

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.



CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE BY CONNECTED PERSON

On 20 October 2022, China South International entered into the Entrusted Loan Agreement with SZCDG and the Bank, pursuant to which SZCDG has entrusted the Bank to provide the Loan to the Company in the maximum principal amount of RMB200,000,000. In connection with the Entrusted Loan Agreement, on the same date, Chongqing CSC entered into the Security Agreement with SZCDG, pursuant to which Chongqing CSC agreed to pledge certain properties to SZCDG.

As at the date of this announcement, SZCDG holds approximately 29.28% of the Shares in issue. Accordingly, SZCDG is a substantial shareholder and hence a connected of the Company, and the Transaction constitutes a connected transaction of the Company under Chapter 14A of Listing Rules. As one or more of the applicable percentage ratios in respect of the Transaction exceed 0.1% but all are all below 5%, the Transaction is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On 20 October 2022, China South International entered into the Entrusted Loan Agreement with SZCDG and the Bank, pursuant to which SZCDG has entrusted the Bank to provide the Loan to the Company in the maximum principal amount of RMB200,000,000. In connection with the Entrusted Loan Agreement, on the same date, Chongqing CSC entered into the Security Agreement with SZCDG, pursuant to which Chongqing CSC agreed to pledge certain properties to SZCDG.

THE ENTRUSTED LOAN AGREEMENT

The principal terms of the Entrusted Loan Agreement are as follows:

Date:	20 October 2022
Parties:	(a) China South International (as borrower); (b) SZCDG (as lender); and (c) the Bank (as lending agent)
Maximum principal amount:	RMB200,000,000, which may be drawn in tranches
Term:	3 years from 20 October 2022 to 19 October 2025
Interest rates and payment:	Fixed interest rate of 4.35% per annum, which shall be computed on a simple-interest basis every quarter. Such rate has been determined with reference to

benchmark interest rate of People's Bank of China. Interest shall be paid on the 20th day of the last month of each quarter.

Repayment:

The principal amount of the Loan shall be repaid in instalments every six months, with each instalment being of an amount of RMB2,000,000. The remaining principal amount shall be repaid in one lump sum upon maturity. The first instalment shall be made on 21 March 2023.

Security:

In connection with the Entrusted Loan Agreement, on the same date, Chongqing CSC entered into the Security Agreement with SZCDG in relation to China South International's repayment obligations under the Entrusted Loan Agreement.

Pursuant to the Security Agreement, Chongqing CSC agreed to pledge certain storage properties held by Chongqing CSC with a gross floor area of approximately 66,492.95 sq. m. in aggregate located at Dongcheng Avenue, Banan District, Chongqing, the PRC. Such properties have an aggregate unaudited net asset value of approximately RMB147,000,000 as at 31 March 2022.

Chongqing CSC has undertaken to complete the pledge registration procedures within 30 business days after the date of the Security Agreement.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The proceeds from the Loan are expected to be used by the Group to repay the principal and interest of the existing loans from other financial institutions. The fixed interest rate per annum of 4.35% under the Loan is lower than the prevailing interest rates offered by external financial institutions for similar loans. Taking into account the capital needs of the Group and the financial conditions in the PRC for property development companies, the Directors consider that the Transaction would be beneficial to the financial position and future business development of the Group.

The Directors (including the independent non-executive Directors) are of the view that: (i) the terms of the Transaction (including, among others, the interest rate and the loan-to-value ratio) are fair and reasonable; (ii) the Transaction is on normal commercial terms and in ordinary and usual course of business of the Group; and (iii) the Transaction is in the interests of the Company and the Shareholders as a whole.

Save for Mr. Li Wenxiong, Mr. Wan Hongtao and Mr. Qin Wenzhong (the Directors nominated by SZCDG) and Ms. Shen Lifeng (an external independent director of SZCDG) who have abstained from voting in the relevant board resolutions at the relevant meeting of the Board, the Directors confirm that none of the other Directors had a material interest in or were required to be abstained from voting in the board resolutions relating to the Transaction.

GENERAL INFORMATION

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 urbanization 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.

China South International

China South International is principally engaged in development and operation of integrated logistics and trade centres, and a wholly-owned subsidiary of the Company.

Chongqing CSC

Chongqing CSC is principally engaged in development and operation of integrated logistics and trade centres, and a wholly-owned subsidiary of the Company.

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. 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.

The Bank

The Bank is a licensed commercial bank established in the PRC and is principally engaged in, among other things, the provision of banking, financial and other financial related services. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Bank and its ultimate beneficial owners are independent of the Company and its connected persons.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, SZCDG holds approximately 29.28% of the Shares in issue. Accordingly, SZCDG is a substantial shareholder and hence a connected of the Company, and the Transaction constitutes a connected transaction of the Company under Chapter 14A of Listing Rules. As one or more of the applicable percentage ratios in respect of the Transaction exceed 0.1% but all are all below 5%, the Transaction is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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

“Bank”	China Merchants Bank Co., Ltd. Shenzhen Branch (招商銀行股份有限公司深圳分行), the branch of a company established in the PRC and the bank designated by SZCDG as lending agent
“Board”	the board of Directors
“China South International”	China South International Industrial Materials City (Shenzhen) Co., Ltd. (華南國際工業原料城(深圳)有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
“Chongqing CSC”	Chongqing China South City Co., Ltd. (重慶華南城有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
“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
“Entrusted Loan Agreement”	the entrusted loan agreement dated 20 October 2022 entered into among the Company, SZCDG and the Bank in respect of the Loan
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan in the maximum principal amount of RMB200,000,000 under the Entrusted Loan Agreement
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the legal currency of the PRC
“Security Agreement”	the security agreement dated 20 October 2022 entered into between Chongqing CSC and SZCDG, pursuant to which Chongqing CSC agreed to pledge certain properties to SZCDG
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	the registered holder(s) of the Share(s)
“sq. m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 and a wholly-owned subsidiary of Shenzhen State-owned Assets Supervision and Administration Commission
“Transaction”	the transactions contemplated under the Entrusted Loan Agreement and the Security Agreement
“%”	per cent

For and on behalf of the Board
China South City Holdings Limited
CHENG Chung Hing
Co-Chairman and Executive Director

Hong Kong, 20 October 2022

As at the date of this announcement, the Co-Chairmen of the Company are Mr. Li Wenxiong (Non-Executive Director) and Mr. Cheng Chung Hing (Executive Director); the Executive Directors of the Company are Ms. Geng Mei, Mr. Wan Hongtao, Mr. Qin Wenzhong and Ms. Cheng Ka Man Carman; the Non-Executive Directors of the Company is Mr. Cheng Tai Po; and the Independent Non-Executive Directors of the Company are Mr. Leung Kwan Yuen Andrew, GBM, GBS, JP, Mr. Li Wai Keung, Mr. Hui Chiu Chung, JP and Ms. Shen Lifeng.