

**Fund under SZCDG acquires 69.35% equity interest in China South City Xi'an for RMB5 billion**  
**Further strengthening cooperation between the two parties and boosting the future development of China South City**

**China South City (SEHK stock code: 1668.HK)** recently announced that China South International, a direct wholly-owned subsidiary of the Company, has entered into an investment agreement with Shenzhen Shenji No.1 Industrial Park Investment and Operation Co., Ltd. under Shenzhen SEZ Construction and Development Group Co., Ltd. ("SZCDG"), pursuant to which the latter has agreed to subscribe for 69.35% new shares of "China South City Xi'an" at a cash consideration of RMB5 billion (equivalent to approximately HK\$5.58 billion). Upon completion of the transaction, the Group's shareholding in "China South City Xi'an" will be reduced from 100% to 30.65% and "China South City Xi'an" will cease to be a subsidiary of the Group and the transaction is subject to the approval of the independent shareholders of China South City. RMB2.86 billion of the subscription proceeds from this transaction will be used to repay the Group's shareholder loans, which will provide additional working capital for the Group, reduce the Group's gearing ratio and significantly improve its liquidity. The signing of this investment agreement marks another step forward in the cooperation between the Company and SZCDG, and represents SZCDG's strong support for the Group's operation and development. As of 30 September 2022, the consideration of the transaction approximates the carrying value of the net assets of China South City Xi'an, which fully demonstrates SZCDG's high recognition of the Group's asset value and future development.

As disclosed in the announcement of the Company, China South City Xi'an is principally engaged in development and operation of integrated logistics and trade centres, and is located at the Xi'an international trade and logistics park, which is an open economic pilot zone and a core area for modern service industry established with strong support from the Xi'an government. China South City Xi'an has a total planned land area of approximately 10.00 million sq. m. and the total planned GFA of approximately 17.50 million sq. m. As of 30 September 2022, China South City Xi'an has acquired land with a total planned GFA of approximately 4.17 million sq. m. and has completed the construction of approximately 2.41 million sq. m., including a commodity trading centre, a logistics park and other ancillary facilities. In addition, business operation in China South City Xi'an covers various 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, crossborder 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.

During the year, SZCDG fully leveraged its strategic leadership role as a state-owned enterprise in various aspects to facilitate the Group's long-term and stable development. Firstly, in terms of senior management appointments, Mr. Li Wenxiong, chairman of SZCDG, was appointed as Co-Chairman and Non-Executive Director of the Group, while Mr. Wan Hongtao and Mr. Qin Wenzhong were appointed as the Group's Vice president and the Group's Chief Financial Officer respectively, and were also appointed as executive directors, thereby continuously strengthening the Group's senior management team. In addition,

SZCDG continued to provide financial support to the Company during the year to improve the Company's operations and improve its liquidity. In May 2022, the subscription by SZCDG was officially completed, whereby the Company issued and allotted 3.35 billion new shares to SZCDG under the special mandate and subscription agreement and received total proceeds of HK\$1,909.5 million, significantly improving the Company's overall capital and financial strength while welcoming a state-owned background. In July 2022, the Group entered into an agreement with SZCDG for the transfer of 50% equity interest in First Asia Pacific Group Company Limited at a consideration of RMB1,257 million; in the same month, SZCDG supported the extension of the terms of five offshore US\$ senior notes of the Company by way of keepwell agreement. In November 2022, subsidiaries of SZCDG have taken the lead in setting up an equity investment fund with a total size of approximately RMB11 billion and coordinated with the Group to work closely with relevant banks to promote the formation of a syndicated loan, thus providing another strong financial support for the Group's future growth, and the China South City Xi'an transaction is the first step under this plan.

In terms of business, with the investment by SZCDG, the Company has entered into strategic cooperation with seven major enterprises, including a strategic cooperation agreement with Pengcheng Smart Sharing Technology (Shenzhen) Co., Ltd. and Shenzhen Planning Institute under SZCDG. In addition, as recommended by SZCDG, China South City reached a cooperation agreement with Shenzhen International Holdings to effectively revitalize its assets and further strengthen its cash flow by transferring its Qianlong Logistics' two high-standard logistics and warehousing projects in Zhengzhou and Hefei. By taking a series of proactive measures, China South City reduced its gearing ratio to 63.8% and recorded a net asset value of approximately HK\$3.71 per share.

### **About China South City**

China South City Holdings Limited ("China South City", stock code: 1668.HK) is a leading developer and operator of large-scale integrated logistics and trade centres in China, and has positioned itself to be "world-class integrated trade and logistics centre, digital centre, innovation centre and living centre".

As an industry leader, China South City insists on serving the nation by promoting the transformation and upgrading of regional economy and new urbanisation, and has developed a diversified and flexible business model with core business formats covering professional wholesale markets, warehousing, logistics and distribution, integrated commercial, e-commerce, convention and exhibition, daily life facilities and integrated property management, etc. It has developed and operated projects in Shenzhen, Nanning, Nanchang, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing. China South City has a core subsidiary, the Business Management Division, as well as various branded professional companies such as Huasheng Commercial, China South City Logistics Group, First Asia Pacific Property Management (an associate), China South City Micro-credit and Huacaitong Digital Technology.

In 2014, Tencent Holdings Limited invested in China South City, and the two parties used their respective resource advantages to start new exploration of China South City's business model; in 2022, SZCDG became the single largest shareholder of China South City, bringing the resource advantages of state-owned enterprises to China South City to start a new chapter of high-quality integrated development.

