020 (after the Disposal(s)) <i>HK\$'000</i>
<b>Non-current assets</b>					
Property, plant and equipment	18,196		18,196		18,196
Right-of-use assets	28,388		28,388		28,388
Goodwill	4,000		4,000		4,000
Club debentures	1,928		1,928		1,928
Debt instruments at fair value through other comprehensive income	401,813		401,813		401,813
Deferred tax assets	27,067	–	27,067	15,483	42,550
Total non-current assets	<u>481,392</u>		<u>481,392</u>		<u>496,875</u>

	Audited consolidated statement of financial position as at 31 December 2020 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustment (i) <i>HK\$'000</i> <i>Note (b)</i>	Unaudited pro forma consolidated statement of financial position as at 31 December 2020 (after the Previous Disposal) <i>HK\$'000</i>	Pro forma adjustment (ii) <i>HK\$'000</i> <i>Note (c)</i>	Unaudited pro forma consolidated statement of financial position as at 31 December 2020 (after the Disposal(s)) <i>HK\$'000</i>
<b>Current assets</b>					
Loan receivables	1,448,295		1,448,295		1,448,295
Trade and other receivables	175,487		175,487		175,487
Income tax recoverable	22,841		22,841		22,841
Financial assets at fair value through profit or loss	4,073,317	(2,114,000)	1,959,317	(1,920,720)	38,597
Pledged bank deposits	3,096		3,096		3,096
Bank balances and cash	2,277,270	158,981	2,436,251	139,377	2,575,628
Total current assets	<u>8,000,306</u>		<u>6,045,287</u>		<u>4,263,944</u>
<b>Current liabilities</b>					
Trade and other payables	68,240		68,240		68,240
Income tax payable	8,794		8,794		8,794
Borrowings	355,000		355,000		355,000
Notes payable	1,170,725		1,170,725		1,170,725
Lease liabilities	9,083		9,083		9,083
Total current liabilities	<u>1,611,842</u>		<u>1,611,842</u>		<u>1,611,842</u>
<b>Net current assets</b>	<u>6,388,464</u>		<u>4,433,445</u>		<u>2,652,102</u>
<b>Total assets less current liabilities</b>	<u>6,869,856</u>		<u>4,914,837</u>		<u>3,148,977</u>

	Audited consolidated statement of financial position as at 31 December 2020 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustment (i) <i>HK\$'000</i> <i>Note (b)</i>	Unaudited pro forma consolidated statement of financial position as at 31 December 2020 (after the Previous Disposal) <i>HK\$'000</i>	Pro forma adjustment (ii) <i>HK\$'000</i> <i>Note (c)</i>	Unaudited pro forma consolidated statement of financial position as at 31 December 2020 (after the Disposal(s)) <i>HK\$'000</i>
<b>Non-current liabilities</b>					
Notes payable	478,152		478,152		478,152
Lease liabilities	17,263		17,263		17,263
Deferred tax liabilities	435,393	(284,127)	151,266	(151,266)	–
Total non-current liabilities	<u>930,808</u>		<u>646,681</u>		<u>495,415</u>
<b>Net assets</b>	<u>5,939,048</u>		<u>4,268,156</u>		<u>2,653,562</u>
<b>Capital and reserves</b>					
Share capital	3,216,110		3,216,110		3,216,110
Reserves	2,722,938	(1,670,892)	1,052,046	(1,614,594)	(562,548)
<b>Total equity</b>	<u>5,939,048</u>		<u>4,268,156</u>		<u>2,653,562</u>

2.2 *Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2020*

	Audited consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustment (i) <i>HK\$'000</i> <i>Note (b)</i>	Unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 (after the Previous Disposal) <i>HK\$'000</i>	Pro forma adjustment (ii) <i>HK\$'000</i> <i>Note (c)</i>	Unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 (after the Disposal(s)) <i>HK\$'000</i>
<b>Revenue</b>	256,347		256,347		256,347
Trading income	4,062		4,062		4,062
Dividend income	7,033		7,033		7,033
Interest income	239,174		239,174		239,174
Commission, underwriting fee and other income	6,078		6,078		6,078
Purchases and related expenses	(4,023)		(4,023)		(4,023)
Other income	20,581		20,581		20,581
Other loss	(628)		(628)		(628)
Staff costs	(27,630)		(27,630)		(27,630)
Impairment losses on loan receivables and debt instruments at fair value through other comprehensive income	(221,796)		(221,796)		(221,796)
Other expenses	(39,849)	(619)	(40,468)	(543)	(41,011)
Net gain (loss) on financial assets at fair value through profit or loss	2,905,676	(1,954,400)	951,276	(1,780,800)	(829,524)
Loss on disposal of debt instruments at fair value through other comprehensive income	(17,079)		(17,079)		(17,079)
Finance costs	(158,640)		(158,640)		(158,640)
Profit (loss) before tax	2,712,959		757,940		(1,023,403)
Income tax (expense) credit	(429,772)	284,127	(145,645)	166,749	21,104

	Audited consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustment (i) <i>HK\$'000</i> <i>Note (b)</i>	Unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 (after the Previous Disposal) <i>HK\$'000</i>	Pro forma adjustment (ii) <i>HK\$'000</i> <i>Note (c)</i>	Unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 (after the Disposal(s)) <i>HK\$'000</i>
<b>Profit (loss) for the year attributable to owners of the Company</b>	2,283,187		612,295		(1,002,299)
<b>Other comprehensive income (expense)</b>					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Deferred tax on net fair value changes of debt instruments at fair value through other comprehensive income	5,208		5,208		5,208
Net fair value loss on debt instruments at fair value through other comprehensive income	(29,768)		(29,768)		(29,768)
Release on disposal of debt instruments at fair value through other comprehensive income	17,079		17,079		17,079
Impairment loss on debt instruments at fair value through other comprehensive income	18,873		18,873		18,873
<b>Other comprehensive income for the year</b>	11,392		11,392		11,392
<b>Total comprehensive income (expense) for the year attributable to owners of the Company</b>	2,294,579		623,687		(990,907)

2.3 *Unaudited pro forma consolidated statement of cash flows of the Group for the year ended 31 December 2020*

	Audited consolidated statement of cash flows for the year ended 31 December 2020 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustment (i) <i>HK\$'000</i> <i>Note (b)</i>	Unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2020 (after the Previous Disposal) <i>HK\$'000</i>	Pro forma adjustment (ii) <i>HK\$'000</i> <i>Note (c)</i>	Unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2020 (after the Disposal(s)) <i>HK\$'000</i>
<b>Operating activities</b>					
Profit (loss) before tax	2,712,959	(1,955,019)	757,940	(1,781,343)	(1,023,403)
Adjustments for:					
Finance costs	158,640		158,640		158,640
Bank interest income	(11,167)		(11,167)		(11,167)
Other interest income	(7,013)		(7,013)		(7,013)
Interest income from financial assets at fair value through profit or loss and debt instruments at fair value through other comprehensive income	(57,898)		(57,898)		(57,898)
Loan interest income	(180,151)		(180,151)		(180,151)
Interest income from securities margin financing	(1,125)		(1,125)		(1,125)
Depreciation of property, plant and equipment	3,369		3,369		3,369
Depreciation of right-of-use assets	9,582		9,582		9,582
Dividends from equity investments	(7,033)		(7,033)		(7,033)
Impairment losses on loan receivables and debt instruments at fair value through other comprehensive income	221,796		221,796		221,796
Loss on disposal of debt instruments at fair value through other comprehensive income	17,079		17,079		17,079
Net unrealised (gain) loss on financial assets at fair value through profit or loss	(2,979,472)	1,570,100	(1,409,372)	1,426,548	17,176



	Audited consolidated statement of cash flows for the year ended 31 December 2020 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustment (i) <i>HK\$'000</i> <i>Note (b)</i>	Unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2020 (after the Previous Disposal) <i>HK\$'000</i>	Pro forma adjustment (ii) <i>HK\$'000</i> <i>Note (c)</i>	Unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2020 (after the Disposal(s)) <i>HK\$'000</i>
<b>Operating cash flow before movements in working capital</b>	(120,434)		(505,353)		(860,148)
Increase in trade and other receivables	(66,391)		(66,391)		(66,391)
Decrease in loan receivables	803,363		803,363		803,363
Decrease in financial assets at fair value through profit or loss	360,253	543,900	904,153	494,172	1,398,325
Decrease in trade and other receivables	(17,809)		(17,809)		(17,809)
Increase in bank balances - client accounts	(2,523)		(2,523)		(2,523)
Cash from operations	956,459		1,115,440		1,254,817
Income tax paid	(40,003)		(40,003)		(40,003)
Interest received	228,154		228,154		228,154
<b>Net cash from operating activities</b>	<u>1,144,610</u>		<u>1,303,591</u>		<u>1,442,968</u>
<b>Investing activities</b>					
Proceeds from disposal of debt instruments at fair value through other comprehensive income	525,780		525,780		525,780
Dividend received	7,033		7,033		7,033
Withdrawal of pledged bank deposits	28,971		28,971		28,971
Purchase of property, plant and equipment	(1,777)		(1,777)		(1,777)
<b>Net cash from investing activities</b>	<u>560,007</u>		<u>560,007</u>		<u>560,007</u>

	Audited consolidated statement of cash flows for the year ended 31 December 2020 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustment (i) <i>HK\$'000</i> <i>Note (b)</i>	Unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2020 (after the Previous Disposal) <i>HK\$'000</i>	Pro forma adjustment (ii) <i>HK\$'000</i> <i>Note (c)</i>	Unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2020 (after the Disposal(s)) <i>HK\$'000</i>
<b>Financing activities</b>					
New borrowings raised	478,553		478,553		478,553
Repayment of borrowings	(588,251)		(588,251)		(588,251)
Interest paid	(133,917)		(133,917)		(133,917)
Repayment of lease liabilities	(9,296)		(9,296)		(9,296)
Redemption of notes issued	(1,250,000)		(1,250,000)		(1,250,000)
Net proceeds from issue of notes	1,700,000		1,700,000		1,700,000
Proceeds from issue of shares	203,852		203,852		203,852
Transaction costs attributable to issue of shares	(619)		(619)		(619)
<b>Net cash from financing activities</b>	<u>400,322</u>		<u>400,322</u>		<u>400,322</u>
<b>Net increase in cash and cash equivalents</b>	2,104,939		2,263,920		2,403,297
<b>Cash and cash equivalents at the beginning of the year</b>	<u>135,793</u>		<u>135,793</u>		<u>135,793</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>2,240,732</u>		<u>2,399,713</u>		<u>2,539,090</u>

## 3. Scenario II - Disposal(s) at the Reference Selling Price

## 3.1 Unaudited pro forma consolidated statement of financial position of the Group as at 31 December 2020

	Audited consolidated statement of financial position as at 31 December 2020 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustment (i) <i>HK\$'000</i> <i>Note (b)</i>	Unaudited pro forma consolidated statement of financial position as at 31 December 2020 (after the Previous Disposal) <i>HK\$'000</i>	Pro forma adjustment (ii) <i>HK\$'000</i> <i>Note (d)</i>	Unaudited pro forma consolidated statement of financial position as at 31 December 2020 (after the Disposal(s)) <i>HK\$'000</i>
<b>Non-current assets</b>					
Property, plant and equipment	18,196		18,196		18,196
Right-of-use assets	28,388		28,388		28,388
Goodwill	4,000		4,000		4,000
Club debentures	1,928		1,928		1,928
Debt instruments at fair value through other comprehensive income	401,813		401,813		401,813
Deferred tax assets	27,067	-	27,067	15,483	42,550
Total non-current assets	<u>481,392</u>		<u>481,392</u>		<u>496,875</u>
<b>Current assets</b>					
Loan receivables	1,448,295		1,448,295		1,448,295
Trade and other receivables	175,487		175,487		175,487
Income tax recoverable	22,841		22,841		22,841
Financial assets at fair value through profit or loss	4,073,317	(2,114,000)	1,959,317	(1,920,720)	38,597
Pledged bank deposits	3,096		3,096		3,096
Bank balances and cash	2,277,270	158,981	2,436,251	218,569	2,654,820
Total current assets	<u>8,000,306</u>		<u>6,045,287</u>		<u>4,343,136</u>

	Audited consolidated statement of financial position as at 31 December 2020 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustment (i) <i>HK\$'000</i> <i>Note (b)</i>	Unaudited pro forma consolidated statement of financial position as at 31 December 2020 (after the Previous Disposal) <i>HK\$'000</i>	Pro forma adjustment (ii) <i>HK\$'000</i> <i>Note (d)</i>	Unaudited pro forma consolidated statement of financial position as at 31 December 2020 (after the Disposal(s)) <i>HK\$'000</i>
<b>Current liabilities</b>					
Trade and other payables	68,240		68,240		68,240
Income tax payable	8,794		8,794		8,794
Borrowings	355,000		355,000		355,000
Notes payable	1,170,725		1,170,725		1,170,725
Lease liabilities	9,083		9,083		9,083
<b>Total current liabilities</b>	<u>1,611,842</u>		<u>1,611,842</u>		<u>1,611,842</u>
<b>Net current assets</b>	<u>6,388,464</u>		<u>4,433,445</u>		<u>2,731,294</u>
<b>Total assets less current liabilities</b>	<u>6,869,856</u>		<u>4,914,837</u>		<u>3,228,169</u>
<b>Non-current liabilities</b>					
Notes payable	478,152		478,152		478,152
Lease liabilities	17,263		17,263		17,263
Deferred tax liabilities	435,393	(284,127)	151,266	(151,266)	–
<b>Total non-current liabilities</b>	<u>930,808</u>		<u>646,681</u>		<u>495,415</u>
<b>Net assets</b>	<u>5,939,048</u>		<u>4,268,156</u>		<u>2,732,754</u>
<b>Capital and reserves</b>					
Share capital	3,216,110		3,216,110		3,216,110
Reserves	2,722,938	(1,670,892)	1,052,046	(1,535,402)	(483,356)
<b>Total equity</b>	<u>5,939,048</u>		<u>4,268,156</u>		<u>2,732,754</u>

3.2 *Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2020*

	Audited consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustment (i) <i>HK\$'000</i> <i>Note (b)</i>	Unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 (after the Previous Disposal) <i>HK\$'000</i>	Pro forma adjustment (ii) <i>HK\$'000</i> <i>Note (d)</i>	Unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 (after the Disposal(s)) <i>HK\$'000</i>
<b>Revenue</b>	256,347		256,347		256,347
Trading income	4,062		4,062		4,062
Dividend income	7,033		7,033		7,033
Interest income	239,174		239,174		239,174
Commission, underwriting fee and other income	6,078		6,078		6,078
Purchases and related expenses	(4,023)		(4,023)		(4,023)
Other income	20,581		20,581		20,581
Other loss	(628)		(628)		(628)
Staff costs	(27,630)		(27,630)		(27,630)
Impairment losses on loan receivables and debt instruments at fair value through other comprehensive income	(221,796)		(221,796)		(221,796)
Other expenses	(39,849)	(619)	(40,468)	(851)	(41,319)
Net gain (loss) on financial assets at fair value through profit or loss	2,905,676	(1,954,400)	951,276	(1,701,300)	(750,024)
Loss on disposal of debt instruments at fair value through other comprehensive income	(17,079)		(17,079)		(17,079)
Finance costs	(158,640)		(158,640)		(158,640)
Profit (loss) before tax	2,712,959		757,940		(944,211)
Income tax (expense) credit	(429,772)	284,127	(145,645)	166,749	21,104

	Audited consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustment (i) <i>HK\$'000</i> <i>Note (b)</i>	Unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 (after the Previous Disposal) <i>HK\$'000</i>	Pro forma adjustment (ii) <i>HK\$'000</i> <i>Note (d)</i>	Unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 (after the Disposal(s)) <i>HK\$'000</i>
<b>Profit (loss) for the year attributable to owners of the Company</b>	2,283,187		612,295		(923,107)
<b>Other comprehensive income (expense)</b>					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Deferred tax on net fair value changes of debt instruments at fair value through other comprehensive income	5,208		5,208		5,208
Net fair value loss on debt instruments at fair value through other comprehensive income	(29,768)		(29,768)		(29,768)
Release on disposal of debt instruments at fair value through other comprehensive income	17,079		17,079		17,079
Impairment loss on debt instruments at fair value through other comprehensive income	18,873		18,873		18,873
<b>Other comprehensive income for the year</b>	11,392		11,392		11,392
<b>Total comprehensive income (expense) for the year attributable to owners of the Company</b>	2,294,579		623,687		(911,715)

3.3 *Unaudited pro forma consolidated statement of cash flows of the Group for the year ended 31 December 2020*

	Audited consolidated statement of cash flows for the year ended 31 December 2020 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustment (i) <i>HK\$'000</i> <i>Note (b)</i>	Unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2020 (after the Previous Disposal) <i>HK\$'000</i>	Pro forma adjustment (ii) <i>HK\$'000</i> <i>Note (d)</i>	Unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2020 (after the Disposal(s)) <i>HK\$'000</i>
<b>Operating activities</b>					
Profit (loss) before tax	2,712,959	(1,955,019)	757,940	(1,702,151)	(944,211)
Adjustments for:					
Finance costs	158,640		158,640		158,640
Bank interest income	(11,167)		(11,167)		(11,167)
Other interest income	(7,013)		(7,013)		(7,013)
Interest income from financial assets at fair value through profit or loss and debt instruments at fair value through other comprehensive income	(57,898)		(57,898)		(57,898)
Loan interest income	(180,151)		(180,151)		(180,151)
Interest income from securities margin financing	(1,125)		(1,125)		(1,125)
Depreciation of property, plant and equipment	3,369		3,369		3,369
Depreciation of right-of-use assets	9,582		9,582		9,582
Dividends from equity investments	(7,033)		(7,033)		(7,033)
Impairment losses on loan receivables and debt instruments at fair value through other comprehensive income	221,796		221,796		221,796
Loss on disposal of debt instruments at fair value through other comprehensive income	17,079		17,079		17,079
Net unrealised (gain) loss on financial assets at fair value through profit or loss	(2,979,472)	1,570,100	(1,409,372)	1,426,548	17,176

	Audited consolidated statement of cash flows for the year ended 31 December 2020 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustment (i) <i>HK\$'000</i> <i>Note (b)</i>	Unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2020 (after the Previous Disposal) <i>HK\$'000</i>	Pro forma adjustment (ii) <i>HK\$'000</i> <i>Note (d)</i>	Unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2020 (after the Disposal(s)) <i>HK\$'000</i>
<b>Operating cash flow before movements in working capital</b>	(120,434)		(505,353)		(780,956)
Increase in trade and other receivables	(66,391)		(66,391)		(66,391)
Decrease in loan receivables	803,363		803,363		803,363
Decrease in financial assets at fair value through profit or loss	360,253	543,900	904,153	494,172	1,398,325
Decrease in trade and other receivables	(17,809)		(17,809)		(17,809)
Increase in bank balances - client accounts	(2,523)		(2,523)		(2,523)
Cash from operations	956,459		1,115,440		1,334,009
Income tax paid	(40,003)		(40,003)		(40,003)
Interest received	228,154		228,154		228,154
<b>Net cash from operating activities</b>	<u>1,144,610</u>		<u>1,303,591</u>		<u>1,522,160</u>
<b>Investing activities</b>					
Proceeds from disposal of debt instruments at fair value through other comprehensive income	525,780		525,780		525,780
Dividend received	7,033		7,033		7,033
Withdrawal of pledged bank deposits	28,971		28,971		28,971
Purchase of property, plant and equipment	(1,777)		(1,777)		(1,777)
<b>Net cash from investing activities</b>	<u>560,007</u>		<u>560,007</u>		<u>560,007</u>



	Audited consolidated statement of cash flows for the year ended 31 December 2020 <i>HK\$'000</i> <i>Note (a)</i>	Pro forma adjustment (i) <i>HK\$'000</i> <i>Note (b)</i>	Unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2020 (after the Previous Disposal) <i>HK\$'000</i>	Pro forma adjustment (ii) <i>HK\$'000</i> <i>Note (d)</i>	Unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2020 (after the Disposal(s)) <i>HK\$'000</i>
<b>Financing activities</b>					
New borrowings raised	478,553		478,553		478,553
Repayment of borrowings	(588,251)		(588,251)		(588,251)
Interest paid	(133,917)		(133,917)		(133,917)
Repayment of lease liabilities	(9,296)		(9,296)		(9,296)
Redemption of notes issued	(1,250,000)		(1,250,000)		(1,250,000)
Net proceeds from issue of notes	1,700,000		1,700,000		1,700,000
Proceeds from issue of shares	203,852		203,852		203,852
Transaction costs attributable to issue of shares	(619)		(619)		(619)
<b>Net cash from financing activities</b>	<u>400,322</u>		<u>400,322</u>		<u>400,322</u>
<b>Net increase in cash and cash equivalents</b>	2,104,939		2,263,920		2,482,489
<b>Cash and cash equivalents at the beginning of the year</b>	<u>135,793</u>		<u>135,793</u>		<u>135,793</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>2,240,732</u></u>		<u><u>2,399,173</u></u>		<u><u>2,618,282</u></u>

*Notes to the Unaudited Pro Forma Financial Information:*

- a. The consolidated financial information of the Group is extracted from the consolidated financial statements of the Group for year ended 31 December 2020 which are contained in the Company's 2020 annual report dated 26 March 2021.
- b. The adjustments represent the impact of the disposal of 70,000,000 Evergrande Vehicle Shares i.e., the Disposed Shares at the selling price of HK\$2.28 per Disposed Share i.e., the Previous Disposal (which forming part of the subject of the VSD Announcement) on the Group's Unaudited Pro Forma Financial Information for the year ended 31 December 2020. Details of the Previous Disposal which constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules were announced by the Company in accordance with the requirements of the Listing Rules on 29 September 2021.

For the purpose of preparing the Unaudited Pro Forma Financial Information, it was assumed that the Previous Disposal was carried out during the year ended 31 December 2020 and completed on 1 January 2020, such that the Group would have recognised (i) an increase in bank balances and cash of approximately HK\$158,981,000, a decrease in financial assets at fair value through profit or loss ("FVTPL") of HK\$2,114,000,000 and a decrease in deferred tax liabilities of approximately of HK\$284,127,000 in the unaudited pro forma consolidated statement of financial position; (ii) an increase in net loss, being the difference between the net aggregate consideration (after deducting therefrom the transaction costs) and the carrying value of the Disposed Shares, of approximately HK\$1,955,019,000 and income tax credit arising of approximately HK\$284,127,000 in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income; and (iii) a decrease in unrealised gain on financial assets at FVTPL of HK\$1,570,100,000 in the unaudited pro forma consolidated statement of cash flows, which are calculated as follows:

Number of Disposed Shares	70,000,000 shares
Selling price per Evergrande Vehicle Share under the Previous Disposal	HK\$2.28
Fair value/market price per Evergrande Vehicle Share as at 31 December 2020	HK\$30.20
Fair value/market price per Evergrande Vehicle Share as at 1 January 2020	HK\$7.77
Cash proceeds from the Previous Disposal	HK\$159,600,000
Carrying amount of the Disposed Shares as at 31 December 2020	HK\$2,114,000,000
Carrying amount of the Disposed Shares as at 1 January 2020	HK\$543,900,000

HK\$'000

*Pro forma adjustments in relation to the unaudited pro forma consolidated statement of financial position of the Group as at 31 December 2020*

Net cash proceeds from the Previous Disposal:	
Cash proceeds from the Previous Disposal	159,600
Less: actual transaction costs ( <i>Note</i> )	(619)
	<u>158,981</u>
Decrease in carrying amount of financial assets at FVTPL:	
Carrying amount of the Disposed Shares as at 31 December 2020	(2,114,000)
	<u>(2,114,000)</u>
Decrease in deferred tax liabilities:	
Income tax credit arising upon completion of the Previous Disposal	(284,127)
	<u>(284,127)</u>

*Pro forma adjustments in relation to the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2020*

Increase in net loss upon completion of the Previous Disposal:	
Cash proceeds from the Previous Disposal	159,600
Less: carrying amount of the Disposed Shares as at 31 December 2020	(2,114,000)
	<u>(1,954,400)</u>
Decrease in net gain on financial assets at FVTPL	(1,954,400)
Less: actual transaction costs ( <i>Note</i> )	(619)
	<u>(1,955,019)</u>
Increase in net loss upon completion of the Previous Disposal, before tax	(1,955,019)
Income tax credit arising upon completion of the Previous Disposal	284,127
	<u>(1,670,892)</u>
Adjustment to reserves	(1,670,892)
	<u>(1,670,892)</u>

*Pro forma adjustments in relation to the unaudited pro forma consolidated statement of cash flows of the Group for the year ended 31 December 2020*

Decrease in net unrealised gain on financial assets at FVTPL upon completion of the Previous Disposal:	
Carrying amount of the Disposed Shares as at 31 December 2020	2,114,000
Less: carrying amount of the Disposed Shares as at 1 January 2020	(543,900)
	<u>1,570,100</u>
	<u>1,570,100</u>

*Note:* Actual transaction costs represent the brokers' handling fee, stamp duty and other costs directly attributable to the Previous Disposal.

- c. The adjustments represent the impact of the disposal of 63,600,000 Evergrande Vehicle Shares on the Group's Unaudited Pro Forma Financial Information for the year ended 31 December 2020. Assuming the Disposal was carried out during the year ended 31 December 2020 and completed on 1 January 2020 at the Minimum Selling Price of HK\$2.20 per Evergrande Vehicle Share.

For the purpose of preparing the Unaudited Pro Forma Financial Information, it was assumed that the Disposal was carried out during the year ended 31 December 2020 and completed on 1 January 2020, such that the Group would have recognised (i) an increase in bank balances and cash of approximately HK\$139,377,000, a decrease in financial assets at FVTPL of HK\$1,920,720,000, an increase of deferred tax assets of approximately HK\$15,483,000 and a decrease in deferred tax liabilities of approximately HK\$151,266,000 in the unaudited pro forma consolidated statement of financial position; (ii) an increase in net loss, being the difference between the net aggregate consideration (after deducting therefrom the transaction costs) and the carrying value of the Approved Sale Shares, of approximately HK\$1,781,343,000 and income tax credit of approximately HK\$166,749,000 in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income; and (iii) a decrease in unrealised gain on financial assets at FVTPL of HK\$1,426,548,000 in the unaudited pro forma consolidated statement of cash flows, which are calculated as follows:

Number of Approved Sale Shares	63,600,000 shares
Minimum Selling Price per Evergrande Vehicle Share under the Disposal(s)	HK\$2.20
Fair value/market price per Evergrande Vehicle Share as at 31 December 2020	HK\$30.20
Fair value/market price per Evergrande Vehicle Share as at 1 January 2020	HK\$7.77
Assumed cash proceeds from the Disposal(s)	HK\$139,920,000
Carrying amount of the Approved Sale Shares as at 31 December 2020	HK\$1,920,720,000
Carrying amount of the Approved Sale Shares as at 1 January 2020	HK\$494,172,000
	<i>HK\$'000</i>

*Pro forma adjustments in relation to the unaudited pro forma consolidated statement of financial position of the Group as at 31 December 2020*

Net cash proceeds from the Disposal(s):	
Cash proceeds from the Disposal(s)	139,920
Less: estimated transaction costs ( <i>Note</i> )	(543)
	<u>139,377</u>
Decrease in carrying amount of financial assets at FVTPL:	
Carrying amount of the Approved Sale Shares as at 31 December 2020	(1,920,720)
	<u>(1,920,720)</u>
Increase in deferred tax assets:	
Income tax credit arising upon completion of the Disposal(s)	15,483
	<u>15,483</u>
Decrease in deferred tax liabilities:	
Income tax credit arising upon completion of the Disposal(s)	(151,266)
	<u>(151,266)</u>

HK\$'000

*Pro forma adjustments in relation to the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2020*

Increase in net loss upon completion of the Disposal(s):	
Cash proceeds from the Disposal(s)	139,920
Less: carrying amount of the Approved Sale Shares as at 31 December 2020	(1,920,720)
	<hr/>
Decrease in net gain on financial assets at FVTPL	(1,780,800)
Less: estimated transaction costs ( <i>Note</i> )	(543)
	<hr/>
Increase in net loss upon completion of the Disposal(s), before tax	(1,781,343)
Income tax credit arising upon completion of the Disposal(s)	166,749
	<hr/>
Adjustment to reserves	(1,614,594)
	<hr/> <hr/>

*Pro forma adjustments in relation to the unaudited pro forma consolidated statement of cash flows of the Group for the year ended 31 December 2020*

Decrease in net unrealised gain on financial assets at FVTPL upon completion of the Disposal(s):	
Carrying amount of the Approved Sale Shares as at 31 December 2020	1,920,720
Less: carrying amount of the Approved Sale Shares as at 1 January 2020	(494,172)
	<hr/>
	1,426,548
	<hr/> <hr/>

*Note:* Estimated transaction costs represent the estimated brokers' handling fee, stamp duty and other costs directly attributable to the Disposal(s).

- d. The adjustments represent the impact of the disposal of 63,600,000 Evergrande Vehicle Shares on the Group's Unaudited Pro Forma Financial Information for the year ended 31 December 2020. Assuming the Disposal was carried out during the year ended 31 December 2020 and completed on 1 January 2020 at the Reference Selling Price of HK\$3.45 per Evergrande Vehicle Share.

For the purpose of preparing the Unaudited Pro Forma Financial Information, it was assumed that the Disposal was carried out during the year ended 31 December 2020 and completed on 1 January 2020, such that the Group would have recognised (i) an increase in bank balances and cash of approximately HK\$218,569,000, a decrease in financial assets at FVTPL of HK\$1,920,720,000, an increase in deferred tax assets of approximately HK\$15,483,000 and a decrease in deferred tax liabilities of approximately HK\$151,266,000 in the unaudited pro forma consolidated statement of financial position; (ii) an increase in net loss, being the difference between the net aggregate consideration (after deducting therefrom the transaction costs) and the carrying value of the Approved Sale Shares, of approximately HK\$1,702,151,000 and income tax credit arising of approximately HK\$166,749,000 in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income; and (iii) a decrease in unrealised gain on financial assets at FVTPL of HK\$1,426,548,000 in the unaudited pro forma consolidated statement of cash flows, which are calculated as follows:

Number of Approved Sale Shares	63,600,000 shares
Reference Selling Price per Evergrande Vehicle Share under the Disposal(s)	HK\$3.45
Fair value/market price per Evergrande Vehicle Share as at 31 December 2020	HK\$30.20
Fair value/market price per Evergrande Vehicle Share as at 1 January 2020	HK\$7.77
Assumed cash proceeds from the Disposal(s)	HK\$219,420,000
Carrying amount of the Approved Sale Shares as at 31 December 2020	HK\$1,920,720,000
Carrying amount of the Approved Sale Shares as at 1 January 2020	HK\$494,172,000
	<i>HK\$'000</i>

*Pro forma adjustments in relation to the unaudited pro forma consolidated statement of financial position of the Group as at 31 December 2020*

Net cash proceeds from the Disposal(s):	
Cash proceeds from the Disposal(s)	219,420
Less: estimated transaction costs ( <i>Note</i> )	(851)
	<u>218,569</u>
Decrease in carrying amount of financial assets at FVTPL:	
Carrying amount of the Approved Sale Shares as at 31 December 2020	(1,920,720)
	<u>(1,920,720)</u>
Increase in deferred tax assets:	
Income tax credit arising upon completion of the Disposal(s)	15,483
	<u>15,483</u>
Decrease in deferred tax liabilities:	
Income tax credit arising upon completion of the Disposal(s)	(151,266)
	<u>(151,266)</u>

HK\$'000

*Pro forma adjustments in relation to the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2020*

Increase in net loss upon completion of the Disposal(s):	
Cash proceeds from the Disposal(s)	219,420
Less: carrying amount of the Approved Sale Shares as at 31 December 2020	(1,920,720)
	<hr/>
Decrease in net gain on financial assets at FVTPL	(1,701,300)
Less: estimated transaction costs ( <i>Note</i> )	(851)
	<hr/>
Increase in net loss upon completion of the Disposal(s), before tax	(1,702,151)
Income tax credit arising upon completion of the Disposal(s)	166,749
	<hr/>
Adjustment to reserves	(1,535,402)
	<hr/> <hr/>

*Pro forma adjustments in relation to the unaudited pro forma consolidated statement of cash flows of the Group for the year ended 31 December 2020*

Decrease in net unrealised gain on financial assets at FVTPL upon completion of the Disposal(s):	
Carrying amount of the Approved Sale Shares as at 31 December 2020	1,920,720
Less: carrying amount of the Approved Sale Shares as at 1 January 2020	(494,172)
	<hr/>
	1,426,548
	<hr/> <hr/>

*Note:* Estimated transaction costs represent the estimated brokers' handling fee, stamp duty and other costs directly attributable to the Disposal(s).

- e. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2020.

**(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of the independent reporting accountants' assurance report received from Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.*

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司**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of China Strategic Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Strategic Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2020, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2020, and the related notes as set out on pages III-1 to III-22 of the circular issued by the Company dated 29 October 2021 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page III-1 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the possible very substantial disposal in relation to the possible disposal of 63,600,000 ordinary shares of China Evergrande New Energy Vehicle Group Limited (the “**Disposal(s)**”) on the Group's financial position as at 31 December 2020 and the Group's financial performance and cash flows for the year ended 31 December 2020 as if the Disposal(s) had taken place at 31 December 2020 and 1 January 2020 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's audited consolidated financial statements for the year ended 31 December 2020, on which an auditor's report has been published.



**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of the unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for the purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2020 or 1 January 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Moore Stephens CPA Limited**

Certified Public Accountants

Hong Kong

29 October 2021

**1. RESPONSIBILITY STATEMENT**

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

**2. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVE IN THE COMPANY**

As at the Latest Practicable Date, none of the Directors or chief executive 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 (within the meaning of Part XV of the SFO) which were required (i) 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 (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules.

**3. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS**

As at the Latest Practicable Date, so far as any Directors are aware, the interests or short positions owned by the following parties (other than the Directors or chief executive of the Company) in the Shares, underlying Shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

## Long position in the Shares

Name of shareholder	Capacity/Nature of interest	Number of Shares held	Approximate percentage of the Company's issued Shares
			<i>(Note (i))</i>
Dr. Cheng Kar-Shun, Henry <i>GBM, GBS</i> (“ <b>Dr. Cheng</b> ”)	Interest of controlled corporation	3,397,540,000 <i>(Note (ii))</i>	16.67%
Courage Star Global Limited (“ <b>Courage Star</b> ”)	Beneficial owner	3,397,540,000 <i>(Note (ii))</i>	16.67%
Mr. Suen Cho Hung, Paul (“ <b>Mr. Suen</b> ”)	Interest of controlled corporation	1,680,000,000 <i>(Note (iii))</i>	8.24%
Pioneer Success Development Limited (“ <b>Pioneer Success</b> ”)	Beneficial owner	1,680,000,000 <i>(Note (iii))</i>	8.24%

*Notes:*

- (i) The approximate percentage of the Company's issued Shares was calculated on the basis of 20,385,253,835 Shares in issue as at the Latest Practicable Date.
- (ii) These Shares were held by Courage Star, a company which was wholly owned by Dr. Cheng. Accordingly, Dr. Cheng and Courage Star were deemed to be interested in 3,397,540,000 Shares under the SFO.
- (iii) These Shares were held by Pioneer Success, a company which was wholly owned by Mr. Suen. Accordingly, Mr. Suen and Pioneer Success were deemed to be interested in 1,680,000,000 Shares under the SFO.

The interests of Dr. Cheng and Courage Star in 3,397,540,000 Shares referred to in Note (ii) above related to the same parcel of Shares.

The interests of Mr. Suen and Pioneer Success in 1,680,000,000 Shares referred to in Note (iii) above related to the same parcel of Shares.

Save as disclosed above and as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying Shares or debentures of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

#### 4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

#### 5. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group nor does any of them has or may have any other conflicts of interest with the Group.

#### 6. DIRECTORS' INTEREST IN ASSETS, CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up; and
- (b) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting and which was significant in relation to the business of the Group.

#### 7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

#### 8. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contract (not being contracts entered into in the ordinary course of business) has been entered into by members of the Group within two years immediately preceding the date of this circular and is or may be material:

- (a) the subscription agreement dated 20 November 2020 entered into between the Company as the issuer and Courage Star Global Limited as the subscriber (the "**Subscriber**"), pursuant to which the Company conditionally agreed to allot and issue and the Subscriber conditionally agreed to subscribe for 3,397,540,000 new Shares at the subscription price of HK\$0.060 per Share.

**9. CORPORATE INFORMATION OF THE GROUP**

<b>Registered office</b>	Rooms 3206-3210, 32nd Floor China Resources Building 26 Harbour Road Wanchai, Hong Kong
<b>Share registrar and transfer office</b>	Tricor Standard Limited Level 54, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
<b>Company secretary</b>	Ms. Leung Siu King <i>A chartered secretary, a chartered governance professional and an associate of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute</i>

**10. EXPERT AND CONSENT**

The following is the name and qualification of the expert who has given opinion or advice which is contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
Moore Stephens CPA Limited	Certified Public Accountants

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and references to its name in the form and context in which they are included.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

In addition, the above expert does not have any interest, either directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up.

**11. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cshldgs.com](http://www.cshldgs.com)) from the date of this circular up to 14 days thereafter:

- (a) independent reporting accountant's assurance report from Moore Stephens CPA Limited in respect of the unaudited pro forma financial information of the Group as set out in Appendix III to this circular; and
- (b) the written consent referred to in the paragraph headed "Expert and Consent" of this appendix.

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## NOTICE OF EGM

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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)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of China Strategic Holdings Limited (the “**Company**”) will be held at Plaza 3, Basement 3, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 18 November 2021 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

#### **ORDINARY RESOLUTION**

#### **“THAT**

- (a) the disposal(s) (the “**Disposal(s)**”, each a “**Disposal**”) by the Company and/or its subsidiary(ies) (collectively the “**Group**”) in tranche(s) in the open market through the trading system of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) 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 Securities and Futures Ordinance as placing agent(s), of up to 63,600,000 ordinary shares (the “**Approved Sale Shares**”) of China Evergrande New Energy Vehicle Group Limited (the “**Evergrande Vehicle Share(s)**”), a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 708), during the period of 12 months from the date of passing of this resolution (unless revoked or varied by ordinary resolution of the shareholders in general meeting of the Company) (the “**Mandate Period**”) be and are hereby approved subject to the following conditions:
- (i) each Disposal in the open market or in the off-market shall be at market price no more than 20% discount to the average of the closing price of the Evergrande Vehicle Shares 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 Disposal(s) shall be no less than HK\$2.20 per Evergrande Vehicle Share; and



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## NOTICE OF EGM

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- (b) the directors of the Company (the “**Directors**”) be and are hereby authorized and empowered to determine, decide, execute and implement with full discretion all matters relating to the Disposals(s) from time to time during the Mandate Period, including but not limited to, the number of tranche(s) of Disposal(s), the number of Approved Sale Shares to be sold in each Disposal, the timing of each Disposal, the manner of each Disposal in the open market or in the off-market, the target purchasers, and the selling price (subject to the parameters set out above) and to do all such acts and things, including but not limited to, execution of all documents which the Directors deem necessary, appropriate or desirable to implement and give full effect to the Disposal(s) and the transactions contemplated thereunder or in connection with the exercise of the Disposal(s).”

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

Hong Kong, 29 October 2021

*Notes:*

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A member of the Company who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf at the EGM. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation is entitled to exercise the same powers on behalf of the member of the Company which he/she/it or they represent(s) as such member of the Company could exercise.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her/its attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.
3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, together with such evidence as the Board of Directors of the Company may require under the Articles of Association of the Company, shall be delivered to the Company’s share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be) at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated valid.
4. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) or upon the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

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## NOTICE OF EGM

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5. Where there are joint registered holders of any share(s) of the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share(s) of the Company as if he/she/it was solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share(s) of the Company shall alone be entitled to vote in respect thereof.
6. In order to be eligible to attend and vote at the EGM, all unregistered holders of the shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 12 November 2021.
7. To safeguard the health and safety of the EGM attendees and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM, including:
  - (i) compulsory body temperature checks
  - (ii) compulsory wearing of surgical face masks and maintain a safe distance between seats
  - (iii) no refreshment will be served
  - (iv) no distribution of corporate gifts

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine requirement may be denied entry into the EGM venue, at the absolute discretion of the Company as permitted by the applicable laws.

Shareholders are strongly encouraged to appoint the Chairman of the EGM as his/her/its proxy and to return his/her/its proxy form by the time specified above, instead of attending the EGM in person.
8. The Chinese version of this notice is for reference only. If there is any conflict between the English and the Chinese versions, the English version shall prevail.
9. As at the date of this notice, the Board of Directors of the Company 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.