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**(1) VERY SUBSTANTIAL DISPOSAL AND
CONNECTED TRANSACTION – DEEMED DISPOSAL OF APPROXIMATELY
69.35% EQUITY INTEREST IN THE TARGET COMPANY;**

AND

**(2) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION –
PUT OPTION**

THE SUBSCRIPTION

The Board is pleased to announce that, on 16 December 2022 (after trading hours), the Seller (an indirect wholly-owned subsidiary of the Company), China South International (a direct wholly-owned subsidiary of the Company), the Subscriber and the Target Company entered into the Investment Agreement, pursuant to which the Subscriber agreed to subscribe, and the Target Company agreed to issue, the Subscription Shares at the Subscription Consideration of RMB5,000,000,000. In connection with the Investment Agreement, on the same date (after trading hours), the Seller, China South International, the Subscriber and the Target Company entered into the Shareholders' Agreement, which sets out the rights and obligations of the shareholders and the governance structure of the Target Company.

Upon Completion, the Target Company will be held as to approximately 69.35% by the Subscriber and approximately 30.65% by the Seller respectively.

PUT OPTION

Pursuant to the Investment Agreement, the Seller, China South International and the Target Company granted to the Subscriber the Put Option, pursuant to which the Subscriber is entitled to sell at its discretion all or part of the shares held by it in the Target Company to the Seller and/or China South International where any of the Events does not occur, at the Exercise Price.

LISTING RULES IMPLICATIONS

The Subscription

The Subscription by the Subscriber will result in a reduction of the Company's equity interest in the Target Company from 100% to approximately 30.65%, and therefore constitute a deemed disposal of the Company pursuant to Rule 14.29 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Subscription exceed 75%, the Subscription constitutes a very substantial disposal of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of 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 person of the Company. The Subscriber is held as to 90% by Guandong Shenji Huayuan, a limited partnership in which Shenzhen Infrastructure Investment is a general partner and, through its direct wholly-owned subsidiary Shenzhen Shenji Pengcheng, is interested as to 100% of the equity interest as a limited partner. Shenzhen Infrastructure Investment is a direct non-wholly owned subsidiary of SZCDG. As a result, the Subscriber is also a connected person of the Company by virtue of being an associate of SZCDG. Accordingly, the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Subscription exceed 5%, the Subscription is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Put Option

As one or more of the applicable percentage ratios in respect of the grant and the exercise of the Put Option exceed 100%, the grant and the exercise of the Put Option constitutes a very substantial acquisition of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As mentioned above, the Subscriber is an associate of a connected person of the Company. Accordingly, the grant and the exercise of the Put Option constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the grant and the exercise of the Put Option exceed 5%, the grant and the exercise of the Put Option is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Continuing Connected Transactions

Upon Completion, the Target Company will cease to be a subsidiary of the Company and become a subsidiary of the Subscriber, which is an associate of a connected person of the Company. Accordingly, certain existing continuing transactions between the Group and the Target Group will become continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules.

EGM

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Investment Agreement (including the grant and the exercise of the Put Option), the Shareholders' Agreement and the transactions contemplated thereunder. As at the date of this announcement, SZCDG holds approximately 29.28% of the Shares in issue, and hence will abstain from voting on the resolution(s) in respect of the Investment Agreement (including the grant and the exercise of the Put Option), the Shareholders' Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no other Shareholder will be required to abstain from voting on the resolution(s) in respect of the Investment Agreement (including the grant and the exercise of the Put Option), the Shareholders' Agreement and the transactions contemplated thereunder at the EGM.

GENERAL

An Independent Board Committee, comprising the independent non-executive Directors (save for Ms. Shen Lifeng who is also an external independent director of SZCDG), has been established to advise the Independent Shareholders on the Investment Agreement (including the grant and the exercise of the Put Option), the Shareholders' Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Investment Agreement (including the Put Option), the Shareholders' Agreement and the transactions contemplated thereunder, (ii) a letter from the Independent Board Committee, (iii) a letter from the reporting accountant of the Company, (iv) a letter from an independent financial adviser, together with the notice of the EGM and a form of proxy, is expected to be despatched to the Shareholders on or before 31 January 2023 as additional time will be required to finalise certain information to be included in the circular.

Completion of the Subscription is subject to fulfilment of the conditions as set out in the Investment Agreement and the approval of Independent Shareholders at the EGM, and 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).

(I) THE INVESTMENT AGREEMENT

The Board is pleased to announce that, on 16 December 2022 (after trading hours), the Seller (an indirect wholly-owned subsidiary of the Company), China South International (a direct wholly-owned subsidiary of the Company), the Subscriber and the Target Company entered into the Investment Agreement, pursuant to which the Subscriber agreed to subscribe, and the Target Company agreed to issue, the Subscription Shares at the Subscription Consideration of RMB5,000,000,000.

The principal terms of the Investment Agreement, among others, are set out below:

Date: 16 December 2022 (after trading hours)

Parties: (i) the Seller;
(ii) China South International;
(iii) the Subscriber; and
(iv) the Target Company.

Subject Matter

The Subscriber agreed to subscribe, and the Target Company agreed to issue, the Subscription Shares at the Subscription Consideration of RMB5,000,000,000.

Upon Completion, the Target Company will be held as to 69.35% by the Subscriber and 30.65% by the Seller, respectively. The Target Company will cease to be a subsidiary of the Company and its financial results will not be consolidated into the Group's financial statements. The Target Company will become a subsidiary of the Subscriber.

Subscription Consideration

The Subscription Consideration for the Subscription Shares is RMB5,000,000,000 and will be payable by the Subscriber to the Target Company in cash in tranches into the bank account of the Target Company in the following manner:

- (1) RMB2,000,000,000 (the "**First Instalment**") to be paid within 10 business days after all the conditions precedent to Completion have been satisfied (or, where applicable, waived); and
- (2) RMB3,000,000,000 to be paid within 180 calendar days after the payment of the First Instalment.

Basis of Subscription Consideration

The Subscription Consideration was determined based on arm's length negotiations among the Seller, China South International, the Subscriber and the Target Company and with reference to the pre-subscription appraised value of 100% equity interest of the Target Company of RMB2,209,516,300 (the "**Business Equity Value**") as set out in the valuation ("**Valuation**") conducted by an independent valuer which was based on an asset approach.

Conditions Precedent

Completion is conditional upon the satisfaction of the following closing conditions:

- (1) all transaction documents having been signed, including but not limited to all the registration and filing documents to be submitted to the Market Supervision and Administration Authority in respect of the Subscription, in which the Shareholders' Agreement having been signed by all shareholders of the Target Company;
- (2) the Subscriber having obtained all authorisations, consents, licenses, filings, approvals or permits necessary for the implementation of the Subscription, including but not limited to the unanimous approval of all shareholders of the Subscriber, the approval at the group level, the approval of the State-owned Assets Supervision and Administration Authority and the approval of the Market Supervision and Administration Authority (if required);
- (3) the intermediary agency engaged by the Subscriber having completed due diligence on the Target Company and not having identified any material risk or material adverse effect in respect of the Subscription, and the intermediary agency having provided the Subscriber with legal documents in relation to such due diligence (including but not limited to the financial, legal and evaluation aspects of the Target Company) approved by the Subscriber in writing;
- (4) the Target Company, the Subscriber and the Seller having obtained their respective internal approvals in respect of the Subscription;
- (5) the Independent Shareholders having approved the Subscription;
- (6) the Target Company having served to the Subscriber a payment notice for the First Instalment;
- (7) no material adverse change having occurred until Completion, and no event having occurred until Completion that may cause a material adverse change;
- (8) the representations, warranties and undertakings of the Target Company, the Seller and China South International having continued to be true, accurate, complete and not misleading from the date of the Investment Agreement until Completion;
- (9) there having been no breach from the date of the Investment Agreement until Completion by the Target Company, the Seller and China South International under the transaction documents in respect of the Subscription (including the Investment Agreement, the Shareholders' Agreement, the articles of association of the Target Company, the shareholders' resolution passed by the shareholders of the Target Company in respect of the Subscription and any ancillary documents of the foregoing documents (if any)); and
- (10) there having been no litigation, bankruptcy or liquidation involving the Target Company after the date of the Investment Agreement until Completion.

Completion

Completion shall take place on the date on which the First Instalment is paid.

Put Option

The Seller, China South International and the Target Company granted to the Subscriber the Put Option, pursuant to which the Subscriber is entitled to sell at its discretion all or part of the shares held by it in the Target Company to the Seller and/or China South International from the date falling 54 months after Completion, where any of the following events (the "Events") does not occur, at the Exercise Price:

- (1) within 54 months after Completion, four pieces of land numbered GW2-(16)-1, GW2-(18)-6, GW2-16-4 and GW2-16-5 having been repurchased by the government, with the repurchase amount being not less than RMB2,000,000,000; or the Target Company having developed such four pieces of land, with the net cash inflow from the development being not less than RMB2,000,000,000;

- (2) within 54 months after Completion, certain construction projects held by the Target Company having been completed and accepted, and reached the saleable standard, with the sales proceeds from such construction projects being not less than RMB4,500,000,000;
- (3) within 54 months after Completion, certain property development projects held by the Target Company having achieved a net cash inflow of not less than RMB90,870,000, an after-tax profit margin of not less than 7.4%, a sales profit margin of not less than 6.9%, a dynamic payback period of not more than 54 months for all funds invested in the project and an internal rate of return of not less than 11.2%;
- (4) within four calendar years after Completion (i.e., 2023, 2024, 2025 and 2026), the average net profit of the Target Company having been not less than RMB300,000,000 per annum and the average distributable cash flow of the Target Company having been not less than RMB300,000,000 per annum; and
- (5) there exists no fraud, material misunderstanding or material omission in any information provided by the Target Company, the Seller or China South International to the Subscriber, which has had a material adverse impact on the operation of the Target Company.

The Exercise Price shall be calculated based on the following formula and be settled in cash:

$$\text{Exercise Price} = A + A \times B \times C / 360 - D$$

A = Subscription Consideration actually paid by the Subscriber

B = a return rate of 6.0%

C = actual number of days from the date on which the Subscription Consideration is paid by the Subscriber to the date on which the Exercise Price is received by the Subscriber

D = dividend of the Target Company distributed to and actually received by the Subscriber (if any)

The return rate was determined based on arm's length negotiations between the Seller, China South International, the Subscriber and the Target Company with reference to: (i) the Subscriber's assessment of the expected return of its investments; (ii) the Group's weighted average financing cost of 8.4% as at 30 September 2022 (as disclosed in the interim results announcement of the Company dated 28 November 2022); and (iii) the market practice that a return rate is applicable to investments in asset-heavy businesses. The Directors, including independent non-executive Directors, save for Mr. Li Wenxiong, Mr. Wan Hongtao and Mr. Qin Wenzhong, who are Directors nominated by SZCDG and Ms. Shen Lifeng who is also an external independent director of SZCDG, are of the view that such return rate is fair and reasonable, and in the interest of the Company and its shareholders as a whole.

(II) THE SHAREHOLDERS' AGREEMENT

In connection with the Investment Agreement, on 16 December 2022 (after trading hours), the Seller, China South International, the Subscriber and the Target Company entered into the Shareholders' Agreement, which sets out the rights and obligations of the shareholders and the governance structure of the Target Company.

The principal terms of the Shareholders' Agreement, among others, are set out below:

Date: 16 December 2022 (after trading hours)

Parties:

- (i) the Seller;
- (ii) China South International;
- (iii) the Subscriber; and
- (iv) the Target Company.

Governing Bodies

The board of directors of the Target Company shall consist of five directors, out of which the Seller shall be entitled to nominate two directors and the Subscriber shall be entitled to nominate three directors (including the chairperson). The chairperson shall be the legal representative of the Target Company.

Each of the Seller and the Subscriber shall be entitled to nominate one supervisor.

The Seller shall be entitled to nominate the general manager of the Target Company and the Subscriber shall be entitled to nominate the chief financial officer of the Target Company.

Security

Within a 60-month period from Completion, the Seller and China South International agreed to pledge the Seller's fully diluted 30.65% equity interest in the Target Company in favour of the Subscriber, to secure the performance of all obligations of the Seller, China South International and the Target Company under the transaction documents in respect of the Subscription (including the Investment Agreement, the Shareholders' Agreement, the articles of association of the Target Company, the shareholders' resolution passed by the shareholders of the Target Company in respect of the Subscription and any ancillary documents of the foregoing documents (if any)). The principal amount secured by such equity pledge shall be RMB5,000,000,000. The Target Company shall submit the registration documents to the Market Supervision and Administration Authority in respect of such equity pledge within 30 business days after Completion.

REASONS FOR AND BENEFITS

The Directors consider that the Investment Agreement (including the grant and the exercise of the Put Option), the Shareholders' Agreement and the transactions contemplated thereunder will be able to improve the liquidity of the Target Group through its receipt of the Subscription Consideration by way of cash in accordance with the payment schedule under the Investment Agreement, and provide additional working capital for the Target Group and also allow the Target Group to repay existing shareholders' loans provided by the Group to the Target Group. This will in turn provide additional working capital to the Group and reduce the gearing ratio of the Group.

In addition, the further cooperation with SZCDG will allow investors and financial institutions to see SZCDG's continuous support towards the operation and development of the Group and increase their confidence to the Group.

The Directors, including independent non-executive Directors, save for Mr. Li Wenxiong, Mr. Wan Hongtao and Mr. Qin Wenzhong, who are Directors nominated by SZCDG and Ms. Shen Lifeng who is also an external independent director of SZCDG, are of the view that the terms of the Investment Agreement (including the grant and the exercise of the Put Option), the Shareholders' Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPLICATIONS AND USE OF PROCEEDS

The Subscription Consideration payable by the Subscriber for the Subscription Shares is RMB5,000,000,000. RMB2,262,938,726 out of the Subscription Price will be injected into the registered capital of the Target Company and the premium of RMB2,737,061,274 will be accounted for as the Target Company's capital reserves.

As at the date of this announcement, the Target Company is a wholly-owned subsidiary of the Company. Upon Completion, the registered capital of the Target Company will be increased from RMB1,000,000,000 to RMB3,262,938,726, and the Target Company will be held as to 69.35% by the Subscriber and 30.65% by the Seller, respectively. Accordingly, the Subscription by the Subscriber will result in a reduction of the Company's equity interest in the Target Company from 100% to 30.65%. The Target Company will cease to be a subsidiary of the Company and its financial results will not be consolidated into the Group's financial statements. The Target Company will become a subsidiary of the Subscriber.

Based on a preliminary assessment, it is estimated that the Group will record an unaudited gain on the Subscription of approximately HK\$8,000,000, which has been arrived at by deducting the unaudited net asset value of the Target Group as at 30 September 2022 from the Business Equity Value. The actual gain or loss as a result of the Subscription to be recorded by Group is subject to a final audit to be performed by the auditors of Group.

The proceeds from the Subscription are expected to be used by the Target Company for working capital, repayment of related party loans of approximately RMB2,860,000,000 and interest-bearing loans, and payment of construction fees. After receipt of the repayment of the related party loans, the proceeds are expected to be used by the Group for repayment of its external borrowings.

IMPLICATIONS UNDER THE LISTING RULES

The Subscription

The Subscription by the Subscriber will result in a reduction of the Company's equity interest in the Target Company from 100% to approximately 30.65%, and therefore constitute a deemed disposal of the Company pursuant to Rule 14.29 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Subscription exceed 75%, the Subscription constitutes a very substantial disposal of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of 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 person of the Company. The Subscriber is held as to 90% by Guangdong Shenji Huayuan, a limited partnership in which Shenzhen Infrastructure Investment is a general partner and, through its direct wholly owned subsidiary Shenzhen Shenji Pengcheng, is interested as to 100% of the equity interest as a limited partner. Shenzhen Infrastructure Investment is a direct non-wholly owned subsidiary of SZCDG. As a result, the Subscriber is also a connected person of the Company by virtue of being an associate of SZCDG. Accordingly, the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Subscription exceed 5%, the Subscription is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Put Option

As one or more of the applicable percentage ratios in respect of the grant and the exercise of the Put Option exceed 100%, the grant and the exercise of the Put Option constitutes a very substantial acquisition of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As mentioned above, the Subscriber is an associate of a connected person of the Company. Accordingly, the grant and the exercise of the Put Option constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the grant and the exercise of the Put Option exceed 5%, the grant and the exercise of the Put Option is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Continuing Connected Transactions

Upon Completion, the Target Company will cease to be a subsidiary of the Company and become a subsidiary of the Subscriber, which is an associate of a connected person of the Company. Accordingly, certain existing continuing transactions between the Group and the Target Group will become continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules.

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. On property leasing and management, the Group manages residential, shopping malls, wholesale market, and conference and exhibition facilities, and is capable of managing both trade centre premises and residential properties. Additional sources of income are available from projects, including from advertising and exhibitions, temporary space leasing, and parking charges. The Group also focuses on investment, development and construction of project sites, and has developed various types of commercial complexes in a number of projects, including multi-purpose commercial properties and auxiliary facilities in Shenzhen, Nanning, Nanchang, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing. Government service centres, science and education industries, sports industries, and e-commerce industries have been introduced in certain projects. The logistics branch of the Group has subsidiaries in 16 core cities in the PRC and has built more than 1 million square metres of standardized and modernized e-commerce logistics industrial parks that are already in operation. Additionally, the Group provides comprehensive supply chain integrated logistics solutions and intelligent hardware infrastructure to realize data and internet-based management of project sites.

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 is a wholly-owned subsidiary of the Company.

The Seller

The Seller is principally engaged in investment holding and is 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 centre 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.

Shenzhen Infrastructure Investment

Founded in July 2018, Shenzhen Infrastructure Investment is a qualified fund manager (registration number: P1069375) registered with the Asset Management Association of the PRC. Shenzhen Infrastructure Investment is co-invested by three municipal state-owned enterprises, namely, SZCDG (51%), Shenzhen Investment Holding Co., Ltd.* (深圳市投資控股有限公司) (30%) and Shenzhen Capital Group Co., Ltd.* (深圳市創新投資集團有限公司) (19%). With the dual impetus of “regional comprehensive infrastructure fund management + vertical professional infrastructure fund management”, Shenzhen Infrastructure Investment strives to be the leader in the supply side structural reform of infrastructure and contributes to the market-oriented development of infrastructure investment funds in the PRC. Shenzhen Infrastructure Investment is responsible for the operation of the Shenzhen Infrastructure Investment Fund* (深圳市基礎設施投資基金), which was officially established in December 2018 with the approval of the Shenzhen Municipal Government. With the initial scale being RMB12 billion, the Shenzhen Infrastructure Investment Fund* (深圳市基礎設施投資基金) aims to further promote the supply side structural reform of infrastructure and attract public capital to participate in the infrastructure construction in Shenzhen. The ultimate beneficiary of Shenzhen Infrastructure Investment is Shenzhen State-owned Assets Supervision and Administration Commission.

The Subscriber

Founded in October 2022 by related parties of Shenzhen Infrastructure Investment, the Subscriber is principally engaged in investment, information consulting services and industrial park management services, with its ultimate beneficial owner being the Shenzhen State-owned Assets Supervision and Administration Commission.

The Target Company

The Target Company is principally engaged in development and operation of integrated logistics and trade centres.

The Target Company is involved in the Group’s projects in Xi’an (i.e., China South City Xi’an) but is not involved in any of the Group’s other seven projects across mainland China. The development of China South City Xi’an is well underway with a gross floor area of approximately 2.41 million square metres completed, and planned construction of a gross floor area of approximately 760,000 square metres underway. The Target Company is located at the trade and logistics park in Xi’an. As a local key project, the Xi’an international trade and logistics park is an open economic pilot zone and a core area for modern service industry, aiming to become the largest international transit hub and logistics distribution centre along the silk road economic belt and an important strategic platform for the “Belt and Road” initiative. China South City Xi’an is in operation, and covers industries including hardware materials and machinery products, curtains and fabrics, textile and clothing, leather and fur, automobile and motorcycle parts, building and decoration materials, 1668 New Times Square, outlets, cross-border e-commerce, Central Asia and ASEAN product exhibition centre, etc., on its trade centre premises, of which the commercial complex, 1668 New Times Square, was included in Shaanxi Provincial Key Project in 2019 and 2020.

The unaudited net asset value of the Target Group (prepared in accordance with the Hong Kong Financial Reporting Standards) as at 30 September 2022 was approximately RMB2,202,797,000. The unaudited profit before and after taxation of the Target Group (prepared in accordance with the Hong Kong Financial Reporting Standards) for the financial years ended 31 March 2022 and 31 March 2021 are set out below:

	For the year ended 31 March 2022	For the year ended 31 March 2021
	RMB’000	RMB’000
	(unaudited)	(unaudited)
Profit before taxation	946,828	358,144
Profit after taxation	603,516	162,901

EGM

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Investment Agreement (including the grant and the exercise of the Put Option), the Shareholders' Agreement and the transactions contemplated thereunder. As at the date of this announcement, SZCDG holds approximately 29.28% of the Shares in issue, and hence will abstain from voting on the resolution(s) in respect of the Investment Agreement (including the grant and the exercise of the Put Option), the Shareholders' Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no other Shareholder will be required to abstain from voting on the resolution(s) in respect of the Investment Agreement (including the grant and the exercise of the Put Option), the Shareholders' Agreement and the transactions contemplated thereunder at the EGM.

GENERAL

An Independent Board Committee, comprising the independent non-executive Directors (save for Ms. Shen Lifeng who is also an external independent director of SZCDG), has been established to advise the Independent Shareholders on the Investment Agreement (including the grant and the exercise of the Put Option), the Shareholders' Agreement and the transactions contemplated thereunder. An independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Investment Agreement (including the Put Option), the Shareholders' Agreement and the transactions contemplated thereunder, (ii) a letter from the Independent Board Committee, (iii) a letter from the reporting accountant of the Company, (iv) a letter from an independent financial adviser, together with the notice of the EGM and a form of proxy, is expected to be despatched to the Shareholders on or before 31 January 2023 as additional time will be required to finalise certain information to be included in the circular.

Completion of the Subscription is subject to fulfilment of the conditions as set out in the Investment Agreement and the approval of Independent Shareholders at the EGM, and 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).

DEFINITIONS

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

“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
“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
“Completion”	completion of the Subscription in accordance with the Investment Agreement
“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 Investment Agreement (including the grant and the exercise of the Put Option), the Shareholders’ Agreement and the transactions contemplated thereunder
“Exercise Price”	the exercise price for the Put Option under the Investment Agreement
“Group”	the Company and its subsidiaries
“Guangdong Shenji Huayuan”	Guangdong Shenji Huayuan Equity Investment Limited Partnership* (廣東深基華園股權投資合作企業(有限合伙)), a limited partnership established in the PRC in which Shenzhen Infrastructure Investment is a general partner and, through its direct wholly-owned subsidiary Shenzhen Shenji Pengcheng, is interested as to 100% of the equity interest as a limited partner
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company whose members comprise independent non-executive Directors (save for Ms. Shen Lifeng who is also an external independent director of SZCDG) to advise the Independent Shareholders on the Investment Agreement (including the grant and the exercise of the Put Option), the Shareholders’ Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than SZCDG
“Investment Agreement”	the investment agreement dated 16 December 2022 and entered into among the Seller, China South International, the Subscriber and the Target Company in relation to the Subscription
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Put Option”	the option granted by the Seller, China South International and the Target Company to the Subscriber and exercisable by the Subscriber to sell at its discretion all or part of the shares held by the Subscriber in the Target Company to the Seller and/or China South International pursuant to the terms and conditions in the Investment Agreement

“RMB”	Renminbi, the legal currency of the PRC
“Seller”	China South City Group Co., Ltd. (華南城集團有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	the registered holder(s) of the Share(s)
“Shareholders’ Agreement”	the shareholders’ agreement dated 16 December 2022 and entered into among the Seller, China South International, the Subscriber and the Target Company, which sets out the rights and obligations of the shareholders and the governance structure of the Target Company
“Shenzhen Infrastructure Investment”	Shenzhen Infrastructure Investment Fund Management Co., Ltd.* (深圳市基礎設施投資基金管理有限責任公司), a company established in the PRC and a direct non-wholly owned subsidiary of SZCDG
“Shenzhen Shenji Pengcheng”	Shenzhen Shenji Pengcheng Investment Development Co., Ltd.* (深圳市深基鵬程投資發展有限公司), a company established in the PRC and a direct wholly-owned subsidiary of Shenzhen Infrastructure Investment
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Shenzhen Shenji No.1 Industrial Park Investment and Operation Co., Ltd.* (深圳市深基壹號產業園區投資運營有限公司), a company established in the PRC and a direct non-wholly owned subsidiary of Guangdong Shenji Huayuan
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Investment Agreement
“Subscription Consideration”	the aggregate subscription price payable by the Subscriber to the Target Company for the Subscription Shares
“Subscription Shares”	2,262,938,726 new shares in the Target Company, which shall be subscribed by the Subscriber, and issued by the Target Company, pursuant to the Investment Agreement
“subsidiary”	with respect to any person, any corporation, association or other business entity which such Person, its direct or indirect holding companies, its subsidiaries or fellow subsidiaries, which individually or collectively, is or are entitled to more than 50% of its economic interests
“substantial shareholder”	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 and a wholly-owned subsidiary of Shenzhen State-owned Assets Supervision and Administration Commission
“Target Company”	Xi’an China South City Co., Ltd. (西安華南城有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries
“%”	per cent

For the purposes of this announcement, the English name marked with an asterisk () is an unofficial English translation and is for identification purposes only.*

For and on behalf of the Board
China South City Holdings Limited
LI Wenxiong and CHENG Chung Hing
Co-Chairmen

Hong Kong, 18 December 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 Director 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.