

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CLARIFICATION ANNOUNCEMENT AND RESUMPTION OF TRADING

Reference is made to the announcement of China South City Holdings Limited (the “**Company**”) which, together with its subsidiaries, shall together be referred to as the “**Group**”) earlier today in relation to its application for a suspension in the trading in its shares on The Stock Exchange of Hong Kong Limited, and to certain allegations contained in a newspaper article published today alleging that the development of certain of the Group’s projects in the People’s Republic of China (the “**PRC**”) did not comply with certain legal requirements in the PRC.

With respect to the above allegations, the Company would clarify as follows:

1. The projects developed by the Group in the PRC are the relevant governments’ major large scale integrated logistics trade centre projects. The Group has entered into project cooperation agreements with such governments, and has developed the relevant projects pursuant to the requirements of such agreements.
2. In accordance with the overall development arrangements of each local government where the Group’s projects are located, the relevant local government will coordinate its functional departments in handling the procedures relating to the relevant development project’s planning, environmental impact assessment and construction works, whilst the initial preparation works, land bidding and project construction works would be carried out by the Group in stages.
3. As advised by the Group’s PRC legal advisers, Commerce & Finance Law Offices, once the relevant construction site planning permit, construction work planning permit, construction work commencement permit, state-owned construction land use right

certificate and/or pre-sale permit have been obtained in respect of the integrated logistics trade centre units built on the land designated for warehousing purpose, the construction and sale/pre-sale of such trade centre units are PRC law compliant. All the Group's development projects are large scale integrated logistics projects. In respect of those trade centre units that have been sold/presold and where the relevant land is designated for warehousing purpose, all the abovementioned certificates and permits had been obtained prior to the sale of such trade centre units and thus the construction and sale/pre-sale of such units for integrated logistics purpose were PRC law compliant; whereas with respect to those projects that are currently under construction or are yet to be sold/presold, they would, upon obtaining abovementioned certificates and permits, also be in compliance with the relevant PRC laws, and the Group has been actively liaising with the relevant governments with a view to obtaining the relevant certificates and permits. The Group will not sell/presell any of such units before all the relevant certificates and permits are obtained.

4. The construction of the residential premises in the Group's Nanning project has been conducted in accordance with the relevant city planning requirements under the cooperation agreement entered between the Group and the relevant government and under such government's overall arrangements. Part of the land was classified as land for warehousing use when it was granted by the said government, and such government has all along been coordinating with the relevant functional departments to change the use of such land to residential use, and the local government has issued a written confirmation that it would process the matters concerning the change of use of such land. The Group may have to pay further premium for such change of land use and the Group has already made sufficient prior preparations for such purpose. The Company believes that this will not result in any material adverse consequence to the operations or financial conditions of the Group.
5. All the land obtained by the Group through the bidding process has complied with the relevant government's overall development plan and coordination in handling the relevant planning, environmental impact assessment and construction works related procedures. Due to the large size of the Group's integrated logistics trade centre projects, the coordination works that the relevant governments need to handle are very complicated and a longer timeframe is required, hence, a small number of residual issues such as those concerning planning and land requisition would remain, and the relevant government would not wish to halt the progress of the project due to such small number of residual issues which would otherwise result in losses to the parties. In view of the scale of the projects, the Group would work closely with the relevant governments in the key aspects of the development. Thus, the Group has, on occasions, but in accordance with the relevant overall arrangements, commenced preliminary preparation works or part of the construction works while the procedures relating to the

said residual issues remain outstanding. At the same time, the relevant governmental departments would be actively communicating and handling the residual issues, and the Group would also maintain communication with them and actively handle the relevant procedures. Prior to any sale/pre-sale of the relevant properties, the Group will ensure that all planning, environmental impact assessment, construction and/or pre-sale procedures have been fulfilled. Currently, each government has different policies in dealing with a delay in handling the relevant planning, environmental impact assessment and construction procedures, and the relevant procedures can be completed under a government's overall coordination prior to the pre-sale or sale of the relevant properties, or the payment of a fine may be required before the procedures can be processed. For instance, in respect of the Group's Xi'an project, the above relevant procedures were completed after a certain fine was paid. The Company considers that the aforementioned situation has not caused any material adverse effect on the operations or financial conditions of the Group.

6. The actions of 廣西鄭氏文化投資管理有限公司 (Guangxi Zhengshi Culture Investment Management Co., Ltd.*) which allegedly have infringed the rights of its customers, are not related to the Group, and the Group has already terminated the relevant contract with such company in September 2012 and issued a formal letter demanding that it should return the money that it received without authorisation to the said customers, and reserving the Group's right to claim against such company. The local police authority has also been involved and commenced investigations, but the Group is not involved in such investigation.
7. The planning in respect of the construction of a school and petrol station in the Nanchang project land is still progressing as planned. The Group has not altered the original plan, or constructed any building on the relevant land..

RESUMPTION OF TRADING

Trading in the shares of the Company on The Stock Exchange of Hong Kong Limited was suspended at the request of the Company from 9:00 a.m. on Tuesday, 4 December 2012 pending the issue of this announcement. Application has been made to the Stock Exchange for resumption of trading in the shares of the Company with effect from 9:00 a.m. on Wednesday, 5 December 2012.

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

Hong Kong, 4 December 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.