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**China South City Holdings Limited**  
**華南城控股有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock code: 1668)**

**(1) PROPOSED SUBSCRIPTION OF NEW SHARES AND  
CHANGE OF SINGLE LARGEST SHAREHOLDER  
(2) STRATEGIC COOPERATION AGREEMENT  
AND  
(3) DELAY IN PAYMENT OF FINAL DIVIDEND**

**Financial Advisor to the Company**



**PROPOSED SUBSCRIPTION OF NEW SHARES**

On 30 December 2021 (after trading hours), the Company and SZCDG entered into the Subscription Agreement, pursuant to which SZCDG has conditionally agreed to subscribe, or procure its wholly owned subsidiary to subscribe, for and the Company has conditionally agreed to allot and issue, 3,350,000,000 new Shares to SZCDG or its wholly owned subsidiary at the Subscription Price of HK\$0.57 per Share on the terms and conditions provided in the Subscription Agreement.

As at the date of this announcement, the Company had a total of 8,091,892,848 Shares in issue. The Subscription Shares represent (i) approximately 41.40% of the issued share capital of the Company as at the date of this announcement, and (ii) approximately 29.28% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no other change in the issued share capital of the Company).

## **CHANGE OF THE SINGLE LARGEST SHAREHOLDER**

Immediately before completion of the Subscription, SZCDG did not own any Shares. Upon completion of the Subscription, SZCDG will be interested in 3,350,000,000 Shares representing 29.28% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no other change in the issued share capital of the Company). SZCDG will become a substantial shareholder and the single largest Shareholder upon completion of the Subscription.

## **USE OF PROCEEDS**

The gross proceeds from the issue of the Subscription Shares are estimated to be approximately HK\$1,909.5 million. The net proceeds from the issue of the Subscription Shares, after deduction of related expenses, are estimated to be approximately HK\$1,893.8 million, representing a net price of HK\$0.5653 per Subscription Share.

The Company intends to use the net proceeds from the Subscription to repay existing indebtedness and for general corporate purposes.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the Subscription Shares will be allotted and issued under the Specific Mandate to be obtained at the EGM, the Subscription is subject to the Shareholders' approval. The EGM will be convened for the purposes of considering and, if thought fit, approving, among other things: (i) the Subscription and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate.

Shareholders who are involved in or interested in the Subscription will be required to abstain from voting in respect of the resolution(s) to approve (i) the Subscription and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate at the EGM.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions approving the aforesaid matters.

A circular containing, among other things: (i) details of the Subscription; (ii) details of the Specific Mandate; and (iii) a notice of the EGM and a form of proxy is expected to be despatched as soon as practicable in compliance with the requirements of the Listing Rules.

**Completion of the Subscription is subject to fulfilment of the conditions as set out in the Subscription Agreement. The Subscription may or may not proceed.**

**Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares. If in doubt, Shareholders and potential investors are recommended to consult their professional adviser(s).**

## **STRATEGIC COOPERATION AGREEMENT**

On the same day of the signing of the Subscription Agreement, SZCDG and the Company entered into the Strategic Cooperation Agreement, pursuant to which SZCDG and the Company agreed to establish a strategic cooperation and synergistic relationship on the basis that SZCDG or its wholly-owned subsidiary become the largest shareholder of the Company through the subscription of ordinary shares of the Company and based on the principle of “complementing with each other, strategic synergies and innovative development”, so as to forge a strong alliance.

## **DELAY IN PAYMENT OF FINAL DIVIDEND**

Reference is made to (i) the notice of annual general meeting of the Company dated 30 July 2021 and (ii) Announcement of the Company dated 28 September 2021, in relation to, among others, payment of a final dividend for the year ended 31 March 2021.

As disclosed in the Announcement, the Final Dividend of HK\$3.0 cents per Share for the year ended 31 March 2021 will be payable around 31 December 2021 to the Shareholders whose names appear on the register of members of the Company on 8 October 2021. The Company estimates that the Final Dividend will be paid on or before 30 June 2022, instead of 31 December 2021 as disclosed in the Announcement.

## **(1) PROPOSED SUBSCRIPTION OF NEW SHARES**

On 30 December 2021 (after trading hours), the Company and SZCDG entered into the Subscription Agreement.

### **Subscription Agreement**

Summaries of the principal terms of the Subscription Agreement are set out below.

#### **Date**

30 December 2021

#### **Parties**

Issuer: Company

Subscriber: SZCDG or its wholly owned subsidiary

To the best knowledge of the Directors, having made reasonable enquiry, as at the date of this announcement, SZCDG and its ultimate beneficial owners are third parties independent of, and not connected with the Company and connected persons of the Company.

## **Subscription for New Shares by SZCDG**

SZCDG has conditionally agreed to subscribe, or procure its wholly owned subsidiary to subscribe, for and the Company has conditionally agreed to allot and issue, 3,350,000,000 new Shares to SZCDG or its wholly owned subsidiary at the Subscription Price of HK\$0.57 per Share.

### **Subscription Shares**

As at the date of this announcement, the Company had a total of 8,091,892,848 Shares in issue. The Subscription Shares represent:

- (a) approximately 41.40% of the issued share capital of the Company as at the date of this announcement; and
- (b) approximately 29.28% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no other change in the issued share capital of the Company).

### **The Subscription Price**

The aggregate amount of the consideration for the Subscription Shares is HK\$1,909.5 million, which shall be payable by the Subscriber in cash upon completion of the Subscription Agreement, which represents:

- (a) a discount of approximately 17.39% to the closing price of HK\$0.6900 per Share as quoted on the Stock Exchange as at the date of the Subscription Agreement;
- (b) a discount of approximately 14.93% to the average closing price per Share of approximately HK\$0.6700 for the last five consecutive trading days immediately prior to the date of the Subscription Agreement;
- (c) a premium of approximately 4.68% to the average of the closing price per Share of HK\$0.5445 for the last 30 consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (d) a discount of approximately 6.82% to the average closing price per Share of HK\$0.6117 for the last 90 consecutive trading days immediately prior to the date of the Subscription Agreement.

The Subscription Price will be adjusted if the Company declares any dividend at any time between the date of the Subscription Agreement and the completion of the Subscription as below:

$$\text{Adjusted subscription price} = \text{Subscription Price} - \text{dividend per Share}$$

For the avoidance of doubt, the above Subscription Price will not be adjusted by the dividend per Share declared by the Company as approved at the annual general meeting of the Company held on 28 September 2021.

The Subscription Price was determined after arm's length negotiation between the Company and SZCDG with reference to the financial performance of the Company, the prevailing market prices of the Shares, the recent market conditions and the benefits of introducing SZCDG as the Company's strategic investor as detailed in the section headed "Reasons for and Benefits of the Subscription" below. The Board considers that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Conditions of the Subscription**

The Subscription is conditional upon fulfilment (or, where applicable, waiver) of the following conditions:

- (a) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and the permission to deal in, the Subscription Shares to be issued and such approval and permission having not been subsequently withdrawn or revoked;
- (b) the approval by the Shareholders at the EGM in accordance with the Listing Rules and the articles of association of the Company of: (i) the Subscription Agreement and the transactions contemplated thereunder (including the Subscription); and (ii) the Specific Mandate;
- (c) SZCDG having obtained all necessary authorizations, consents, permits, filings, approvals or permits (including but not limited to the approval and consent of the state-owned assets supervision and administration department for the transactions contemplated thereunder (if necessary), and the approval and consent or filing from the commerce department, the development and reform department, the administration of market regulation and the foreign exchange department (or the competent bank) on the overseas investment of domestic enterprises (if necessary) for the transaction contemplated thereunder;
- (d) the Shares remaining listed on the Stock Exchange, except for the suspension of trading in the Shares as a result of the Subscription Agreement or any other suspensions of trading in the Shares for five or less consecutive trading days;
- (e) the Strategic Cooperation Agreement not having been terminated or invalidated;
- (f) SZCDG shall apply to the SFC for confirmation that SZCDG and Accurate Gain are not parties acting in concert under the Takeovers Code and that the Subscription will not trigger SZCDG's obligation to make a mandatory general offer under the Takeovers Code, and such confirmation or any indication to that effect from the SFC on the aforesaid having been obtained;
- (g) the representations and warranties of the Company under the Subscription Agreement remaining, true, accurate and complete in all material respects, and not being untrue, incorrect, incomplete or misleading;

- (h) the Company has not breached any undertakings set out in the section headed “Acknowledgement and Pre-completion Undertakings” below which will have a material adverse effect on the overall financial condition or operating results of the Group;
- (i) the Company has not carried out any of the matters set out in paragraph (e) in the section headed “Acknowledgement and Pre-completion Undertakings” below which would have a material adverse effect on the overall financial condition or operating results of the Group; and
- (j) no court or regulatory authorities has made judgments, preservation measures or other decisions, orders or statutory restrictions that hinder, prohibit or restrict the Subscription.

The Company shall use its best endeavours to convene the EGM as described in paragraph (b) above by 28 February 2022. If the Company fails to use its best endeavours to convene the EGM as described in paragraph (b) above by 28 February 2022, all reasonable costs of SZCDG (including the intermediary fees, costs and other expenses paid by SZCDG in connection with the Subscription Agreement and the transactions contemplated thereunder) shall be borne by the Company.

SZCDG shall use its best endeavours to fulfil the conditions in paragraphs (c) and (f) above as soon as possible after the signing of the Subscription Agreement.

SZCDG may exercise its absolute discretion at any time and notify the Company in writing to waive (to the extent waivable) in whole or in part the conditions in paragraphs (c), (g) to (i) above.

The conditions in paragraphs (a), (b), (d), (e), (f) and (j) above are not waivable.

In the event (i) any of the conditions contained in the Subscription Agreement is not fulfilled (or waived pursuant to the provisions of the Subscription Agreement) by the Long Stop Date or such later date as may be agreed in writing between SZCDG and the Company; (ii) any party breaches the Subscription Agreement, and the breach cannot be remedied; (iii) a competent court has decided or ruled to prohibit or restrict the Subscription; or (iv) the relevant administrative authority announces or declares that the Subscription is illegal or invalid by decree or order, the obligations and liabilities of SZCDG and the Company under the Subscription Agreement shall become null and void. For the avoidance of doubt, in the event of (i), (iii) and (iv) above, save for any antecedent breaches of the Subscription Agreement or otherwise agreed in the Subscription Agreement, neither the Company nor SZCDG shall have any claim against the other party for costs, damages, compensation or otherwise.

As at the date of this announcement, none of the conditions in the Subscription Agreement has been fulfilled.

## **Closing**

Provided that all the conditions under the Subscription have been fulfilled (or waived in accordance with the Subscription Agreement), the completion of the Subscription Agreement shall take place on the tenth Business Day after all the conditions under the Subscription Agreement have been fulfilled (or waived) or at such other time, location or date as the Company and SZCDG may agree.

## **Ranking of the Subscription Shares**

The Subscription Shares, upon issue, will rank pari passu in all respects among themselves and with all the Shares in issue as at the date of allotment and issue of the Subscription Shares.

## **Acknowledgements and Pre-completion Undertakings**

Pursuant to the Subscription Agreement, at any time from the signing of the Subscription Agreement to the completion or termination of the Subscription (whichever is the earlier), SZCDG and the Company acknowledge that the signing of the Subscription Agreement will not give SZCDG any decision-making power (including the decision-making power of the Board and management) over the daily and major matters of the Company. The Company is entitled to make decisions independently from SZCDG.

At any time during the period from the signing of the Subscription Agreement to the completion or termination of the Subscription Agreement (whichever is the earlier):

- (a) the Company shall comply with all applicable laws and regulations (including but not limited to the Listing Rules and the SFO) in all aspects and all requirements made by the Stock Exchange, the SFC or any other applicable regulatory authority in relation to the Subscription Agreement;
- (b) the Company shall conduct its businesses in the ordinary course consistent with past practice prior to the signing of the Subscription Agreement, and in a manner which is commercially sound and will not harm the interests of SZCDG;
- (c) the Company shall and shall procure its related parties and consultants and their respective directors, senior managements and representatives (i) to deal with the Subscription jointly with SZCDG and its affiliates on an exclusive basis; (ii) not to conduct any transactions similar to the Subscription or any other conflicting transactions to the transactions contemplated under the Subscription Agreement (the “**Third-party Transactions**”); (iii) immediately terminate any discussion or negotiation with any person regarding the Third-party Transactions, and thereafter shall not conduct any discussions or negotiations in relation to the Third-party Transactions with any person or provide any information to any person; and (iv) not to encourage any inquiries or suggestions about possible Third-party Transactions, or take any other actions to facilitate such inquiries or suggestions;

- (d) the Company shall not and shall ensure that, without the prior written consent of SZCDG, each member of the Group shall not or shall not agree to any of the following matters, except for transactions, agreements and/or arrangements that have been previously disclosed, or as contemplated under the Subscription Agreement or otherwise disclosed or specified in the Subscription Agreement:
- (i) decide to amend the provisions of the constitutional documents or articles of associations or the organizational documents of the Company or adopt or pass any resolutions that are inconsistent with the constitutional documents or the articles of association or the organizational documents;
  - (ii) issue or agree to issue any shares;
  - (iii) share subdivision, share consolidation, capital reduction or agree to share split, share merger, capital reduction;
  - (iv) purchase or redeem any shares, or make any repurchase or reducing its capital, or provide financial assistance for any such purchase;
  - (v) implement or adopt any new share option scheme;
  - (vi) pass any resolution to wind up any material subsidiary of the Company; or
  - (vii) taking any action that may have a material adverse effect (or change) or cause a major violation of any applicable law;
- (e) the Company shall use reasonable endeavours to notify SZCDG in writing within five Business Days before the Group conducts any of the following matters, except for transactions, agreements and/or arrangements that have been previously disclosed, or contemplated under the Subscription Agreement or otherwise disclosed or specified in the Subscription Agreement:
- (i) enter into any agreement with an amount exceeding 5% of the Company's total audited equity in the previous financial year (the "**Total Audited Equity in the Previous Financial Year**") (including borrowing, factoring or other financing or any loan commitment, loan letter, commitment, guarantee, compensation, comfort letter or any type of promise);
  - (ii) issue or agree to issue any bonds;
  - (iii) amend the financing conditions and financing period between any member of the Group and financial institutions;



- (iv) the payment of or a series of payments of amounts exceeds 5% of the Total Audited Equity in the Previous Financial Year (including fees paid to legal counsel or other advisers in connection with the Subscription Agreement or the transactions contemplated thereunder), except for any payments made pursuant to an agreement entered into or obligation arising in the normal course of business prior to the signing of the Subscription Agreement;
- (v) enter into any transaction or change any terms of an existing transaction with any person who is a connected person (as defined in the Listing Rules) of the Company, or enter into any transaction or change any terms of an existing transaction for the benefit of such persons or including the personal benefit of such persons;
- (vi) except as otherwise stipulated in the Subscription Agreement, propose or pass any shareholder resolutions of a special business nature at any general meeting or annual general meeting;
- (vii) provide any person (except any member of the Group) with any advance or other credit exceeding 5% of the Total Audited Equity in the Previous Financial Year, or provide any guarantee or compensation or act as guarantor, or obtain or accept any direct or indirect responsibility for the responsibilities or obligations of any person (except any member of the Group);
- (viii) create or allow the creation of mortgages, charges (fixed or floating), liens, pledges, debentures or other forms of the guarantee, entitlement or equity, or grant or agree to give any guarantee or compensation with an amount exceeding 5% of the Total Audited Equity in the Previous Financial Year, whether similar to the foregoing, or related to any part of its business, property, or assets (except for the lien that is not significant under the applicable laws);
- (ix) sell, transfer, lease, sublet, license, sublicense, assign or otherwise dispose or agree to sell, grant or agree to grant any option, transfer, lease, sublet, license, sublicense, assign or dispose by other means any assets whose book value or reasonable market value (whichever is higher) exceeds 5% of the Total Audited Equity in the Previous Financial Year, including in particular any property or any part of its business, property or assets (or any interest therein);
- (x) change, modify, waive or terminate, or agree to change, modify, waive or terminate any terms and conditions of any agreement involved in a single lease exceeding US\$100,000 per month except for any expiration based on its own terms;
- (xi) terminate any agreement under any outstanding contractual obligations or waive any rights under any outstanding contractual obligations, so that there may be an material adverse effect;

- (xii) except for the directors (if any) who will be appointed by the Board to fill temporary vacancies, appoint or remove any Director after any Director resigns or retires;
- (xiii) initiate, compromise, settle, exempt, dissolve or resolve any civil, criminal, arbitration or other procedures or any liability, claim, action, demand or dispute or waiver of any right related to any of the foregoing;
- (xiv) exempt, waive or write-off any debt recorded in its books that exceeds 5% of the Total Audited Equity in the Previous Financial Year;
- (xv) enter into any partnership or joint venture arrangement involving the amount of equity commitments exceeding 5% of the Total Audited Equity in the Previous Financial Year.

### **Lock-up Undertakings and Post-completion Undertakings**

Pursuant to the Subscription Agreement, subject to the following paragraphs, SZCDG undertakes that for a period commencing from the date of the completion of the Subscription and ending on a date that is 24 months from the completion of the Subscription (“**Initial Lock-up Period**”), except with the prior written approval of the Board (where any Directors nominated by SZCDG shall abstain from voting), neither it nor its nominee nor any person acting on its behalf will:

- (a) directly or indirectly, conditionally or unconditionally offer, sell, contract to sell or agree to sell or lend any of the Subscription Shares or other securities or any interests in the Subscription Shares or securities (including but not limited to the securities convertible into or exchangeable for or exercisable for the Subscription Shares, or the securities rights that represent access to any Subscription Shares, or any warrants or other rights to purchase the Subscription Shares) held or beneficially owned by SZCDG or its wholly owned subsidiary, or grant or sell any Company’s equity, warrants, contracts or rights to purchase the Subscription Shares, or any interest therein, or grant or purchase any options, warrants, contracts or rights to sell the Subscription Shares, securities or any interest therein, or grant or agree to grant any options, rights or warrants to purchase or subscribe for the Subscription Shares, securities or any interest therein (“**Locked-up Securities**”);
- (b) enter into any swap or other arrangement that transfers to others, in whole or in part, any of the economic consequences of ownership of Locked-up Securities;
- (c) enter into any transaction with the same economic effect as any such transaction of the kind described in (a) or (b); or
- (d) offer or contract or agree to or publicly disclose its intention that it will or may enter into any transaction of the kind described in (a), (b) or (c).

Within six months after the completion of the Subscription, in addition to obtaining the prior written consent of SZCDG, the Company shall and shall urge any person acting on behalf of the Company (including the executive Directors and key management personnel of the Company (including the chief executive officer of the Company, president of the Group, vice president of the Group, executive vice president of the Group, chief financial officer, president of the business management group, assistants of the Group chairman, but excluding any aforementioned personnel who have been dismissed by the Company)) not to (i) sell, transfer, dispose, allot or issue or offer to sell, transfer, dispose, allot or issue any Shares or equity interests of the Company or the securities convertible into or exchangeable for the Shares or equity interests of the Company or anything substantially similar to the securities, or grant to subscribe (whether conditionally or unconditionally, directly or indirectly or otherwise) the options, rights or warrants of the above, or (ii) (conditionally or unconditionally) agree to enter into or carry out any relevant transaction that has the same economic effects as any transaction described in item (i) above, or (iii) announce its intention to enter into or conduct any relevant transaction described in item (i) or (ii) above.

Within 12 months after the completion of the Subscription, in addition to obtaining the prior written consent of SZCDG, the Company shall maintain the stability of the management and operation team of the Group (including the chief executive officer of the Company, president of the Group, vice president of the Group, executive vice president of the Group, chief financial officer, president of the business management group, assistants of the Group chairman etc.).

### **Directors and Senior Management**

Pursuant to the Subscription Agreement, SZCDG is entitled to recommend/nominate director and senior management candidates to the Board and the shareholders' meeting of the Company in accordance with the Listing Rules and the articles of association of the Company, and the Company shall use its best endeavours to appoint such directors.

### **Specific Mandate**

The Subscription is subject to the Shareholders' approval. If approved, the relevant Subscription Shares will be allotted and issued under the Specific Mandate to be obtained from the Shareholders at the EGM.

### **Application for Listing**

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

### **Reasons for and Benefits of the Subscription**

The Subscription represents an opportunity to strengthen the shareholder base of the Company by benefiting from SZCDG's financial strength and diversified expertise in the PRC market.

The Company's strategy and business model are to develop integrated trade and logistics platforms and ecosystems by providing comprehensive facilities and diversified services spanning across trader centres and logistics assets operation, outlets operation, property management, etc. The Company's business model is in line with government policies to support the growth of the real economy as it services different participants in the economy including SMEs, e-commerce businesses, retailers and wholesalers, suppliers and other participants in a supply chain, education and healthcare services providers, etc.

SZCDG is a wholly-owned state-owned enterprise under the Shenzhen State-owned Assets Supervision and Administration Commission. It is one of the development and operation entities of state-owned industrial parks in Shenzhen and is responsible for major infrastructure construction tasks. SZCDG fully recognises the Company's business model of supporting sustainable development of the real economy. Having SZCDG as a Shareholder, the Company believes that, through leveraging SZCDG's resources and experience in the industry, this could improve the management and operational efficiency as well as enhance the financial capability of the Company. This, in turn, could further enrich and complement the Company's capabilities and resources in developing and exploring other potentials under the integrated trade and logistics ecosystems model. On the other hand, the Company will explore cooperation opportunities with SZCDG with the objective of realising business synergies in order to maximise shareholders' return, while at the same time support the sustainable development of the real economy.

Through these partnerships, the Company could collaborate with SZCDG to enhance the operational efficiency and value of existing projects as well as explore opportunities of future potential projects.

The Subscription would enhance the Company's financial strength and financing capabilities, and provide the Company with an opportunity to broaden its shareholder and capital base, lower financing costs and improve debt maturity profile, as well as diversify funding channels.

The Directors consider that the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Use of Proceeds**

The gross proceeds from the issue of the Subscription Shares are estimated to be approximately HK\$1,909.5 million. The net proceeds from the issue of the Subscription Shares, after deduction of related expenses, are estimated to be approximately HK\$1,893.8 million, representing a net price of HK\$0.5653 per Subscription Share.

The Company intends to use the net proceeds from the Subscription to repay existing indebtedness and for general corporate purposes.

## Equity Fund Raising Activities of the Company in the Past 12 Months

The Company has not carried out any equity fund-raising activity during the 12 months immediately preceding the date of this announcement.

## Effects on Shareholding Structure of the Company

As at the date of this announcement:

- (a) the Company had a total of 8,091,892,848 Shares in issue;
- (b) there were outstanding share options (the “**Share Options**”) granted under the share option scheme adopted by the Company on 4 September 2009 and on 13 September 2019 conferring rights to subscribe for an aggregate of 229,295,000 new Shares upon exercise of the subscription rights attaching thereto; and
- (c) save for the Share Options, the Company does not have any outstanding convertible securities, options, warrants or other derivatives in issue which are convertible or exchangeable into the Shares.

The following table sets forth the shareholding structure of the Company (1) as at the date of this announcement; and (2) immediately after completion of the Subscription:

Independent Shareholders	(1) As at the date of this announcement		(2) Immediately after completion of the Subscription	
	Number of Shares	Approx. %	Number of Shares	Approx. %
<b>Subscriber</b>				
SZCDG	–	–	3,350,000,000	29.28
<b>Other Substantial Shareholders of the Company</b>				
Mr. Cheng <sup>(1)(2)</sup>	2,306,553,791	28.50	2,306,553,791	20.16
Tencent Holdings Limited	955,936,666	11.81	955,936,666	8.35
Mr. Cheng Tai Po <sup>(2)</sup>	593,920,145	7.33	593,920,145	5.19
<b>Other Shareholders</b>	<u>4,235,482,246</u>	<u>52.36</u>	<u>4,235,482,246</u>	<u>37.02</u>
<b>Total</b>	<u><b>8,091,892,848</b></u>	<u><b>100.00</b></u>	<u><b>11,441,892,848</b></u>	<u><b>100.00</b></u>

Notes:

- (1) Mr. Cheng is interested in 100% of the issued share capital of Accurate Gain which in turn was deemed to have interests in 2,306,553,791 Shares.
- (2) Mr. Cheng Tai Po is interested in 100% of the issued share capital of Proficient Success Limited which in turn holds 588,984,145 Shares and is therefore deemed to be interested in the aforesaid 588,984,145 Shares. Mr. Cheng Tai Po is the elder brother of Mr. Cheng and the uncle of Ms. Cheng.

## **Change of the Single Largest Shareholder**

Immediately before completion of the Subscription, SZCDG did not own any Shares. Upon completion of the Subscription, SZCDG will be interested in 3,350,000,000 Shares representing 29.28% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no other change in the issued share capital of the Company). SZCDG will become a substantial shareholder and the single largest Shareholder upon completion of the Subscription.

## **Information on SZCDG**

Established by the Shenzhen Municipal Government in September 2011, SZCDG is a municipal state-owned enterprise set up for the purpose of accelerating the reform of investment and financing system and promoting the integration process of the Special Zone. In February 2016, the municipal government further clarified SZCDG as the municipal operating entity for infrastructure investment, construction and operation, with its principal activities including infrastructure investment, construction and operation, development, construction and operation of industrial park, strategic emerging industry investment, regional economic cooperation and PPP project implementation. As of November 2021, SZCDG had registered capital of RMB33.509 billion, total assets of RMB96.361 billion and net assets of RMB43.018 billion. Over the past decade since its establishment, SZCDG has effectively played its role of major infrastructure construction, industrial upgrading and expanding the room of development, and providing support for the industry cooperation.

During the “14th Five-Year Plan” period, SZCDG will adhere to the corporate mission of “a new integrated operator of urban development with a demonstration role around the country” and plays its role as “four cores”: infrastructure investment, construction and operation, industrial park development and operation, comprehensive for marine industry development and green environmental protection industry development. SZCDG will carry out the task of regional economic collaboration, and strive to become an integrated operator of new urban development to play an exemplary role across the country, a state-owned strategic carrier to support the building of Shenzhen into a global maritime center city, and a state-owned functional carrier to help Shenzhen build a modern, international and innovative city. SZCDG is committed to becoming one of Shenzhen “100 billion backbone state-owned groups” with high quality, and helping Shenzhen to become an innovative and creative metropolitan for start-ups with global influence and a city example of a modern and strong socialist country.

## **Information on the Group**

The Group is engaged in development and operation of large-scale integrated logistics and trade centres in China. It provides professional integrated logistics and trading platforms with comprehensive value-added ancillary services and facilities, including but not limited to logistics and warehousing services, property management, outlet operations, e-commerce services, convention and exhibition services – to assist small-to-medium enterprises in modernising the way they conduct business.

Capitalising on the Group's unique and flexible business model, proven operational capabilities and extensive experience in co-operating with local governments to support urbanisation and industrial upgrade throughout China, the Group has developed an extensive network with eight projects in different provincial capitals and municipalities across the nation, including Shenzhen, Nanning, Nanchang, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing.

### **Implications under the Listing Rules**

As the Subscription Shares will be allotted and issued under the Specific Mandate to be obtained at the EGM, the Subscription is subject to the Shareholders' approval. The EGM will be convened for the purposes of considering and, if thought fit, approving, among other things: (i) the Subscription and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate.

Shareholders who are involved in or interested in the Subscription will be required to abstain from voting in respect of the resolution(s) to approve (i) the Subscription and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate at the EGM.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions approving the aforesaid matters.

A circular containing, among other things: (i) details of the Subscription; (ii) details of the Specific Mandate; and (iii) a notice of the EGM and a form of proxy is expected to be despatched as soon as practicable in compliance with the requirements of the Listing Rules.

**Completion of the Subscription is subject to fulfilment of the conditions as set out in the Subscription Agreement. The Subscription may or may not proceed.**

**Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares. If in doubt, Shareholders and potential investors are recommended to consult their professional adviser(s).**

## **(2) STRATEGIC COOPERATION AGREEMENT**

On the same day of the signing of the Subscription Agreement, SZCDG and the Company entered into the Strategic Cooperation Agreement, pursuant to which SZCDG and the Company agreed to establish a strategic cooperation and synergistic relationship on the basis that SZCDG or its wholly-owned subsidiary will become the largest shareholder of the Company through the subscription of ordinary shares of the Company and based on the principle of "complementing with each other, strategic synergies and innovative development", so as to forge a strong alliance.

The Company shall make full use of its advantages including experience, brand influence and land bank resources in promoting the transformation and upgrading of the regional economy through development and operation of large-scale integrated trade and logistics industry and integrating industries into projects, while SZCDG shall make full use of its advantages such as being a municipal state-owned enterprise in Shenzhen, the development, construction and operation of industrial parks, as well as the advantages of the full industrial chain layout of major infrastructure investment and construction tasks, supporting both parties to become bigger, stronger and better in the new round of innovative development and jointly enlarging the operational and social benefits.

Under the strategic cooperation, both parties shall share investment and financing resources, project resources, industrial resources, urban planning expertise and park operation experience.

### **Possible Cooperation of Certain Business of the Group**

The Group is in discussion with SZCDG on other potential cooperation, including but not limited to possible cooperation with SZCDG in the certain business of the Group, which will further enhance the liquidity of the Group. The Board wishes to emphasise that the discussion is still in preliminary stage and may or may not lead to the entering into of the definitive agreement with SZCDG. When there is further development in relation to the possible cooperation, further announcement(s) will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate.

### **(3) DELAY IN PAYMENT OF FINAL DIVIDEND**

Reference is made to (i) the notice of annual general meeting of the Company dated 30 July 2021 and (ii) Announcement of the Company dated 28 September 2021, in relation to, among others, payment of a final dividend for the year ended 31 March 2021.

As disclosed in the Announcement, the Final Dividend of HK\$3.0 cents per Share for the year ended 31 March 2021 will be payable around 31 December 2021 to the Shareholders whose names appear on the register of members of the Company on 8 October 2021. The declaration of the Final Dividend was approved at the annual general meeting of the Company held on 28 September 2021.

After taking into accounts the transaction timetable of the proposed Subscription by SZCDG and preserve the financial resource of the Group, the Company has determined that it is in the best interest of the Shareholders that the Final Dividend is to be paid on or before 30 June 2022, instead of around 31 December 2021.

Save as disclosed above, all other information in relation to the payment of the Final Dividend as mentioned in the Announcement shall remain unchanged.



## DEFINITIONS

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

“Accurate Gain”	Accurate Gain Developments Limited, a company incorporated in the British Virgin Islands, which is 100% beneficially owned by Mr. Cheng
“Announcement”	the poll results announcement of the annual general meeting held on 28 September 2021
“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday) on which banks are generally open for business in Hong Kong
“Company”	China South City Holdings Limited (華南城控股有限公司), a company incorporated in Hong Kong with limited liability and the Shares are listed on the Stock Exchange
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve, among other matters, the Subscription and the Specific Mandate
“Final Dividend”	the final cash dividend
“FRC”	the Financial Reporting Council
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	six months from the date of the Subscription Agreement or such later date as may be agreed between the Company and SZCDG

“Mr. Cheng”	Mr. Cheng Chung Hing, an executive Director of the Company and, together with his associates, the controlling shareholder of the Company
“Ms. Cheng”	Ms. Cheng Ka Man Carman, the daughter of Mr. Cheng
“PRC”	the People’s Republic of China
“SFC”	The Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	the registered holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to approve the allotment and issuance of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Cooperation Agreement”	the strategic cooperation agreement entered into between the Company and SZCDG on 30 December 2021
“Subscription”	the subscription for the Subscription Shares by SZCDG or its wholly owned subsidiary pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 30 December 2021 in respect of the subscription of 3,350,000,000 new Shares by SZCDG or its wholly owned subsidiary entered into between the Company and SZCDG
“Subscription Price”	HK\$0.57 per Subscription Share (exclusive of all transaction levies of the SFC, the FRC transaction levy and trading fees of the Stock Exchange (if any))
“Subscription Shares”	3,350,000,000 new Shares to be issued by the Company to SZCDG or its wholly owned subsidiary on the terms and subject to the conditions set out in the Subscription Agreement
“substantial shareholder(s)”	has the same meaning ascribed thereto under the Listing Rules

“SZCDG”	Shenzhen SEZ Construction and Development Group Co., Ltd. (深圳市特區建設發展集團有限公司), a company established in the PRC, a wholly-owned subsidiary of Shenzhen State-owned Assets Supervision and Administration Commission
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs
“%”	per cent.

For and on behalf of the Board  
**China South City Holdings Limited**  
**Cheng Chung Hing**  
*Chairman and Executive Director*

Hong Kong, 31 December 2021

*As at the date of this announcement, the Executive Directors of the Company are Mr. Cheng Chung Hing, Ms. Geng Mei and Ms. Cheng Ka Man Carman; the Non-Executive Directors of the Company are Mr. Cheng Tai Po and Mr. Lei Ming; and the Independent Non-Executive Directors of the Company are Mr. Leung Kwan Yuen Andrew, GBM, GBS, JP, Mr. Li Wai Keung and Mr. Hui Chiu Chung, JP.*

*All Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*