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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)

Further Issuance of US\$100,000,000 10.875% Senior Notes Due 2020

The Board hereby announces that on 28 May 2018, the Company and the Subsidiary Guarantors entered into the Purchase Agreement with UBS, Bank of America Merrill Lynch, Guotai Junan International, HSBC, Haitong International, AMTD and BOC International in connection with the Notes Issue. The New Notes shall be consolidated and form a single series with the Original Notes.

The estimated net proceeds of the Notes Issue, after deducting the underwriting discount and other estimated expenses payable in connection with the Notes Issue, will be approximately US\$98.91 million. The net proceeds of the Notes Issue will be used by the Company primarily to refinance existing indebtedness in relation to the construction and development of our projects and for general corporate purposes. The Company may adjust the foregoing plans in response to changing market conditions, change in government policies or other factors and thus, the Company may reallocate the use of the proceeds for different uses.

Application will be made for the listing of the New Notes on the SGX-ST. Admission of the New Notes to the SGX-ST is not to be taken as an indication of the merits of the Company or the New Notes. No listing of the New Notes has been or will be sought in Hong Kong.

Reference is made to the Announcement. Unless the context requires otherwise, capitalized terms used in this announcement shall have the same meaning as those defined in the Announcement.

The Board hereby announces that on 28 May 2018, the Company and the Subsidiary Guarantors entered into the Purchase Agreement with UBS, Bank of America Merrill Lynch, Guotai Junan International, HSBC, Haitong International, AMTD and BOC International in connection with the Notes Issue.

THE PURCHASE AGREEMENT

Date:

28 May 2018

Parties:

- (a) the Company as the issuer;
- (b) the Subsidiary Guarantors;
- (c) UBS;
- (d) Bank of America Merrill Lynch;
- (e) Guotai Junan International;
- (f) HSBC;
- (g) Haitong International;
- (h) AMTD; and
- (i) BOC International.

UBS, Bank of America Merrill Lynch and Guotai Junan International are the joint global coordinators, and UBS, Bank of America Merrill Lynch, Guotai Junan International, HSBC, Haitong International, AMTD and BOC International are the joint bookrunners and the joint lead managers. To the best of the Directors' knowledge, information and belief, none of UBS, Bank of America Merrill Lynch, Guotai Junan International, HSBC, Haitong International, AMTD and BOC International is a connected person of the Company.

The obligations of the initial purchasers to purchase the New Notes are subject to certain conditions in the Purchase Agreement. If any of the conditions under the Purchase Agreement shall not have been fulfilled when and as provided in the Purchase Agreement, the Purchase Agreement and all obligations of the initial purchasers thereunder may be cancelled at, or at any time prior to, the Closing Date by the initial purchasers.

The Notes Issue has not been and will not be registered under the Securities Act or any state securities law of the U.S. and may not be offered or sold within the United States unless so registered or pursuant to an applicable exemption from registration and may only be offered and sold outside the United States in reliance on Regulation S under the Securities Act. None of the New Notes will be offered to the public in Hong Kong.

Principal terms of the Notes

New Notes offered

Subject to certain conditions to completion, the Company will issue the New Notes in the aggregate principal amount of US\$100,000,000 which will mature on 24 August 2020, unless redeemed earlier pursuant to the terms thereof. The New Notes shall be consolidated and form a single series with the Original Notes.

Offering Price

The offering price of the New Notes will be 99.649% of the principal amount of the New Notes plus accrued interest from (and including) 24 May 2018 to (but excluding) the Closing Date.

Interest

The New Notes will bear interest from and including 24 May 2018 at the rate of 10.875% per annum, payable semi-annually in arrear. Interest will be paid on 24 February and 24 August of each year, commencing from 24 February 2019.

Ranking of the Notes

The Notes:

- (1) are general obligations of the Company;
- (2) are senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- (3) rank at least *pari passu* in right of payment with the 2016 Notes, the 2017 March Notes, the 2017 November Notes, the 2018 January Notes and with all other unsecured, unsubordinated indebtedness of the Company (subject to any priority rights pursuant to applicable law);
- (4) are guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to certain limitations;

- (5) are effectively subordinated to the other secured obligations, if any (other than certain permitted *pari passu* secured indebtedness) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), other than the 2016 Notes, the 2017 March Notes, the 2017 November Notes and the 2018 January Notes, to the extent of the value of the assets serving as security therefor; and
- (6) are effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

As a result of the pledge of the Collateral by the Company and the Subsidiary Guarantor Pledgors and the entry by the Trustee, on behalf of the Holders, into the Intercreditor Agreement and subject to certain limitations, the Notes:

- (1) are entitled to a first priority lien on the Collateral pledged by the Company and the Subsidiary Guarantor Pledgors (subject to any permitted liens and the Intercreditor Agreement) shared on a *pari passu* basis among (i) the holders of the 2016 Notes, (ii) the holders of the 2017 March Notes, (iii) the holders of the 2017 November Notes, (iv) the holders of the 2018 January Notes, and (v) any other creditors with respect to permitted *pari passu* secured indebtedness;
- (2) rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law); and
- (3) rank effectively senior in right of payment to unsecured obligations of the Subsidiary Guarantor Pledgors with respect to the value of the Collateral pledged by each Subsidiary Guarantor Pledgor (subject to priority rights of such unsecured obligations pursuant to applicable law).

Events of default

The events of default (the “**Events of Default**”) under the Notes include, among others,

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (3) default in the performance or breach of the provisions of the covenants described under the Indenture;
- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes then outstanding;

- (5) there occurs with respect to any indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$15 million (or the Dollar Equivalent thereof) or more in the aggregate for all such indebtedness of all such persons, whether such indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such indebtedness to be due and payable prior to its stated maturity and/or (b) the failure to make a principal payment when due;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such persons to exceed US\$15 million (or the Dollar Equivalent thereof) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (7) an involuntary case or other proceeding is commenced against the Company or any Significant Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Significant Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (8) the Company or any Significant Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors;
- (9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;
- (10) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the security documents, which adversely affects the enforceability, validity, perfection or priority of the applicable lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or

- (11) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any security document or, other than in accordance with the Indenture and the security documents, any security document ceases to be or is not in full force and effect or the Shared Security Agent ceases to have a first priority lien in the Collateral (subject to any permitted liens and the Intercreditor Agreement).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall (subject to the Trustee first being indemnified, secured and/or prefunded to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

Covenants

The Notes and the Indenture governing the Notes will limit the Company's ability and the ability of the Restricted Subsidiaries to, among other things:

- (a) incur or guarantee additional indebtedness or issue disqualified or preferred stock;
- (b) declare dividends on its capital stock or purchase or redeem capital stock;
- (c) make investments or other specified restricted payments;
- (d) issue or sell capital stock of Restricted Subsidiaries;
- (e) guarantee indebtedness of Restricted Subsidiaries;
- (f) sell assets;
- (g) create liens;
- (h) enter into sale and leaseback transactions;
- (i) enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- (j) enter into transactions with shareholders or affiliates; and
- (k) effect a consolidation or merger.

These covenants are subject to a number of important qualifications and exceptions in the Notes and the Indenture governing the Notes.

Optional Redemption

At any time prior to 24 August 2020, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the agents shall be responsible for calculating or verifying the applicable premium.

At any time and from time to time prior to 24 August 2020, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 110.875% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes originally issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

Reasons for the Notes Issue and the Proposed Use of Proceeds

The Group is a leading developer and operator of large-scale, integrated logistics and trade centers in the PRC, based on GFA, industry coverage and range of ancillary services and facilities offered. Leveraging the Group's experience and brand reputation, the Group currently has eight projects in different stages of development located in regional economic hubs in Shenzhen, Nanning, Nanchang, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing, PRC.

The estimated net proceeds of the Notes Issue, after deducting the underwriting discount and other estimated expenses payable in connection with the Notes Issue, will be approximately US\$98.91 million which will be used by the Company primarily to refinance existing indebtedness in relation to the construction and development of our projects and for general corporate purposes.

The Company may adjust the foregoing plans in response to changing market conditions, change in government policies or other factors, and thus, the Company will carefully evaluate the situation and may reallocate the use of the proceeds for different uses.

Listing and Rating

Application will be made for the listing of the New Notes on the SGX-ST. Admission of the New Notes to the SGX-ST is not to be taken as an indication of the merits of the Company or the New Notes. No listing of the New Notes has been or will be sought in Hong Kong.

The New Notes are expected to be rated "B-" by Standard and Poor's Global Ratings and "B" by Fitch Ratings, Inc.

DEFINITIONS

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

“2016 Notes”	the US\$350,000,000 6.75% senior notes due 2021 issued by the Company
“2017 March Notes”	the US\$300,000,000 5.75% senior notes due 2020 March issued by the Company
“2017 November Notes”	the US\$300,000,000 7.25% senior notes due 2022 November issued by the Company
“2018 January Notes”	the US\$250,000,000 7.25% senior notes due 2021 January issued by the Company
“AMTD”	AMTD Global Markets Limited
“Announcement”	the announcement of the Company dated 28 May 2018 in relation to the Notes Issue
“Bank of America Merrill Lynch”	Merrill Lynch (Asia Pacific) Limited
“Board”	the board of Directors
“BOC International”	BOCI Asia Limited
“Closing Date”	4 June 2018
“Collateral”	all collateral (at the time of the Notes Issue, charges over the shares of the Subsidiary Guarantors) securing, or purported to be securing, directly or indirectly, the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee pursuant to the relevant security documents under the Notes
“Company”	China South City Holdings Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1668)
“Directors”	The directors of the Company

“Dollar Equivalent”	with respect to any monetary amount in a currency other than US dollars, at any time for the determination thereof, the amount of US dollars obtained by converting such foreign currency involved in such computation into US dollars at the base rate for the purchase of US dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination
“Exempted Subsidiary”	any Restricted Subsidiary (including, for the avoidance of doubt, any Restricted Subsidiary that is not wholly-owned by the Company) organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation from providing a Subsidiary Guarantee or a JV Subsidiary Guarantee or creating or permitting to exist any lien over its capital stock to secure any of the secured obligations subject to the Intercreditor Agreement
“GFA”	Gross floor area, which comprises the total floor area contained within the external walls of a building
“Group”	the Company and its subsidiaries
“Guotai Junan International”	Guotai Junan Securities (Hong Kong) Limited
“Haitong International”	Haitong International Securities Company Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Holder”	a holder of the Notes
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited
“Indenture”	the written agreement to be entered into amongst the Company, the Subsidiary Guarantors and the Trustee that specified the terms of the Notes including the interest rate of the Notes and the maturity date

“Intercreditor Agreement”	the amended and restated intercreditor agreement dated 13 September 2016 as modified by the supplements dated 9 March 2017, 20 November 2017, 25 January 2018 and 24 May 2018 entered into among, <i>inter alia</i> , the Company, the Subsidiary Guarantor Pledgors, the trustee of the holders of the 2016 Notes, the trustee of the holders of the 2017 March Notes, the trustee of the holders of the 2017 November Notes, the trustee of the holders of the 2018 January Notes, the trustee holder of the Notes and HSBC as shared security agent which amends and restates the Original Intercreditor Agreement, as amended and/or supplemented from time to time
“JV Subsidiary Guarantee”	a limited-recourse guarantee which may replace a Subsidiary Guarantee required to be provided by a subsidiary of the Company
“JV Subsidiary Guarantor”	a Restricted Subsidiary that executes a JV Subsidiary Guarantee
“Listed Subsidiary”	any Restricted Subsidiary any class of the capital stock of which is listed on a qualified exchange or quoted on the National Equities Exchange and Quotation System in the PRC and any subsidiary of a Listed Subsidiary
“New Notes”	the additional US\$100,000,000 10.875% senior notes proposed to be further issued by the Company, which shall be consolidated and form a single series with the Original Notes
“Non-Guarantor Subsidiaries”	any Restricted Subsidiaries organized under the laws of the PRC, any Exempted Subsidiary and any Listed Subsidiary, together with any designated Non-Guarantor Subsidiary
“Notes”	the Original Notes and the New Notes
“Notes Issue”	the issuance of the New Notes by the Company
“Original Intercreditor Agreement”	the Intercreditor agreement dated 17 October 2012, as amended and supplemented from time to time
“Original Notes”	the US\$150,000,000 10.875% senior notes due 2020 issued by the Company on 24 May 2018
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan

“Purchase Agreement”	the agreement dated 28 May 2018 entered into among the Company, the Subsidiary Guarantors, UBS, Bank of America Merrill Lynch, Guotai Junan International, HSBC, Haitong International, AMTD and BOC International in relation to the Notes Issue
“Restricted Subsidiary”	any subsidiary of the Company other than an Unrestricted Subsidiary
“Securities Act”	the United States Securities Act of 1933, as amended
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Significant Restricted Subsidiary”	a Restricted Subsidiary, including its Subsidiaries, which meets any of the following conditions: The Company’s and its other Subsidiaries’ investments in and advances to such Restricted Subsidiary exceed 5% of the total assets of the Company and its Subsidiaries consolidated as of the end of the most recently completed fiscal year; or the Company’s and its other Subsidiaries’ proportionate share of the total assets (after intercompany eliminations) of such Restricted Subsidiary exceeds 5% of the total assets of the Company and its Subsidiaries consolidated as of the end of the most recently completed fiscal year; or the Company’s and its other Subsidiaries’ equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of such Restricted Subsidiary exclusive of amounts attributable to any non-controlling interest exceeds 5% of such income of the Company and its Subsidiaries consolidated for the most recently completed fiscal year
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary Guarantee”	any guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor
“Subsidiary Guarantors”	the subsidiaries of the Company which provide a guarantee for the payment of the Notes provided that those Subsidiary Guarantors will not include any subsidiaries of the Company established under the laws of the PRC

“Subsidiary Guarantor Pledgor”	any Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, and which pledge under the relevant security documents has not been released; at the time of the Notes Issue, ASEAN City (BVI) Limited, China Central City (BVI) Limited, Chongqing China South City Limited, Grow Rich Holdings Limited, Hefei China South City Limited, Alliance Century Limited, Trade Depot Limited, China South City E-commerce Investments Limited, Sheen Profits Limited, Insight Summit Holdings Limited, Bartow Investments Limited, Stanwick Holdings Limited, Newlyn Corporate Limited, New Primrose Limited, Virtual Dragon Investments Limited and Ever Accord Investments Limited
“Trustee”	Citicorp International Limited
“UBS”	UBS AG Hong Kong Branch
“United States”	the United States of America
“Unrestricted Subsidiary”	(1) any subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the board of directors of the Company in the manner provided in the Indenture and (2) any subsidiary of an Unrestricted Subsidiary
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 28 May 2018

This announcement has been translated into Chinese. If there is any inconsistency between the English version and the Chinese version, the English version shall prevail.

As at the date of this announcement, the executive directors of the Company are Mr. Cheng Chung Hing, Mr. Fung Sing Hong Stephen, Mr. Song Chuan and Ms. Cheng Ka Man Carman; the non-executive directors of the Company are Dr. Ma Kai Cheung, SBS, BBS, Mr. Cheng Tai Po and Mr. Lin Ching Hua; and the independent non-executive directors of the Company are Mr. Leung Kwan Yuen Andrew, GBS, SBS, JP, Mr. Li Wai Keung, Mr. Hui Chiu Chung, JP and Mr. Yung Wing Ki Samuel, SBS, MH, JP.