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## **DISCLOSEABLE TRANSACTION DISPOSAL OF CHINA EVERGRANDE NOTES**

### **THE DISPOSAL OF CHINA EVERGRANDE NOTES**

On 11 October 2021, the Vendor disposed of 10.5% China Evergrande Notes and 11.5% China Evergrande Notes with both of the nominal values of US\$4,000,000 (equivalent to approximately HK\$31,200,000) in the secondary market for a respective consideration of approximately US\$815,000 and US\$702,000 (exclusive of transaction costs) (equivalent to approximately HK\$6,357,000 and HK\$5,476,000 respectively).

### **LISTING RULES IMPLICATION**

As the Disposal and the Previous Disposals were conducted within a 12 months period prior to and inclusive of the date of the Disposal, each of the Disposal and the Previous Disposals were aggregated pursuant to Rule 14.22 of the Listing Rules.

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

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## AGGREGATED DISPOSALS OF CHINA EVERGRANDE NOTES

Period:	From 6 October 2021 to 11 October 2021
Vendor:	Skytop Technology Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
Issuers:	<p>China Evergrande, 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)</p> <p>Scenery Journey is a limited company incorporated in British Virgin Islands. It is an indirectly wholly-owned subsidiary of China Evergrande</p> <p>To the best knowledge, information and belief of the Directors having made all reasonable enquiries, China Evergrande and Scenery Journey are third parties independent of the Company and its connected persons</p>
Aggregate nominal value of the China Evergrande Notes disposed of under the Previous Disposals and the Disposal:	<p>8.25% China Evergrande Notes: US\$4,000,000 (equivalent to approximately HK\$31,200,000)</p> <p>9.5% China Evergrande Notes: US\$3,700,000 (equivalent to approximately HK\$28,860,000)</p> <p>10.5% China Evergrande Notes: US\$16,000,000 (equivalent to approximately HK\$124,800,000)</p> <p>11.5% China Evergrande Notes: US\$4,000,000 (equivalent to approximately HK\$31,200,000)</p>
Aggregate consideration (exclusive of transaction costs) received under the Previous Disposals and the Disposal:	<p>8.25% China Evergrande Notes: approximately US\$992,000 (equivalent to approximately HK\$7,738,000)</p> <p>9.5% China Evergrande Notes: approximately US\$740,000 (equivalent to approximately HK\$5,772,000)</p> <p>10.5% China Evergrande Notes: approximately US\$3,288,000 (equivalent to approximately HK\$25,646,000)</p> <p>11.5% China Evergrande Notes: approximately US\$702,000 (equivalent to approximately HK\$5,476,000)</p>

The entire consideration for the Previous Disposals and the Disposal have been/will be settled by cash

Maturity date of the China Evergrande Notes: 8.25% China Evergrande Notes: 23 March 2022

9.5% China Evergrande Notes: 29 March 2024

10.5% China Evergrande Notes: 11 April 2024

11.5% China Evergrande Notes: 24 October 2022

Coupon rate and interest income: 8.25% per annum (for 8.25% China Evergrande Notes), 9.5% per annum (for 9.5% China Evergrande Notes), 10.5% per annum (for 10.5% China Evergrande Notes) and 11.5% per annum (for 11.5% China Evergrande Notes) respectively

The interest income received of the Group attributable to China Evergrande Notes disposed of by the Vendor under the Previous Disposals and the Disposal for the financial years ended 31 March 2021 amounted to approximately US\$113,000 (equivalent to approximately HK\$881,000)

## **INFORMATION OF THE COUNTERPARTY**

As the Aggregated Disposals were made through the Company's security brokers (which are and whose beneficial owners are third parties independent of the Company and its connected persons) and conducted on the open market, the identities of the buyers of the China Evergrande Notes cannot be ascertained. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the buyers of the China Evergrande Notes and their respective beneficial owners are third parties independent of the Company and its connected persons.

## **REASONS FOR AND BENEFITS OF THE AGGREGATED DISPOSALS**

The Directors are cautious and concerned about the recent development of China Evergrande. The Directors have been monitoring disclosures made by China Evergrande and its action on payment of interests and principals of the China Evergrande Senior Notes when due.

China Evergrande made certain disclosures on its liquidity and going concern in its announcement of unaudited interim results for the six months ended 30 June 2021 on 31 August 2021 ("**China Evergrande Interim Results Announcement**"), and the possible consequences and possible material adverse change in relation to its financial and operating positions in the event that the remedial measures said to have been taken and to be taken by China Evergrande could not be effectively implemented.

On the liquidity issue, in particular, on page 7 of the China Evergrande Interim Results Announcement under the heading “Liquidity and going concern”, it was stated that:

“As of the date of this results announcement, some payables related to property development were overdue, leading to the suspension of work on some projects of the group. The group is currently negotiating with suppliers and construction contractors to strive for the resumption of construction work of these projects through ways of deferred payment or sale of its properties to set off the outstanding payments.”

“In addition, the group will adopt the following measures to mitigate the liquidity issues that we are currently facing, which mainly includes adjusting project development timetable, strictly controlling costs, vigorously promoting sales and payment collection, striving for renewal and extension of borrowings, disposing of equity interests and assets (including but not limited to investment properties, hotels and other properties), and introducing new investors to increase the equity of the group and its subsidiaries. The group will study the above measures and adopt the plan that would be most beneficial to the group.

Management of the company has considered the assumptions regarding the operating cash flow, capital expenditures and financing needs, and projected anticipated cash flow for the coming twelve months. The directors, after reviewing the anticipated cash flow, are of the opinion that if the above measures are effectively implemented, the group will have sufficient working capital to meet the financial obligations which will be due within the next twelve months, and the preparation of the condensed consolidated interim financial information with a going concern basis is considered appropriate.

If the above measures cannot be effectively implemented, the directors believe that it would be inappropriate to prepare the condensed consolidated interim financial information on a going concern basis. Under such circumstance, the group shall consider the following adjustments in the condensed consolidated financial information; (i) to write down the carrying amounts of the assets to their realisable values; (ii) to provide for contingent liabilities which might arise and (iii) to reclassify non-current assets and noncurrent liabilities as current assets and current liabilities, respectively. The effects of these potential adjustments have not been reflected in the current condensed consolidated interim financial information.”

On page 2 of the announcement of China Evergrande dated 14 September 2021 under the heading “Two Subsidiaries Of The Company Failed To Discharge Their Guarantee Obligations And Update On Liquidity Issues”, it was stated that:

“As of the date of this announcement, two subsidiaries of the company failed to discharge their guarantee obligations as scheduled for the wealth management products issued by third parties. The relevant amount involved is approximately RMB934 million. The company is in active discussion with the issuers and investors

with a view to reaching a mutually agreeable repayment arrangement.

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 financing documents and other contracts. If the group is unable to meet its guarantee obligation or to repay any debt when due or agree with the relevant creditors on extensions of such debts or alternative agreements, it may lead to cross-default under the group's existing financing arrangements and relevant creditors demanding acceleration of repayment. This would have a material adverse effect on the group's business, prospects, financial condition and results of operations.”

Further, the Directors are aware and cautious that in late September 2021, and early October 2021, China Evergrande failed to make interest payments on certain China Evergrande Senior Notes and principal payments on a private note issued by Jumbo Fortune Enterprises Limited (which is guaranteed by China Evergrande), when due. The same constitute signs that China Evergrande may not be able to effectively implement the remedial measures mentioned in the China Evergrande Interim Results Announcement.

In view of the above, and given the changing market and economic conditions, the Directors are of the view that:

- a. the Group shall reduce its risk exposure on the investments in the China Evergrande Senior Notes; and
- b. the Disposal and the Previous Disposals provide an immediate liquidity to the Group, and allow the Group to re-allocate the proceeds for other investment opportunities when they arise.

The Directors consider the Aggregated Disposals are in the interest of the Company and the Shareholders as a whole.

Since the Aggregated Disposals were conducted through open market, the Directors consider that the Aggregated Disposals were on normal commercial terms and were fair and reasonable.

## **FINANCIAL EFFECTS OF THE AGGREGATED DISPOSALS AND USE OF PROCEEDS**

It is expected that the Group will record a loss of approximately US\$11,000,000 (equivalent to approximately HK\$85,800,000) for the financial year ending 31 March 2022 as a result of the Aggregated Disposals, subject to auditors' review.

The proceeds from the Aggregated Disposals (exclusive of transaction costs), which amounting to approximately US\$5,722,000 (equivalent to approximately HK\$44,632,000), will be used for other business/investment opportunities, or as general working capital of the Group.

## **INFORMATION OF THE GROUP AND THE VENDOR**

The principal activities of the 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.

## **LISTING RULES IMPLICATION**

As the Disposal and the Previous Disposals were conducted within a 12 months period prior to and inclusive of the date of the Disposal, each of the Disposal and the Previous Disposals were aggregated pursuant to Rule 14.22 of the Listing Rules.

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

The Group may made further disposal of its investment in China Evergrande Senior Notes. The Company will make further announcement when appropriate.

## **SHAREHOLDERS AND OTHER POTENTIAL INVESTORS SHALL EXERCISE CAUTION WHEN DEALING IN SHARES OF THE COMPANY.**

## **DEFINITIONS**

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

“8.25% China Evergrande Notes”	the 8.25% senior notes due 2022 in the aggregate notional amount of US\$1,000 million issued by China Evergrande, which will mature on 23 March 2022
“9.5% China Evergrande Notes”	the 9.5% senior notes due 2024 in the aggregate notional amount of US\$1,000 million issued by China Evergrande, which will mature on 29 March 2024
“10.5% China Evergrande Notes”	the 10.5% senior notes due 2024 in the aggregate notional amount of US\$300 million issued by China Evergrande, which will mature on 11 April 2024

“11.5% China Evergrande Notes”	the 11.5% senior notes due 2022 in the aggregate notional amount of US\$2,000 million issued by Scenery Journey, which will mature on 24 October 2022
“Aggregated Disposals”	the Disposal and the Previous Disposals
“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)
“China Evergrande”	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)
“China Evergrande Notes”	the 8.25% China Evergrande Notes, the 9.5% China Evergrande Notes, the 10.5% China Evergrande Notes and the 11.5% China Evergrande Notes, disposed by the Vendor in the period from 6 October 2021 to 11 October 2021 (both days inclusive)
“China Evergrande Senior Notes”	offshore senior notes issued by China Evergrande or its subsidiaries
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the 10.5% China Evergrande Notes and 11.5% China Evergrande Notes with both of nominal values of US\$4,000,000 (equivalent to approximately HK\$31,200,000) by the Vendor in the secondary market on 11 October 2021
“Group”	the Company and its subsidiaries
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Previous Disposals”	the previous disposals of the 8.25% China Evergrande Notes in the aggregate nominal value of US\$4,000,000 (equivalent to approximately HK\$31,200,000), 9.5% China Evergrande Notes in the aggregate nominal value of US\$3,700,000 (equivalent to approximately HK\$28,860,000); and 10.5% China Evergrande Notes in the aggregate nominal value of US\$12,000,000 (equivalent to approximately HK\$93,600,000), by the Vendor in the secondary market during the period from 6 October 2021 to 10 October 2021
“Scenery Journey”	Scenery Journey Limited (景程有限公司), a company incorporated in the British Virgin Islands, an indirectly wholly-owned subsidiary of China Evergrande
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollar(s), the lawful currency of the United States of America
“Vendor”	Skytop Technology Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

*For illustration purposes, amounts in US\$ in this announcement have been translated into HK\$ at the rate of US\$1 = HK\$7.8.*

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

Hong Kong, 11 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.*