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DISCLOSEABLE TRANSACTION DISPOSAL OF LISTED SECURITIES

THE DISPOSAL

On 5 October 2021, the Vendor disposed an aggregate 32,180,000 Evergrande Vehicle Shares on the open market at an aggregate consideration of approximately HK\$125 million (exclusive of transaction costs) at an average price of approximately HK\$3.89 per Disposed Share.

LISTING RULES IMPLICATION

The Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, as one or more of the applicable percentage ratios exceeds 5% but is less than 25%. The Disposal is therefore subject to the reporting and announcement requirements under the Listing Rules.

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On 5 October 2021, the Vendor disposed an aggregate 32,180,000 Evergrande Vehicle Shares on the open market at an aggregate consideration of approximately HK\$125 million (exclusive of transaction costs) at an average price of approximately HK\$3.89 per Disposed Share.

As the Disposal was made through the Company's security brokers (which is and whose beneficial owners are Independent Third Parties) and conducted on the open market, the identities of the purchasers of the Disposed Shares cannot be ascertained. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the purchasers of the Disposed Shares and their respective beneficial owners are Independent Third Parties.

The aggregate gross sale proceeds from the Disposal amount to approximately HK\$125 million (exclusive of transaction costs), which is receivable in cash on settlement. The consideration for the Disposal represented the prevailing market price of Evergrande Vehicle Shares at the time of the Disposal.

INFORMATION OF EVERGRANDE VEHICLE

Evergrande Vehicle is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 708). The principal business activities of Evergrande Vehicle and its subsidiaries include the technology research and

development and manufacturing of, and sales services in respect of new energy vehicles, as well as health management businesses including “Internet+” community health management, international hospitals, elderly care and rehabilitation.

The following financial information is extracted from the 2020 annual report of Evergrande Vehicle:

	Year Ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue	15,486,625	5,635,559
Loss before tax	(7,395,263)	(4,526,336)
Loss after tax	(7,664,907)	(4,947,478)

Based on Evergrande Vehicle’s interim report for the six months ended 30 June 2021, the unaudited consolidated net asset value of Evergrande Vehicle was approximately RMB\$12,076 million as at 30 June 2021.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Directors are cautious and concerned about the recent negative news about Evergrande Vehicle and Evergrande Group, the holding company of Evergrande Vehicle, and that the share price of Evergrande Vehicle has dropped significantly in recent months.

In addition, the Directors noted the announcement of Evergrande Vehicle dated 24 September 2021 wherein, it was stated that:

“the Group is encountering serious shortage of funds. In view of the liquidity pressure, the Group has suspended paying some of its operating expenses and some suppliers have suspended supplying for projects. In view of the difficulties, challenges and uncertainties in improving its liquidity as mentioned above, there is no guarantee that the Group will be able to meet its financial obligations under the relevant contracts.”

Evergrande Vehicle further announced on 26 September 2021 that its proposed issuance of RMB shares on the Science and Technology Innovation Board of the Shanghai Stock Exchange would not proceed further.

In view of the above, and given the recent volatility of the stock market, and changing market and economic conditions, the Directors consider that the Disposal enables the CST Group to cut losses and to solidify the financial and cash position of the CST Group to reallocate its financial resources to other business needs.

As the Disposal was made on the open market at prevailing market price, the Directors are of the view that the terms of the Disposal are fair and reasonable and in the interests of the Company and its shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

During the period of holding of the Disposed Shares and up to 31 March 2021 (i.e. the date of 2021 financial year end of the Company), the Company recognised unrealised gain attributable to the fair value changes of the Disposed Shares of approximately HK\$1,479 million. As a result of the Disposal, the expected loss to be realised for the Disposed Shares for the year ending 31 March 2022, being the difference between the aggregate consideration (exclusive of transaction costs) and the carrying value of the Disposed Shares as at 31 March 2021, is approximately HK\$1,735 million. The actual result of the Disposals will be subject to the review and final audit by auditors of the Company.

Accordingly, the overall loss for the Disposal, being the sum of the unrealised gain recognised up to 31 March 2021 and the expected loss to be realised from the Disposal for the year ending 31 March 2022, is approximately HK\$256 million.

The CST Group intends to use the proceeds from the Disposal for other business/investment opportunities, or as general working capital of the CST Group.

INFORMATION OF THE CST GROUP AND THE VENDOR

The principal activities of the CST Group are (i) exploration, development and mining of mineral resources, (ii) investment in financial instruments, (iii) property investment and (iv) money lending.

The Vendor 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 and acts as an investment holding company.

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings.

“Board”	the board of Directors of the Company
“Company”	CST Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 985)
“CST Group”	the Company and its subsidiaries
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Disposed Shares

“Disposed Share(s)”	32,180,000 Evergrande Vehicle Shares disposed on the open market conducted on 5 October 2021 by the Vendor
“Evergrande Group”	China Evergrande Group, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3333)
“Evergrande Vehicle”	China Evergrande New Energy Vehicle Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main board of the Stock Exchange (stock code: 708)
“Evergrande Vehicle Share(s)”	ordinary share(s) of Evergrande Vehicle
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of the Company and connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Skytop Technology Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

By Order of the Board
CST Group Limited
Yeung Bik Shan
Company Secretary

Hong Kong, 5 October 2021

As at the date of this announcement, the Board comprises (i) Mr. Chiu Tao (Chairman), Mr. Hui Richard Rui, Mr. Kwan Kam Hung, Jimmy and Mr. Wah Wang Kei, Jackie as executive directors of the Company; and (ii) Mr. Yu Pan, Ms. Ma Yin Fan and Mr. Leung Hoi Ying as independent non-executive directors of the Company.