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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)

**POTENTIAL DISPOSAL OF
EQUITY INTEREST IN FIRST ASIA PACIFIC**

POTENTIAL DISPOSAL

The Company proposes to dispose the Sale Shares (representing approximately 50% of the equity interest in First Asia Pacific) by way of public tender. A tender notice containing details of the tender process was published on the website of the Company on 5 February 2024. The tender notice does not contain any terms of the Potential Disposal (including the minimum consideration). The Company will negotiate and enter into a sale and purchase agreement with the successful bidder (if any) in respect of the Potential Disposal.

POTENTIAL LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios as defined in the Listing Rules with respect to the Potential Disposal is expected to exceed 5%, the Potential Disposal is expected at least to constitute a discloseable transaction of the Company (if materialises) and will then be subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules. However, given that the consideration for the Potential Disposal has not been determined with the tender process still ongoing, the classification of the Potential Disposal under Chapter 14 of the Listing Rules has yet to be confirmed unless and until the signing of the relevant sale and purchase agreement takes place (if at all).

As at the date of this announcement, the sale and purchase agreement in respect of the Potential Disposal has not yet been executed and the Potential Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

POTENTIAL DISPOSAL

The Company proposes to dispose the Sale Shares (representing approximately 50% of the equity interest in First Asia Pacific) by way of public tender. A tender notice containing details of the tender process was published on the website of the Company on 5 February 2024 and will expire on 19 February 2024. If there are no qualified bidders, the Company may consider to extend the expiration date of the tender process.

The tender notice does not contain any terms of the Potential Disposal (including the minimum consideration). After considering the bids received (if any), the Company may or may not proceed with the Potential Disposal and enter into a sale and purchase agreement with any bidder in respect of the Potential Disposal. As at the date of this announcement, no material terms of the Potential Disposal (including the identity of the purchaser, consideration, payment method, conditions precedent and closing mechanics) have been determined.

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 (via an associated company of the Company), Harbin, Zhengzhou, Hefei and Chongqing. 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 (via an associated company of the Company), Harbin, Zhengzhou, Hefei and Chongqing.

First Asia Pacific

As at the date of this announcement, First Asia Pacific is indirectly owned as to 50% by the Company and is accounted for as an associate in the financial statements of the Company. As a property service provider in China South City, First Asia Pacific implements a diversified property management model. Residential facilities, shopping malls, wholesale markets, as well as conference and exhibition, are developed to create synergy; at the same time, First Asia Pacific's business is tuned and optimized according to local market demands. After years of development, First Asia Pacific has gained National First-Class Property Management Qualification. It was one of the few integrated property management enterprises capable of managing both trade centre premises and residential properties in China.

As at 30 September 2023, the book value of the unaudited consolidated total assets of First Asia Pacific was approximately RMB1,644 million. The following table sets forth the financial information of First Asia Pacific for the two years ended 31 March 2023:

	For the year ended 31 March 2022 <i>(RMB million)</i>	For the year ended 31 March 2023 <i>(RMB million)</i>
Net profit before taxation	119	357
Net profit after taxation	90	265

REASONS FOR AND BENEFITS OF THE POTENTIAL DISPOSAL AND INTENDED USE OF PROCEEDS

The Group has experienced, and is expected to continue to experience, significant liquidity and cash flow constraints as a result of the deteriorating operating environment affecting the real estate sector in the PRC. The Potential Disposal will generate cash flow and help ease the Group's liquidity and cash flow constraints. It is expected that the net proceeds from the Potential Disposal will be applied as repayment of debts and general working capital of the Group.

OPINION OF THE DIRECTORS

The Directors of the Company (including the independent non-executive Directors) considered that the Potential Disposal is in the interests of the Company and its Shareholders as a whole.

FINANCIAL EFFECTS OF THE POTENTIAL DISPOSAL

Upon completion of the Potential Disposal (whereby all the Sale Shares are sold), the Group will cease to hold any equity interest in First Asia Pacific. The actual amount of the gain/loss from the Potential Disposal to be recognised in the consolidated financial statements of the Company depends on the proceeds from the Potential Disposal. The Company will disclose such financial effects in a separate announcement if the Potential Disposal proceeds.

POTENTIAL LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios as defined in the Listing Rules with respect to the Potential Disposal is expected to exceed 5%, the Potential Disposal is expected at least to constitute a discloseable transaction of the Company (if materialises) and will then be subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules. However, given that the consideration for the Potential Disposal has not been determined with the tender process still ongoing, the classification of the Potential Disposal under Chapter 14 of the Listing Rules has yet to be confirmed unless and until the signing of the relevant sale and purchase agreement takes place (if at all). The Company will make further announcement(s) as and when required under the Listing Rules.

As at the date of this announcement, the sale and purchase agreement in respect of the Potential Disposal has not yet been executed and the Potential Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“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
“Director(s)”	the director(s) of the Company
“First Asia Pacific”	Shenzhen First Asia Pacific Property Management Company Limited (深圳第一亞太物業管理有限公司), a company established in the PRC
“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 of Hong Kong Limited, as amended from time to time

“Potential Disposal”	the potential disposal of the Sale Shares by the Group through public tender
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the 50% equity interest in First Asia Pacific indirectly held by the Company
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	the registered holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“%”	percentage

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

5 February 2024

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 are Mr. Fung Sing Hong Stephen, Ms. Shen Lifeng, Ms. Li Aihua and Ms. Deng Jin; 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, Ms. Zee Helen and Dr. Li Xu.