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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 under the Hong Kong Companies Ordinance)

(Stock code: 1668)

DISCLOSEABLE TRANSACTION

**PROJECT AGREEMENT FOR THE FORMATION OF
A JOINT VENTURE COMPANY IN RELATION TO THE DEVELOPMENT OF
LOGISTICS CENTRE IN XI'AN PARK**

The Board is pleased to announce that on 3 November 2009, China South International, a wholly owned subsidiary of the Company, Xi'an Management Committee, Xin Hao Da and Xi'an Government entered into the Project Agreement, pursuant to which China South International has agreed, among other things, to form a Joint Venture Company with Xin Hao Da to undertake the Xi'an Project. Pursuant to the Project Agreement, the Joint Venture Company will be owned as to 65% by China South International and 35% by Xin Hao Da, respectively.

The Company expects that its total capital commitment in respect of the Xi'an Project is approximately RMB1.3 billion, which may include its capital contribution to the Joint Venture Company and other forms of financing arrangements if necessary.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Project Agreement exceeds 5% but is less than 25%, the transactions contemplated thereunder constitute a discloseable transaction under Chapter 14 of the Listing Rules and therefore the Company is subject to the reporting and announcement requirements but is exempt from shareholders' approval requirement.

INTRODUCTION

Reference is made to the prospectus of the Company issued on 17 September 2009 (the “**Prospectus**”). As stated in the Prospectus, on 20 June 2009, China South International entered into a memorandum of understanding with Xi’an Management Committee for the development of a large-scale integrated logistics centre in the Xi’an Park.

The Board is pleased to announce that on 3 November 2009, China South International, a wholly owned subsidiary of the Company, Xi’an Management Committee, Xin Hao Da and Xi’an Government entered into the Project Agreement, pursuant to which China South International has agreed, among other things, to form a Joint Venture Company with Xin Hao Da to undertake the Xi’an Project. Pursuant to the Project Agreement, the Joint Venture Company will be owned as to 65% by China South International and 35% by Xin Hao Da, respectively.

PROJECT AGREEMENT

Date

3 November 2009

Parties

- (1) Xi’an Management Committee;
- (2) China South International;
- (3) Xin Hao Da; and
- (4) Xi’an Government

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of this announcement, each of Xi’an Management Committee, Xin Hao Da and Xi’an Government is an independent third party of the Company and its connected persons.

Principal terms

Pursuant to the Project Agreement, (1) Xi’an Management Committee has agreed to coordinate with the relevant government departments and complete the construction of the basic infrastructure facilities on the Land prior to the commencement of the construction of the Xi’an Project; (2) China South International and Xin Hao Da have agreed to jointly establish a Joint Venture Company for the Xi’an Project, details of which are further described in the section headed “Formation of the Joint Venture Company”; and (3) Xi’an Government has agreed to monitor that the rights and obligations of each of Xi’an Management Committee and the Joint Venture Parties are duly performed in accordance with the terms and conditions thereunder.

Xi'an Project

The planned total site area of the Land of approximately 10 square kilometres is expected to be developed in three phases, of which approximately 3 square kilometres will be allocated for Phase One, approximately 4 square kilometres will be allocated for Phase Two and approximately 3 square kilometres will be allocated for Phase Three, respectively. Among the 10 square kilometres of the planned total site area, approximately 5 square kilometres will be allocated for construction of logistics centres and 5 square kilometres will be allocated for construction of residential and commercial buildings and relevant ancillary facilities.

It is currently expected that the average plot ratio for the construction of the logistics centre shall not exceed 2.0 and the average plot ratio for the construction of the residential and commercial and relevant ancillary facilities shall not exceed 2.5. The details of the Xi'an Project's planning and the construction proposal will be further determined by the relevant planning department, construction department and land bureau.

Pursuant to the Project Agreement, the auction of the Land for Phase One in respect of the Xi'an Project will be taken place before 31 December 2009, and the exact timing for the auction of the remaining Land for Phase Two and Three will depend on the progress of the construction of Phase One and Phase Two, respectively.

Formation of the Joint Venture Company

It is intended that in due course the Xi'an Project will be undertaken by a Joint Venture Company to be jointly established by China South International and Xin Hao Da in the Xi'an Park. The Joint Venture Company will participate in the auction of the plot of Land with a planned total site area of approximately 10 square kilometres in the Xi'an Park.

Following the establishment of the Joint Venture Company and prior to the commencement of the Auction, the Joint Venture Parties will transfer all their rights and obligations under the Project Agreement in relation to the Xi'an Project to the Joint Venture Company.

Registered Capital of the Joint Venture Company

The registered capital of the Joint Venture Company is currently expected to be in the amount of US\$30 million (equivalent to approximately HK\$234 million) to US\$50 million (equivalent to approximately HK\$390 million).

Amounts of Capital Contributions by the Joint Venture Parties

Pursuant to the Project Agreement, the Joint Venture Parties will pay up their respective contributions to the registered capital of the Joint Venture Company as follows:

Party	Form of contribution	Amount of contribution	Equity interest in the Joint Venture Company
China South International	Cash	US\$19.5 million — US\$32.5 million (equivalent to approximately HK\$152.1 million — HK\$253.5 million)	65%
Xin Hao Da	Cash	US\$10.5 million — US\$17.5 million (equivalent to approximately HK\$81.9 million to HK\$136.5 million)	35%

China South International will finance its cash contribution to the Joint Venture Company by its internal resources, part of net proceeds received from the Global Offering and other form of financing arrangement if necessary. The Company expects that its total capital commitment in respect of the Xi'an Project is approximately RMB1.3 billion, which is estimated with reference to the initial cost of similar projects based on management experience. The estimated total capital commitment of the Company in respect of the Xi'an Project may include its capital contribution to the Joint Venture Company and other forms of financing arrangements if necessary.

REASONS FOR AND BENEFITS OF THE PROJECT AGREEMENT

As disclosed in the Prospectus, the Company intended to apply part of the net proceeds of the Global Offering for development of potential new project and the Company has been engaged in the discussion for Xi'an Project. Riding on its success of the development of China South City Shenzhen, the Directors believe that the Xi'an Project represents an excellent opportunity for the Group to extend its geographical reach to Xi'an which represents a strategic location of the Group in the northwest of the PRC.

In addition, the Xi'an Project is expected to broaden the revenue base of the Group. Therefore, the Directors consider that the Xi'an Project will benefit the Company's long-term development.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Project Agreement exceeds 5% but is less than 25%, the transactions contemplated thereunder constitute a discloseable transaction under Chapter 14 of the Listing Rules and therefore the Company is subject to the reporting and announcement requirements but is exempt from shareholders' approval requirement.

OPINION OF THE DIRECTORS

The Board (including the independent non-executive Directors) considers that the terms of the Project Agreement have been made on normal commercial terms after arm's length negotiation between the parties thereto, that such terms are fair and reasonable so far as the Company and its shareholders as a whole are concerned and that the transaction is in the interest of the Company and its shareholders as a whole.

GENERAL

The Company

The Company is one of the leading developers and operators of large-scale, integrated logistics and trade centres in the PRC, based on GFA, industry coverage and range of supporting services and facilities offered.

Xi'an Management Committee

Xi'an Management Committee is a despatched institution of Xi'an Government, which is responsible for the infrastructure construction and the coordination and management of social affairs of the Xi'an Park. It is principally engaged in the coordination of the related government departments such as the Planning Bureau, Bureau of Land Resources, Bureau of Environmental Protection) to conduct the relevant approval procedures for the enterprises which are going to be located in the Xi'an Park.

China South International

China South International is a wholly owned subsidiary of the Company and is principally engaged in development and operation of integrated logistics and trade centres in the PRC.

Xin Hao Da

Xin Hao Da is principally engaged in the development of logistic trade centres, development and management of real estate in the PRC.

DEFINITIONS

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

“Auction”	the auction of the plot of Land with a planned total site area of approximately 10 square kilometres in the Xi’an Park
“Board”	the board of Directors of the Company
“China South International”	China South International Industrial Materials City (Shenzhen) Co., Ltd. (華南國際工業原料城（深圳）有限公司), a wholly owned subsidiary of the Company
“Company”	China South City Holdings Limited, a company incorporated in Hong Kong whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“GFA”	the gross floor area
“Global Offering”	has the meaning ascribed to it in the Prospectus
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Joint Venture Company”	a company to be jointly established by China South International and Xin Hao Da pursuant to the Project Agreement
“Joint Venture Parties”	China South International and Xin Hao Da
“Land”	the Land to be auctioned for the Xi’an Project
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Project Agreement”	the project agreement dated 3 November 2009 entered into between Xi’an Management Committee, the Joint Venture Parties and Xi’an Government in relation to the development of the Xi’an Project
“RMB”	Renminbi yuan, the lawful currency of the PRC

“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“US\$”	the United States dollar, the lawful currency of the United States of America
“Xi’an Government”	the government of Xi’an City, the PRC
“Xi’an Management Committee”	Xi’an International Trade and Logistics Park Management Committee
“Xi’an Park”	Xi’an International Trade and Logistics Park
“Xi’an Project”	the project for the development of a large-scale integrated logistics centre in the Xi’an Park
“Xin Hao Da”	Xin Hao Da (Hong Kong) Holding Company Limited, a company incorporated in Hong Kong and is owned by parties independent of the Company and its connected persons
“%”	per cent

Unless otherwise specified in this announcement, translation of US\$ into HK\$ is made in this announcement, for illustration purpose only, at the rate of US\$1 to HK\$7.8. No representation is made that any amount in US\$ could have been or could be converted at such rate or any other rates.

By order of the Board
China South City Holdings Limited
Cheng Chung Hing
Co-Chairman and Executive Director

Hong Kong, 4 November 2009

As at the date of this announcement, the executive Directors are Mr. Cheng Chung Hing, Mr. Leung Moon Lam and Professor Xu Yang; the non-executive Directors are Dr. Ma Kai Cheung, SBS, BBS, Mr. Sun Kai Lit Cliff, BBS, JP and Dr. Ma Wai Mo; and the independent non-executive Directors are Mr. Shi Wan Peng, Mr. Leung Kwan Yuen Andrew, SBS, JP and Mr. Li Wai Keung.