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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)**

**ISSUANCE OF US\$125,000,000 13.50% SENIOR NOTES DUE 2017**

Reference is made to the announcement of the Company dated 23 September 2012 in relation to the proposed Notes Issue.

On 10 October 2012, the Company and the Subsidiary Guarantors entered into the Purchase Agreement with UBS, HSBC and Merrill Lynch in connection with the Notes Issue.

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\$118.0 million. The net proceeds of the Note Issue will be used by the Company primarily to fund its properties under development and properties planned for future development (including land grant fees), refinance a portion of its existing debt, and for general corporate purposes. The Company may adjust its plans to make investments in its property development business in response to changing market conditions, changes in government policies and other factors. In these situations, the Company will carefully evaluate the situation and may reallocate the use of proceeds.

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

Reference is made to the Announcement in relation to the proposed Notes Issue. Unless the context requires otherwise, terms used in this announcement shall have the same meanings as those defined in the Announcement.

On 10 October 2012, the Company and the Subsidiary Guarantors entered into the Purchase Agreement with UBS, HSBC and Merrill Lynch in connection with the issue of US\$125,000,000 13.50% senior notes due 2017.

## **THE PURCHASE AGREEMENT**

### **Date:**

10 October 2012

### **Parties to the Purchase Agreement**

- (a) the Company as the issuer;
- (b) the Subsidiary Guarantors;
- (c) UBS;
- (d) HSBC; and
- (e) Merrill Lynch.

UBS is the sole global coordinator, and UBS, HSBC and Merrill Lynch are the joint lead managers and joint bookrunners in respect of the offer and sale of the Notes. They are also the initial purchasers of the Notes. To the best of the Directors' knowledge, information and belief, none of UBS, HSBC and Merrill Lynch is a connected person of the Company.

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

### **Principal terms of the Notes**

#### *Notes offered*

Subject to certain conditions to completion, the Company will issue the Notes in the aggregate principal amount of US\$125,000,000 which will mature on 17 October 2017, unless earlier redeemed pursuant to the terms thereof.

#### *Offering Price*

The offering price of the Notes will be 97.381% of the principal amount of the Notes.

#### *Interest*

The Notes will bear interest from and including 17 October 2012 at the rate of 13.50% per annum, payable semi-annually in arrear. Interest will be paid on 17 April and 17 October of each year, commencing from 17 April 2013.

#### *Ranking of the Notes*

The Notes are:

- (1) general obligations of the Company;
- (2) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- (3) at least *pari passu* in right of payment with the 2011 Notes and all other unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law);
- (4) guaranteed by the Subsidiary Guarantors on a senior basis, subject to certain limitations;
- (5) effectively subordinated to the other secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and
- (6) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

After the pledge of the Collateral by the Company and the Subsidiary Guarantor Pledgors and the entry into the Intercreditor Agreement and subject to certain limitations, the Notes will:

- be 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 2011 Notes, (ii) the holders of the Notes and (iii) any other creditors with respect to permitted *pari passu* secured indebtedness.
- 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 (subject to any 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 certain covenants described under the Notes;
- (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\$7.5 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\$7.5 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 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 Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Restricted Subsidiary and such involuntary case or other proceeding remains undismitted and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (8) the Company or any 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 Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any 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 relevant 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 relevant security document or, other than in accordance with the Indenture and the relevant security documents, any relevant security document ceases to be or is not in full force and effect or the Trustee 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 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.

*Optional Redemption*

At any time and from time to time on or after 17 October 2015, the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve-month period beginning on 17 October of each of the years indicated below.

<b>Period</b>	<b>Redemption Price</b>
2015 .....	106.750%
2016 .....	103.375%

At any time prior to 17 October 2015, 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.

At any time and from time to time prior to 17 October 2015, 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 of the Company at a redemption price of 113.50% 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 of the Company.

### **Reasons for the Notes Issue and the proposed use of proceeds**

The Group is one of the leading developers and operators of large-scale, integrated logistics and trade centers in the PRC. The Group has the following properties under development, including, Phase Three of China South City Shenzhen, Phase One of China South City Nanning, Phase One of China South City Nanchang, Phase One of China South City Xi'an and the Phase One of two new projects, China South City Zhengzhou and China South City Harbin.

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\$118.0 million which will be used by the Company primarily to fund its properties under development and properties planned for future development (including land grant fees), refinance a portion of its existing debt, and for general corporate purposes.

The Company may adjust its plans to make investments in its property development business in response to changing market conditions, changes in government policies and other factors. In these situations, the Company will carefully evaluate the situation and may reallocate the use of proceeds.

### **Listing and Rating**

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

The Notes have been provisionally rated “B” by Standard and Poor’s Rating Services and “B2” by Moody’s Investors Service.

## DEFINITIONS

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

“2011 Notes”	any and all currently outstanding notes of the Company’s US\$250,000,000 13.50% Senior Notes due 2016 issued on 14 January 2011
“Announcement”	the announcement of the Company dated 23 September 2012 in relation to the proposed Notes Issue
“Board”	the board of Directors of the Company
“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
“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
“connected person”	has the meaning ascribed to it under The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Directors”	the directors of the Company
“Dollar Equivalent”	with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination
“Group”	the Company and its subsidiaries
“Holder”	a holder of the Notes
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited, one of the joint bookrunners and joint lead managers in respect of the offer and sale of the Notes



“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 intercreditor agreement to be entered into between the Company, the Subsidiary Guarantor Pledgors and HSBC as shared security agent, trustee to the Notes and trustee to the 2011 Notes
“JV Subsidiary Guarantee”	a limited-recourse guarantee of the obligations of the Company under the Indenture and the Notes by any JV Subsidiary Guarantor
“JV Subsidiary Guarantor”	a Restricted Subsidiary that executes a JV Subsidiary Guarantee
“Merrill Lynch”	Merrill Lynch International, one of the joint bookrunners and joint lead managers in respect of the offer and sale of the Notes
“Non-Guarantor Subsidiaries”	the Restricted Subsidiaries organized under the laws of the PRC
“Notes”	the 13.50% senior notes due 2017 in the principal amount of US\$125,000,000 to be issued by the Company
“Notes Issue”	the issue of the Notes by the Company
“Purchase Agreement”	the purchase agreement dated 10 October 2012 entered into between the Company, the Subsidiary Guarantors, UBS, HSBC and Merrill Lynch in relation to the Notes Issue
“Restricted Subsidiary”	any subsidiary of the Company other than an Unrestricted Subsidiary
“Securities Act”	the U.S. Securities Act of 1933, as amended
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Subsidiary Guarantee”	any guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor

“Subsidiary Guarantor”	any Restricted Subsidiary other than a JV Subsidiary Guarantor which guarantees the payment of the Notes pursuant to the Indenture and the Notes, which guarantee has not been released; at the time of the Notes Issue, Andarton Investments Limited, China South City Management Company Limited, China Central City (Hong Kong) Limited, Grand City Hotel Investment Limited, ASEAN City (BVI) Limited, China Central City (BVI) Limited and Grow Rich Holdings Limited
“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 and Grow Rich Holdings Limited
“Trustee”	The Hongkong and Shanghai Banking Corporation Limited
“UBS”	UBS AG, Hong Kong Branch, the sole global coordinator and one of the joint bookrunners and joint lead managers in respect of the offer and sale of the Notes
“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

For and on behalf of the Board  
**China South City Holdings Limited**  
**Cheng Chung Hing**  
*Co-Chairman & Executive Director*

Hong Kong, 10 October 2012

*As at the date of this announcement, the executive directors of the Company are Mr. Cheng Chung Hing, Mr. Leung Moon Lam and Professor Xu Yang; the non-executive directors of the Company are Dr. Ma Kai Cheung, SBS, BBS, Mr. Sun Kai Lit Cliff, BBS, JP, Dr. Ma Wai Mo and Mr. Cheng Tai Po; and the independent non-executive directors of the Company are Mr. Leung Kwan Yuen Andrew, GBS, SBS, JP, Mr. Li Wai Keung and Mr. Hui Chiu Chung Stephen JP.*