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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)

CONSENT SOLICITATION IN RELATION TO

11.50% SENIOR NOTES DUE 2022 (ISIN: XS2085883119, Common Code: 208588311)
10.875% SENIOR NOTES DUE 2022 (ISIN: XS2120092882, Common Code: 212009288)
7.25% SENIOR NOTES DUE 2022 (ISIN: XS1720216388, Common Code: 172021638)
11.95% SENIOR NOTES DUE 2023 (ISIN: XS2238030162, Common Code: 223803016) and
10.75% SENIOR NOTES DUE 2023 (ISIN: XS2227909640, Common Code: 222790964)

The Board announces that the Company is soliciting consent from the Holders of the 11.50% Notes, the Holders of the 10.875% Notes, the Holders of the 7.25% Notes, the Holders of the 11.95% Notes and the Holders of the 10.75% Notes to amend the 11.50% Notes Indenture, the 10.875% Notes Indenture, the 7.25% Notes Indenture, the 11.95% Notes Indenture and the 10.75% Notes Indenture, respectively, in the manner more fully described in the Consent Solicitation Statement sent to the Holders at the Launch Date, which is summarized under the section headed "Consent Solicitation" in this announcement.

The principal purposes of the Consent Solicitation are, among other things, (1) to improve our liquidity and cash flow management by extending the maturity of the Notes and implementing the payment of principal of the Notes in instalments; (2) to allow the Company to optionally redeem any outstanding 7.25% Notes, 11.95% Notes and 10.75% Notes at any time at par plus accrued and unpaid interest; (3) to align the interest rates of the Notes and (4) to give the Trustee and the Holders the benefit of the ability to trigger an Event of Default under the Notes if the Keepwell Provider fails to comply with the terms of the Keepwell Deed.

As there is no assurance that the Requisite Consents will be obtained, Shareholders, Holders and potential investors are advised to exercise caution when dealing in the securities of the Company.

Reference is made to the announcements of the Company dated 5 December 2019, 13 December 2019, 13 January 2020, 14 January 2020, 22 January 2020, 20 January 2022, 15 June 2022 and 29 June 2022 in relation to the 11.50% Notes, dated 19 February 2020, 20 February 2020, 27 February 2020, 22 June 2020, 29 June 2020, 20 January 2022, 15 June 2022 and 29 June 2022 in relation to the 10.875% Notes, dated 13 November 2017, 14 November 2017, 21 November 2017, 15 June 2022 and 29 June 2022 in relation to the 7.25% Notes, dated 3 March 2021, 10 March 2021, 17 March

2021, 23 March 2021, 15 June 2022 and 29 June 2022, in relation to the 11.95% Notes, and dated 2 September 2020, 3 September 2020, 14 September 2020, 7 January 2021, 14 January 2021, 15 June 2022 and 29 June 2022 in relation to the 10.75% Notes.

The Board announces that the Company is soliciting consents from the Holders to amend the 11.50% Notes Indenture, the 10.875% Notes Indenture, the 7.25% Notes Indenture, the 11.95% Notes Indenture and the 10.75% Notes Indenture in the manner more fully described in the Consent Solicitation Statement sent to the Holders at the Launch Date, which is summarized under the section headed “Consent Solicitation” in this announcement.

Capitalized terms used herein and not otherwise defined shall have the same meanings as those defined in the Consent Solicitation Statement.

BACKGROUND AND PURPOSE OF THE CONSENT SOLICITATION

During the latter half of 2021, Chinese property developers and the capital markets that have funded growth and development of the sector have experienced an inflection point. Since then reduced bank lending for real estate development has adversely affected access by property developers to onshore capital. Reduced bank lending for mortgage finance for buyers, combined with buyers' concerns about the ability of property developers to complete projects, has adversely affected property sales. In addition, the use of pre-sale proceeds is also restricted under the applicable PRC laws. Negative reaction to these onshore events by offshore capital markets has curtailed our funding sources to address upcoming maturities. In 2022, the property sector in China has continued to experience volatility. More and more negative credit events among property developers have intensified market concerns over the operations of Chinese property developers. As a result, pre-sale of Chinese property developers has generally decreased. We also experienced a noticeable decline of our aggregate contracted sales in recent months. In addition, the recent depreciation of renminbi against US dollars negatively affected our ability to repay US dollar denominated debts.

On 16 May 2022, SZCDG became our single largest shareholder. We have been actively seeking to obtaining financing and working on generating sufficient cash flow to meet our financial commitments. As part of these efforts, we are conducting the Consent Solicitation to extend the maturity of the Notes to afford us more time to obtain such financing. Specifically, the Consent Solicitation will enable us (1) to improve our liquidity and cash flow management by extending the maturity of the Notes and implementing the payment of principal of the Notes in instalments; (2) to allow the Company to optionally redeem any outstanding 7.25% Notes, 11.95% Notes and 10.75% Notes at any time at par plus accrued and unpaid interest; (3) to align the interest rates of the Notes and (4) to give the Trustee and the Holders the benefit of the ability to trigger an Event of Default under the Notes if the Keepwell Provider fails to comply with the terms of the Keepwell Deed.

If the Consent Solicitation is not successfully consummated, we may not be able to fully repay the principal or interests on the Notes when they become due and payable, and our efforts to generate sufficient cash flow to meet our financial commitments may be limited. As a result, we expect that there will be an Event of Default under one or more of the Notes in the near future and we may consider alternative debt restructuring exercise.

CONSENT SOLICITATION

The principal purposes of the Consent Solicitation are, among other things, (1) to improve our liquidity and cash flow management by extending the maturity of the Notes and implementing the payment of principal of the Notes in instalments; (2) to allow the Company to optionally redeem any outstanding 7.25% Notes, 11.95% Notes and 10.75% Notes at any time at par plus accrued and unpaid interest; (3) to align the interest rates of the Notes and (4) to give the Trustee and the Holders the benefit of the ability to trigger an Event of Default under the Notes if the Keepwell Provider fails to comply with the terms of the Keepwell Deed.

We are seeking the Requisite Consents from the Holders in relation to the Proposed Amendments to the terms of the Notes to extend our debt maturity profile, strengthen our balance sheet and to allow the Company more time to obtain new loan financing in order to further improve liquidity conditions. Should this exercise not pass, the Company may not have enough liquidity to redeem its upcoming USD bond maturities and thus may default on its obligations.

If the Consent Solicitation is successful and the Proposed Amendments become effective, Shenzhen SEZ Construction and Development Group Co., Ltd. (深圳市特區建設發展集團有限公司) (“SZCDG”, or the “Keepwell Provider”), owner of 29.28% of the Company’s issued share capital, will enter into a keepwell deed (the “Keepwell Deed”) with Citicorp International Limited as trustee of the Notes, in connection with the Notes.

For details of the Proposed Amendments under the Consent Solicitation, please see the Consent Solicitation Statement.

Each of the 11.50% Notes Proposed Amendments, the 10.875% Notes Proposed Amendments, the 7.25% Notes Proposed Amendments, the 11.95% Notes Proposed Amendments and the 10.75% Notes Proposed Amendments constitute a single proposal, and a consenting Holder must consent to such 11.50% Notes Proposed Amendments, 10.875% Notes Proposed Amendments, the 7.25% Notes Proposed Amendments, the 11.95% Notes Proposed Amendments or the 10.75% Notes Proposed Amendments, as applicable, as an entirety and may not consent selectively with respect to certain of such 11.50% Notes Proposed Amendments, 10.875% Notes Proposed Amendments, the 7.25% Notes Proposed Amendments, the 11.95% Notes Proposed Amendments or the 10.75% Notes Proposed Amendments, as applicable.

Subject to the terms and conditions of the Consent Solicitation, the Company will make a cash payment of (i) US\$10 for each US\$1,000 in principal amount of the Notes to each Eligible Holder who has validly delivered (and not validly revoked) a consent on or prior to the Early Expiration Date, and (ii) US\$5 for each US\$1,000 in principal amount of the Notes to each Eligible Holder who has validly delivered (and not validly revoked) a consent after the Early Expiration Date but on or prior to the Expiration Date. The Company will make the payment of the Consent Fee on the Payment Date, which it currently expects to be on 9 August 2022.

Indicative Timetable

Event	Time and Date	Description
Consent Date	The receipt of the Requisite Consents by the Information and Tabulation Agent who then certifies to the Trustee and us that the Requisite Consents have been received as of 5:00 p.m., Central European Summer Time on such date	Immediately after the Consent Date, we may proceed to execute and deliver to the Trustee the Supplemental Indentures with respect to the Notes giving effect to the Proposed Amendments
Early Expiration Date	5:00 p.m., Central European Summer Time, July 27, 2022, unless extended or earlier terminated by us.	Consents must be received on or prior to the Early Expiration Date to receive the Early Consent Fee. Consents received after the Expiration Date will not receive any Consent Fee.
Expiration Date	5:00 p.m., Central European Summer Time, July 29, 2022, unless extended or earlier terminated by us.	Consents must be received after the Early Expiration Date and on or prior to the Expiration Date to receive the Late Consent Fee. Consents received after the Expiration Date will not receive any Consent Fee.
Effective Time	The time that we, the Subsidiary Guarantors and the Trustee execute the Supplemental Indentures with respect to the Proposed Amendments, which is after the Consent Date but may be prior to, concurrent with or after the Expiration Date	Once the Supplemental Indentures have been duly executed, the Proposed Amendments will be effective and binding on all holders of the Notes, including non-consenting holders and the holders who are not Eligible Holders but shall not become operative unless and until the Trustee receives notification, by way of an Officer’s Certificate, confirming that we have delivered (via Euroclear or Clearstream, as the case may be) to Holders the necessary

		funds to pay the applicable Consent Fee pursuant to this Consent Solicitation.
Payment Date	We currently expect the Payment Date to be on August 9, 2022 if the conditions described under “The Consent Solicitation — Conditions to this Consent Solicitation” are met (or waived by us, in whole or in part, in our sole discretion). We will not be obligated to pay any Consent Fee if any of the conditions described under “The Consent Solicitation — Conditions to this Consent Solicitation” is not met (or waived by us, in whole or in part, in our sole discretion). The Keepwell Deeds will be executed on this date.	Subject to the satisfaction of the conditions for payment of the Consent Fee, the Company will pay the applicable Consent Fee to each Eligible Holder who has validly delivered (and not validly revoked) a Consent on or prior to the Expiration Date.

The acceptance of the consents from the Eligible Holders by the Company and the payment of Consent Fee is conditional upon, among other things, (i) there being validly delivered (and not validly revoked) consents from Eligible Holders of not less than 75% in aggregate outstanding principal amount of each of the 11.50% Notes, the 10.875% Notes, the 7.25% Notes, the 11.95% Notes and the 10.75% Notes pursuant to the terms of the Consent Solicitation on or prior to the Expiration Date, and (ii) in the case the Requisite Consents have been received, an affirmative determination by the Company that accepting the consents, paying the Consent Fee and effecting the transactions contemplated hereby with respect to the Notes are in the best interest of the Company.

All Consents received shall remain valid and irrevocable.

IF THE REQUISITE CONSENTS (AS DEFINED IN THE CONSENT SOLICITATION MEMORANDUM) ARE NOT RECEIVED AND THE PROPOSED AMENDMENTS DO NOT BECOME EFFECTIVE, THE COMPANY EXPECTS THAT THERE WILL BE AN EVENT OF DEFAULT UNDER ONE OR MORE OF THE NOTES IN THE NEAR FUTURE.

If the Requisite Consents are not received on or prior to the Expiration Date or if the Company has not accepted any consents in respect of the Notes, (i) the proposed amendments to the terms of the Indentures will not be effected, and (ii) no Consent Fee will be paid to any Holder.

If the Requisite Consents are received on or prior to the Expiration Date and the proposed amendments to the terms of the Indentures become effective, the proposed amendments will be binding on all Holders, including non-consenting Holders. However, non-consenting Holders will not receive any Consent Fee.

The results of the Consent Solicitation will be published on the websites of the Company at www.chinasouthcity.com, the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk, the Singapore Exchange Securities Trading Limited at www.sgx.com and the Information and Tabulation Agent at <https://projects.morrowsodali.com/csc>.

FURTHER DETAILS

For a detailed statement of the terms and conditions of the Consent Solicitation, Holders should refer to the Consent Solicitation Statement.

The Consent Solicitation Statement will be distributed in electronic format to the Holders. The Company has engaged Credit Suisse (Hong Kong) Limited and China CITIC Bank International Limited as Solicitation Agents. A Holder (or a beneficial owner that is not a Holder) may also contact the Solicitation Agents or the Information and Tabulation Agent for the Consent Solicitation and all documentation relating to the Consent Solicitation and any updates will be available from the Information and Tabulation Agent (email: csc@investor.morrowsodali.com or at the following website: <https://projects.morrowsodali.com/csc> or telephone: +852 2319 4130 (Hong Kong) / +44 20 4513 6933 (London, United Kingdom)) or his/her/its broker, dealer, bank, trust company or other nominee for assistance concerning the Consent Solicitation.

INFORMATION ABOUT 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.

GENERAL

This announcement is not a solicitation of consent with respect to the Notes. The Consent Solicitation is being made solely pursuant to the Consent Solicitation Statement and related documents dated 21 July 2022, which set forth in detail the terms of the Consent Solicitation. Holders should not contact the Company with respect to the Consent Solicitation and should not rely solely on this announcement. All statements contained herein are qualified by the Consent Solicitation Statement.

The distribution of this announcement in certain jurisdictions may be restricted by law. Persons into whose possession of this announcement comes are required to inform themselves about, and to observe, any such restrictions. Forward-looking statements in this announcement, including, among others, statements relating to the Consent Solicitation are based on current expectations. These statements are not guarantees of future events or results. Future events and results involve risks, uncertainties and assumptions and are difficult to predict with any precision. Actual events and results could vary materially from the description contained herein due to many factors including changes in the market and price for the Notes, changes in the business and financial condition of the Group, changes in the real estate or infrastructure industries and changes in the financial and capital markets in general.

As there is no assurance that the Requisite Consents will be obtained, Shareholders, Holders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“7.25% Notes”	the Company’s 7.25% Notes due 2022 (ISIN No.: XS1720216388, Common Code: 172021638)
“10.75% Notes”	the Company’s 10.75% Notes due 2023 (ISIN No.: XS2227909640, Common Code: 222790964)
“10.875% Notes”	the Company’s 10.875% Notes due 2022 (ISIN No.: XS2120092882, Common Code: 212009288)
“11.50% Notes”	the Company’s 11.50% Notes due 2022 (ISIN No.: XS2085883119, Common Code: 208588311)
“11.95% Notes”	the Company’s 11.95% Notes due 2023 (ISIN No.: XS2238030162, Common Code: 223803016)
“7.25% Notes Indenture”	the indenture dated 20 November 2017 (as supplemented from time to time) specifying the terms of 7.25% Notes
“10.75% Notes Indenture”	the indenture dated 11 September 2020 (as supplemented from time to time) specifying the terms of 10.75% Notes
“10.875% Notes Indenture”	the indenture dated 26 February 2020 (as supplemented from time to time) specifying the terms of 10.875% Notes

“11.50% Notes Indenture”	the indenture dated 12 December 2019 (as supplemented from time to time) specifying the terms of 11.50% Notes
“11.95% Notes Indenture”	the indenture dated 9 March 2021 (as supplemented from time to time) specifying the terms of 11.95% Notes
“Board”	the board of directors of the Company
“CEST”	Central European Summer Time
“Clearstream”	Clearstream Banking S.A.
“Company”	China South City Holdings Limited, a company incorporated in Hong Kong with limited liability whose Shares are listed on the Stock Exchange
“Consent Fee”	the Early Consent Fee and the Late Consent Fee, together
“Consent Solicitation”	soliciting consents from the Holders of the 11.50% Notes, the Holders of the 10.875% Notes, the Holders of the 7.25% Notes, the Holders of the 11.95% Notes and the Holders of the 10.75% Notes to certain proposed amendments to the 11.50% Notes Indenture, the 10.875% Notes Indenture, the 7.25% Notes Indenture, the 11.95% Notes Indenture and the 10.75% Notes Indenture, respectively
“Consent Solicitation Statement”	the consent solicitation statement dated 21 July 2022 in relation to the seeking of consents for certain amendments to the 11.50% Notes Indenture, the 10.875% Notes Indenture, 7.25% Notes Indenture, 11.95% Notes Indenture and 10.75% Notes Indenture
“Directors”	the directors of the Company
“Early Consent Fee”	a cash payment of US\$10 to each Holder per US\$1,000 in principal amount of Notes in respect of which such Holder has validly delivered (and not validly revoked) a consent on or prior to the Early Expiration Date
“Early Expiration Date”	5:00 p.m., CEST on 27 July 2022, unless terminated or extended by the Company from time to time in its sole discretion
“Eligible Holders”	Holders who are non-U.S. persons located outside the United States (as those terms are defined in Regulation S under the U.S. Securities Act) or certain fiduciaries holding accounts for the benefit of non-U.S. persons outside the United States (as those terms are defined in Regulation S under the U.S. Securities Act) with Notes held through Euroclear and Clearstream
“Euroclear”	Euroclear Bank SA/NV
“Expiration Date”	5:00 p.m., CEST on 29 July 2022, unless terminated or extended by the Company from time to time in its sole discretion
“Group”	the Company and its subsidiaries
“Holders”	the registered holders of the Notes
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Indentures”	the 11.50% Notes Indenture, the 10.875% Notes Indenture, the 7.25% Notes Indenture, the 11.95% Notes Indenture and the 10.75% Notes Indenture
“Information and Tabulation Agent”	Morrow Sodali Ltd.

“Late Consent Fee”	a cash payment of US\$5 to each Holder per US\$1,000 in principal amount of Notes in respect of which such Holder has validly delivered (and not validly revoked) a consent on or prior to the Expiration Date
“Launch Date”	means 21 July 2022
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Notes”	the 11.50% Note, the 10.875% Note, the 7.25% Note, the 11.95% Notes and the 10.75% Notes
“Payment Date”	the date on which the Company expects to make the payment of the Consent Fee, currently expected to be 9 August 2022 if the conditions of the Consent Solicitation are met (or waived by the Company in its sole discretion).
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong and Macao Special Administrative Region of the People’s Republic of China
“Requisite Consents”	means there being validly delivered (and not validly revoked) Consents from Eligible Holders of not less than 75% in aggregate outstanding principal amount of each of the 11.50% Notes, the 10.875% Notes, the 7.25% Notes, the 11.95% Notes and the 10.75% Notes pursuant to the terms set out in the Consent Solicitation Statement on or prior to the Expiration Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S. Securities Act”	United States Securities Act of 1933, as amended
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent

By Order of the Board
China South City Holdings Limited
CHENG Chung Hing
Chairman & Executive Director

Hong Kong, 21 July 2022

As at the date of this announcement, the Executive Directors of the Company are Mr. Cheng Chung Hing, Ms. Geng Mei, Mr. Wan Hongtao, Mr. Qin Wenzhong 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, Mr. Hui Chiu Chung, JP and Ms. Shen Lifeng.