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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China South City Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

DISCLOSEABLE AND CONNECTED TRANSACTION

**ACQUISITION OF THE ENTIRE EQUITY CAPITAL OF
HYDOO HARBIN TRADE CITY CO., LTD.***

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



REORIENT Financial Markets Limited

A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 18 to 19 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 33 of this circular.

21 December 2012

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DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Equity and the Debt by the Purchaser
“Associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“China South International”	華南國際工業原料城(深圳)有限公司 (China South International Materials City (Shenzhen) Co., Ltd.*), a company established in the PRC with limited liability and a directly wholly-owned subsidiary of the Company
“Company”	China South City Holdings Limited (華南城控股有限公司), a company incorporated in Hong Kong whose shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition
“Completion Conditions”	has the meaning ascribed to it under the section headed “2. Equity Transfer Agreement — Completion Conditions” in the letter from the Board
“Conditions Precedent”	has the meaning ascribed to it under the section headed “2. Equity Transfer Agreement — Conditions Precedent” in the letter from the Board
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CSC Land”	the land with a total site area of approximately 347,390 sq.m. with lot numbers 5-12-10-423(D), 5-12-10-424(D) and 5-12-10-427(D) located in the Daowai District, Harbin, the PRC
“CSC Xi’an”	西安華南城有限公司 (Xi’an China South City Company Limited*), a company established in the PRC with limited liability and a subsidiary of the Company indirectly owned as to 65% by the Company

DEFINITIONS

“Debt”	has the meaning ascribed to it under the section headed “2. Equity Transfer Agreement — Other terms” in the letter from the Board
“Director(s)”	director(s) of the Company
“Equity Transfer Agreement”	the conditional equity transfer agreement dated 30 November 2012 entered into between the Purchaser and the Vendor in respect of the sale and purchase of the Sale Equity
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hydoo Cayman”	Hydoo International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and, insofar as the Company is aware, is owned as to approximately 69% by Most Trend
“Hydoo Group”	Hydoo Cayman and its subsidiaries, including but not limited to Hydoo Investment, the Vendor, Jining Co and Hydoo Harbin
“Hydoo Harbin”	哈爾濱毅德商貿城有限公司 (Hydoo Harbin Trade City Co., Ltd.*), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Vendor
“Hydoo Investment”	Hongkong Hydoo Group Investment Company Limited (香港毅德集團投資有限公司) (formerly known as Hongkong Howard Group Investment Company Limited (香港豪德集團投資有限公司)), a company incorporated in Hong Kong with limited liability and, insofar as the Company is aware, a wholly-owned subsidiary of Hydoo Cayman
“Hydoo Land”	the land with a total site area of approximately 270,350 sq.m. with lot numbers 5-12-10-425(D), 5-12-10-426(D) and 5-12-10-428(D) located in the Daowai District, Harbin, the PRC

DEFINITIONS

“Independent Board Committee”	the independent board committee comprising all the Independent Non-executive Directors, namely Mr. Leung Kwan Yuen Andrew, Mr. Li Wai Keung and Mr. Hui Chiu Chung Stephen
“Independent Financial Adviser”	REORIENT Financial Markets Limited, being a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition
“Independent Shareholders”	those Shareholders within the meaning of Chapter 14A of the Listing Rules
“Jining Co”	濟寧新豪德物流城開發有限公司 (Jining New Howard Logistics Centre Development Co., Ltd.*), a company established in the PRC with limited liability and, insofar as the Company is aware, a subsidiary of the Vendor
“Latest Practicable Date”	20 December 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Majority Shareholders”	Cheng Chung Hing, Cheng Tai Po, Leung Moon Lam (and his spouse), Accurate Gain Developments Limited, Proficient Success and Kings Faith International Limited respectively holding 76,000,000 Shares, 4,936,000 Shares, 59,389,977 Shares, 1,339,913,759 Shares, 1,071,931,008 Shares and 523,899,770 Shares and the Shares together representing approximately 50.81% of the issued share capital of the Company as at the date of the Latest Practicable Date giving the right to attend and vote at a general meeting to approve the Equity Transfer Agreement and the transactions thereunder

DEFINITIONS

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“Most Trend”	Most Trend Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to approximately 52.70% by Mr. Wong Choi Hing and approximately 12.99% by Mr. Wang Dewen
“Mr. Wang Dewen”	王德文先生 (Mr. Wang Dewen), who is interested in approximately 12.99% in the issued share capital of Most Trend. Mr. Wang Dewen is the son of Mr. Wong Choi Hing
“Mr. Wong Choi Hing”	王再興先生 (Mr. Wong Choi Hing), who is interested in approximately 52.70% in the issued share capital of Most Trend. Mr. Wong Choi Hing is the father of Mr. Wang Dewen
“PRC”	the People’s Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchase Consideration”	has the meaning ascribed to it under the section headed “2. Equity Transfer Agreement — Purchase Consideration” in the letter from the Board
“Purchaser”	哈爾濱華南城有限公司 (Harbin China South City Company Limited.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Sale Equity”	the entire equity capital of Hydoo Harbin
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Vendor”	濟寧豪德現代實業有限公司 (Jining Howard Modern Industries Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Hydoo Cayman
“working day(s)”	day(s) other than Saturdays, Sundays and public holidays in PRC and Hong Kong
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square meter(s)
“%”	per cent.

In this circular, if there is any inconsistency between the Chinese names of the PRC entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The provision of English translation of company names in Chinese which are marked with “” is for identification purposes only.*



China South City Holdings Limited
華南城控股有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 1668)

Board of Directors

Executive Directors:

Mr. Cheng Chung Hing (*Co-Chairman*)
Mr. Leung Moon Lam (*Chief Executive Officer*)
Professor Xu Yang

Non-executive Directors:

Dr. Ma Kai Cheung *SBS, BBS (Co-Chairman)*
Mr. Sun Kai Lit Cliff *BBS, JP*
Dr. Ma Wai Mo
Mr. Cheng Tai Po

Independent Non-executive Directors:

Mr. Leung Kwan Yuen Andrew *GBS, SBS, JP*
Mr. Li Wai Keung
Mr. Hui Chiu Chung Stephen *JP*

Registered Office

Room 2205, Sun Life Tower
The Gateway
15 Canton Road
Tsimshatsui
Kowloon
Hong Kong

21 December 2012

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

We refer to the announcement of the Company dated 30 November 2012 in relation to, among other things, the Acquisition.

1. INTRODUCTION

The Board announced on 30 November 2012 (after trading hours) that the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Equity (being the entire equity capital of Hydoo Harbin) at the Purchase Consideration (namely, RMB500 million).

LETTER FROM THE BOARD

Since one of the applicable percentage ratios for the Acquisition is more than 5% but all of the ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. In addition, as at the Latest Practicable Date, Mr. Wong Choi Hing is a director of CSC Xi'an, a subsidiary of the Company, and the Vendor is indirectly wholly-owned by Hydoo Cayman, which is held as to approximately 69% by Most Trend, which in turn is held as to approximately 52.70% by Mr. Wong Choi Hing. Thus, the Vendor is an associate of Mr. Wong Choi Hing, and is therefore a connected person of the Company. Accordingly, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Acquisition is subject to the reporting and announcement requirements and the approval of the Independent Shareholders under the Listing Rules.

On the basis that to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (a) no Shareholder is required under the Listing Rules to abstain from voting if the Company were to convene a general meeting for the purpose of approving the Acquisition; and (b) a written approval has been obtained from the Majority Shareholders which in aggregate hold 3,076,070,514 (representing approximately 50.81% of the entire issued share capital of the Company as at the Latest Practicable Date, the Company has applied for and the Stock Exchange has granted a waiver from compliance with the requirement to hold a Shareholders' meeting pursuant to Rule 14A.43 of the Listing Rules.

The purpose of this circular is to provide Shareholders with, among other things, (i) further information on the Acquisition; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; and (iv) a valuation report on Hydoo Harbin.

2. EQUITY TRANSFER AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarised as follows:

Date

30 November 2012

Parties

- (1) Vendor: 濟寧豪德現代實業有限公司 (Jining Howard Modern Industries Co., Ltd.*)
- (2) Purchaser: 哈爾濱華南城有限公司 (Harbin China South City Company Limited*), a wholly-owned subsidiary of the Company

LETTER FROM THE BOARD

Subject matter

The Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Equity at the Purchase Consideration in accordance with the terms of the Equity Transfer Agreement.

Conditions Precedent

The Equity Transfer Agreement will only become effective upon the satisfaction of the following conditions precedent (the “**Conditions Precedent**”):

- (i) all necessary internal approvals of the Acquisition having been obtained by the Vendor, the Purchaser and Hydoo Harbin;
- (ii) the Purchaser’s due diligence investigation being completed to the satisfaction of the Purchaser (at its sole discretion);
- (iii) Hydoo Harbin having paid all the land premiums (the outstanding amount (as at the date of the Equity Transfer Agreement) being RMB108 million) and obtained the payment receipt in relation to its acquisition of the Hydoo Land;
- (iv) all receivables owed by the Vendor and/or its related parties to Hydoo Harbin being received by Hydoo Harbin in full;
- (v) Hydoo Investment having provided an undertaking in favour of China South International, under which it undertakes, inter alia, to transfer to China South International or its associates all the rights and interests of Hydoo Investment under a cooperation agreement entered into with, among others, the Government of the Daowai District of Harbin, in relation to the development of the Hydoo Land;
- (vi) Mr. Wong Choi Hing and Mr. Wang Dewen having provided a non-competition undertaking in favour of the Purchaser in respect of the investment, control, management or operation of any commercial wholesale/trade centres, logistics and warehousing business in Harbin;
- (vii) Jining Co having provided a warranty in favour of the Purchaser in respect of the Vendor’s obligations under the Equity Transfer Agreement; and
- (viii) the announcement and circular to be issued by the Company to its Shareholders pursuant to the Listing Rules in respect of the transactions under the Equity Transfer Agreement having been approved by the Stock Exchange (or no objection having been raised by the Stock Exchange as to their issue), such announcement and circular having been published in accordance with the Listing Rules, no objection or condition (that cannot be accepted by the Company)

LETTER FROM THE BOARD

having been raised or imposed by the Stock Exchange with respect to transactions under the Equity Transfer Agreement, and that all obligations of the Company under the Listing Rules having been fully complied with.

None of the Conditions Precedent can be waived by the Purchaser or the Vendor. If any of the Conditions Precedent is not satisfied by 19 December 2012 (such date having been amended to 21 December 2012 pursuant to a subsequent letter agreement entered into between the Purchaser and the Vendor), the Equity Transfer Agreement shall cease to have effect and the Vendor shall return any Purchase Consideration paid by the Purchaser within three working days from such long stop date.

As at the Latest Practicable Date, the Conditions Precedent under sub-paragraphs (i) to (vii) have been satisfied. The Condition Precedent under sub-paragraph (viii) will be satisfied at the time when this circular is published.

Purchase Consideration

The consideration for the sale and purchase of the Sale Equity shall be RMB500 million (the “**Purchase Consideration**”), which shall be payable by the Purchaser to the Vendor in the following manner:

- (i) RMB110 million has been paid on the date of the Equity Transfer Agreement, and it is refundable if the Conditions Precedent and/or the Completion Conditions are not fulfilled (or waived) and the Equity Transfer Agreement is terminated;
- (ii) RMB150 million shall be paid within three working days upon the satisfaction of all the Conditions Precedent, and it is refundable if the Completion Conditions are not fulfilled (or waived) and the Equity Transfer Agreement is terminated;
- (iii) RMB160 million shall be paid within three working days after Completion; and
- (iv) RMB80 million shall be paid after Completion and within three working days upon the occurrence/completion of all of the following post-Completion events:
 - (a) the Purchaser having reviewed the completion accounts of Hydo Harbin and any adjustments (as referred to below) to the Purchase Consideration having been ascertained (if any);
 - (b) the relevant authorities having approved the transactions contemplated under the Equity Transfer Agreement and having issued to Hydo Harbin the “Notice of Approval of Registration of Change” (《核准變更登記通知書》) and the new “Business Registration Licence” (《企業法人營業執照》), where necessary; and

LETTER FROM THE BOARD

- (c) the director(s), supervisor(s) and legal representative of Hydoo Harbin having been replaced by the persons nominated by the Purchaser and relevant filings having been made with the relevant authorities.

The Purchase Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser after taking into account the development potential and prospects of the Hydoo Land, the valuation prepared in respect of Hydoo Harbin (the relevant valuation report is set out in Appendix I to this circular) and the unaudited net asset value of Hydoo Harbin as at 30 November 2012, the potential of the synergistic development of the CSC Land and the Hydoo Land as well as the further land in the same area which might be acquired under the cooperation agreement.

If it is determined, after the Purchaser's due diligence investigations, that (i) the paid up registered capital of Hydoo Harbin is less than RMB200 million; (ii) the amount of transfer taxes or fees payable in respect of the acquisition of the Hydoo Land exceeds RMB18.9 million; (iii) any additional expenses or liabilities unrelated to the principal business of Hydoo Harbin or the development of the Hydoo Land have been incurred by Hydoo Harbin; or (iv) the Vendor is in breach of certain of its warranties and undertakings under the Equity Transfer Agreement, the Vendor shall compensate the Purchaser and the Purchaser shall be entitled to deduct such amount from the Purchase Consideration accordingly.

Completion Conditions

Completion is conditional upon the satisfaction or waiver (as the case may be) of the following conditions (the "**Completion Conditions**"):

- (i) the articles of Hydoo Harbin having been amended in accordance with the requirements of the Equity Transfer Agreement and approved by the Purchaser;
- (ii) Hydoo Harbin having duly completed and signed all the documentation necessary for the application for the approval of the transfer of Sale Equity;
- (iii) Hydoo Harbin having duly obtained all internal approval and completed the requisite documentation for filing with the relevant authorities for the replacement of its directors, supervisors and legal representative with the persons nominated by the Purchaser;

LETTER FROM THE BOARD

- (iv) all the assets of Hydoo Harbin, including but not limited to the legal documents, contracts, books and records, licences, and company stamps and chops, etc. of Hydoo Harbin having been delivered to the Purchaser;
- (v) Hydoo Harbin having paid all the relevant transfer taxes or fees in relation to the acquisition of the Hydoo Land within two working days from the Vendor's receipt of the second tranche of the Purchase Consideration as set out in the section headed "2. Equity Transfer Agreement — Purchase Consideration" above;
- (vi) the Vendor confirming that the representations, warranties and undertakings given by the Vendor, Jining Co, Hydoo Investment, Mr. Wong Choi Hing and Mr. Wang Dewen under the Equity Transfer Agreement and the relevant undertakings and warranties (as the case may be) being in all material aspects true, accurate, complete and not misleading;
- (vii) the Vendor confirming that there being no material adverse change in the legal environment, assets and liabilities, business operations and financial conditions of Hydoo Harbin, and no objections from any PRC authorities having been received in respect of transactions contemplated under the Equity Transfer Agreement; and
- (viii) the Vendor confirming that there being no breach by the Vendor, Jining Co, Hydoo Investment, Mr. Wong Choi Hing and Mr. Wang Dewen under their respective obligations under the Equity Transfer Agreement and the relevant undertakings and guarantees (as the case may be).

If any of the Completion Conditions is not satisfied by 31 December 2012, the Purchaser and the Vendor may agree to: (1) defer the completion date to a later date; or (2) waive certain Completion Conditions (among which, the Purchaser is entitled to waive any one of the Completion Conditions under sub-paragraphs (ii) to (viii) and the Vendor is entitled to waive the Completion Conditions under sub-paragraph (i)) and proceed with the Completion. If the Vendor and the Purchaser cannot reach an agreement within such period, the Equity Transfer Agreement shall be automatically terminated, and the Vendor shall return any Purchase Consideration paid by the Purchaser within three working days from the date of such termination.

As at the Latest Practicable Date, none of the Completion Conditions has been satisfied, and insofar as the Company is aware, neither the Purchaser nor the Vendor has any intention to waive any of the Completion Conditions.

LETTER FROM THE BOARD

Other terms

For the purpose of paying the relevant transfer taxes and fees in relation to the acquisition of the Hydoo Land by Hydoo Harbin, it is agreed that a related party of the Vendor will pay Hydoo Harbin an amount of not more than RMB20,000,000, and the Vendor has undertaken to procure the assignment to the Vendor of such debt and an amount of RMB29,500,000 due from Hydoo Harbin to the same related party of the Vendor (together, the “Debt”). Such Debt shall be acquired by the Purchaser prior to Completion at its face value, which amount shall be paid by the Purchaser to the Vendor together with the last tranche of the Purchase Consideration as set out in the section headed “2. Equity Transfer Agreement — Purchase Consideration” above.

3. INFORMATION ON THE HYDOO GROUP AND HYDOO HARBIN

Insofar as the Company is aware having made all reasonable enquires, the Vendor is a member of the Hydoo Group and is principally engaged in investment holding, and the Hydoo Group is principally engaged in the development and operation of trade centres and commercial facilities in the PRC. Hydoo Cayman, the holding company of the Hydoo Group, is as at the Latest Practicable Date held as to approximately 69% by Most Trend, which in turn is held as to approximately 52.70% by Mr. Wong Choi Hing and approximately 12.99% by Mr. Wang Dewen.

Hydoo Harbin was established in the PRC with limited liability on 22 December 2011. As at the Latest Practicable Date, the entire equity capital of Hydoo Harbin is legally and beneficially held by the Vendor. Hydoo Harbin is principally engaged in the development of the Hydoo Land.

The Hydoo Land consists of the land use rights for three plots of land with a total site area of approximately 270,350 sq.m. located in the Daowai District, Harbin. The Hydoo Land will be developed into logistic and trade centres.

Based on the unaudited financial information of Hydoo Harbin as at 30 November 2012, (i) on the basis that the maximum amount of the Debt due from Hydoo Harbin to the Vendor is RMB49.5 million, the total investment of the Vendor in Hydoo Harbin amounted to RMB249.5 million, and (ii) the unaudited net asset value of Hydoo Harbin was approximately RMB193 million, comprising construction in progress, prepayment, deposit and other receivables, cash and bank balances, fixed assets and other payables. As at the date of the Equity Transfer Agreement, the total purchase costs of the Hydoo Land paid by Hydoo Harbin was approximately RMB141.0 million (consisting of land premium in the amount of approximately RMB138.5 million and the relevant transfer taxes and fees in the amount of RMB2.5 million), and, as referred to in paragraph (iii) in the section headed “Conditions Precedent”, Hydoo Harbin would need to pay the balance of the land premium (being the amount of RMB108 million, which shall be paid by Hydoo Harbin, prior to the Equity Transfer Agreement becoming effective) whereas as referred to in paragraph (v) in the section headed “Completion Conditions”, Hydoo Harbin would need to pay the balance of the relevant taxes and fees (being the amount of approximately RMB18.0 million).

LETTER FROM THE BOARD

Set out below is the unaudited financial information of Hydoo Harbin for the period from 22 December 2011 (being its date of incorporation) to 31 December 2011 and the period from 1 January 2012 to 30 November 2012 based on its management accounts prepared according to the generally accepted accounting principles in the PRC.

	For the period from 1 January 2012 to 30 November 2012 (Unaudited) <i>RMB'000</i>	For the period from 22 December 2011 (the date of incorporation) to 31 December 2011 (Unaudited) <i>RMB'000</i>
Revenue	0	0
Loss before taxation	7,155	7
Loss after taxation	7,155	7

Upon Completion, Hydoo Harbin will become an indirect wholly-owned subsidiary of the Company and its results will be consolidated into the Group's consolidated financial statements.

4. INFORMATION ON THE HYDOO LAND

The Hydoo Land consists of the land use rights for three plots of land with a total site area of approximately 270,350 sq.m. located in the Daowai District, Harbin. As disclosed in the valuation report on the property interest of Hydoo Harbin as set out in appendix II of this circular, Hydoo Harbin has obtained the State-owned Land Use Rights Certificate in respect of part of the Hydoo Land with lot number 5-12-10-425(D). In respect of the remaining portion of the Hydoo Land with lot numbers 5-12-10-426(D) and 5-12-10-428(D), the full payments by Hydoo Harbin of all the outstanding land premiums and transfer taxes or fees in respect of the Hydoo Land are among the Condition Precedents and Completion Conditions to the Acquisition. As confirmed by the PRC legal advisers of the Company, upon the full payment of such land premiums and the relevant transfer taxes or fees, there is no material legal impediment for Hydoo Harbin to obtain the relevant State-owned Land Use Right Certificates in respect of such remaining portion of the Hydoo Land.

Insofar as the Company is aware, the Hydoo Land, which is obtained by Hydoo Harbin through the relevant governmental bidding process, is required to comply with the relevant government's overall development plan, and Hydoo Harbin has commenced preparatory foundation works in respect of the Hydoo Land. Hydoo Harbin has, in respect of the Hydoo Land, obtained a confirmation from the relevant government that the preparatory foundation works have been made in accordance with the government's overall arrangements and that Hydoo Harbin would not be subject to any administrative penalty in respect of the development of the Harbin Land.

LETTER FROM THE BOARD

The current plan in respect of the Hydoo Land is to develop logistic and trade centres with a gross floor area of approximately 613,000 sq.m. According to the relevant State-owned Land Use Rights Transfer Agreements (國有建設用地使用權出讓合同), Hydoo Harbin could, but subject to the then development needs, be developed into logistic and trade centres with an aggregate gross floor area of approximately 911,000 sq.m. The Company plans that the further development of Hydoo Harbin will be financed by, among others, proceeds from pre-sales, the Group's other internally generated funding and bank financing and/or introduction of business partners/strategic investors. Based on the current Purchase Consideration for the Acquisition and the market environment, the Company estimates that the development of the Hydoo Land may provide additional sales at reasonable prospects of return to the Group.

5. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the development and operation of large-scale integrated logistics and trade centres in the PRC.

Reference is made to the announcement of the Company dated 28 March 2012, in which it was mentioned that the Company and Hongkong Howard Group (Holdings) Company Limited agreed to, through amicable consultations, coordinate the development of logistics and trade centres and commercial and residential facilities located in the Daowai District, Harbin, the PRC. Subsequently, the Company acquired the CSC Land (with a total site area of approximately 347,390 sq.m.) and Hydoo Harbin acquired the Hydoo Land (with a total site area of approximately 270,350 sq.m.). Given that the CSC Land and the Hydoo Land are located in close proximity of each other in the Daowai district of Harbin, a premier hub for cross boarder trade with countries in Northeast Asia and their proximity to the China-Russia border, the Company considered that such a coordinated approach towards the development of the CSC Land and the Hydoo Land (as well as other land in the same area which the Group and the Hydoo Group might further acquire under a cooperation agreement entered into with, among others, the Government of the Daowai District of Harbin) with the Hydoo Group would be able to strategically capture opportunities arising from the development potential in the area to the mutual benefits of both parties.

In October 2012, the management of the Company was informed by the Hydoo Group that it intended to dispose of its interest in the Hydoo Land and exit its proposed development of trade centres and commercial facilities in Harbin. The Company was concerned that if the Hydoo Land were to be acquired by a third party, the Company might not be able to secure a coordinated development effort with such third party as it did with the Hydoo Group, which might in turn adversely affect the overall development of the CSC Land. Thus, the Company through the Purchaser has entered into the Equity Transfer Agreement to acquire the entire equity interest in Hydoo Harbin, such that the Company will be able to control and realise the synergy from a centralised and coordinated development of the CSC Land and the Hydoo Land.

LETTER FROM THE BOARD

In connection with the Acquisition and as one of the Conditions Precedent, Mr. Wong Choi Hing and Mr. Wang Dewen has, as required by the Equity Transfer Agreement, provided a non-competition undertaking in favour of the Purchaser in respect of the investment, control, management or operation of any commercial wholesale/trade centres, logistics and warehousing business in Harbin.

On the basis of the foregoing, the Directors (including the Independent Non-executive Directors who had formed their view on the basis of the advice of the independent financial adviser) consider that the Acquisition is in the ordinary and usual course of business of the Group, and is in the interests of the Group and the Shareholders as a whole.

6. LISTING RULES IMPLICATIONS

Since one of the applicable percentage ratios for the Acquisition is more than 5% but all of the ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. In addition, as at the Latest Practicable Date, Mr. Wong Choi Hing is a director of CSC Xi'an, a subsidiary of the Company, and, insofar as the Company is aware, the Vendor is indirectly wholly-owned by Hydoo Cayman, which is held as to approximately 69% by Most Trend, which in turn is held as to approximately 52.70% by Mr. Wong Choi Hing. Thus, the Vendor is an associate of Mr. Wong Choi Hing, and is therefore a connected person of the Company. Accordingly, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Acquisition is subject to the reporting and announcement requirements and the approval of the Independent Shareholders under the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries:

- (a) the Majority Shareholders are holders of the following Shares as at the date hereof giving the right to attend and vote at the general meetings of the Company:

Name of each Majority Shareholder	Number of Shares held	Approximate percentage of shareholding
Cheng Chung Hing	76,000,000	1.26%
Cheng Tai Po	4,936,000	0.08%
Leung Moon Lam and his spouse	59,389,977	0.98%
Accurate Gain Developments Limited	1,339,913,759	22.13%
Proficient Success Limited	1,071,931,008	17.71%
Kings Faith International Limited	523,899,770	8.65%
Total:	<u>3,076,070,514</u>	<u>50.81%</u>

LETTER FROM THE BOARD

Accurate Gain Developments Limited is held as to 50% and 50% by Mr. Cheng Chung Hing and Mr. Cheng Tai Po, respectively; Proficient Success Limited is held as to approximately 56.25% by Mr. Cheng Chung Hing and approximately 39.58% by Mr. Cheng Tai Po; and Kings Faith International Limited is wholly owned by Mr. Leung Moon Lam. Mr. Cheng Tai Po is the elder brother of Mr. Cheng Chung Hing, and Mr. Cheng Chung Hing and Mr. Leung Moon Lam are co-founders of the Group (further details of which are set out in the prospectus of the Company dated 17 September 2009 and the 2011/2012 annual report of the Company);

- (b) none of the Shareholders is required under the Listing Rules to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition; and
- (c) the Company has obtained a written approval from the Majority Shareholders to approve the Acquisition in lieu of holding a formal Shareholders' meeting.

On the basis of the above, the Company has applied for, and the Stock Exchange has granted, a waiver from compliance with the requirement to hold a Shareholders' meeting pursuant to Rule 14A.43 of the Listing Rules. As a result, no Shareholders' meeting will be convened to consider the Acquisition.

The Company has established the Independent Board Committee to advise the Independent Shareholders as to whether the Acquisition is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. The Independent Financial Advisor has also been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition.

As none of the Directors have a material interest in the Acquisition, none of them are required to abstain from voting on the relevant board resolutions to approve the Acquisition under the articles of association of the Company or the Listing Rules.

7. RECOMMENDATION

Your attention is drawn to (a) the letter from the Independent Board Committee set out on pages 18 to 19 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Equity Transfer Agreement and the transactions contemplated therein; and (b) the letter from the Independent Financial Adviser set out on pages 20 to 33 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreement and all transactions contemplated therein, together with the principal factors and reasons considered in providing its advice.

LETTER FROM THE BOARD

Having taken into account the advice of the Independent Financial Adviser, the Independent Board Committee considers that the terms of the Equity Transfer Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole.

8. ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

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

Hong Kong, 21 December 2012

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Acquisition, which has been prepared for the purpose of inclusion in this circular.



China South City Holdings Limited 華南城控股有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 1668)

21 December 2012

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

We refer to the circular (the “**Circular**”) issued by the Company to the Shareholders dated 21 December 2012 of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to consider the Acquisition and to advise the Independent Shareholders as to the fairness and reasonableness of the same. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 6 to 17 of the Circular, and the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, as set out on pages 20 to 33 of the Circular.

After taking into consideration the advice from the Independent Financial Adviser, in particular, the principal factors, reasons and recommendations as set out in their letter, we concur with the views of the Independent Financial Adviser and consider that the Acquisition has been entered into on normal commercial terms and is in the interests of the Company and the Shareholders as a whole and the terms thereof are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Since the Stock Exchange has granted the Company a waiver pursuant to Rule 14A.43 of the Listing Rules, the Company is not required to convene a general meeting of the Shareholders to approve the Acquisition. If a general meeting were to be convened, we would recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Acquisition.

Yours faithfully,

Independent Board Committee

Mr. Leung Kwan Yuen Andrew

Mr. Li Wai Keung

Mr. Hui Chiu Chung Stephen

GBS, SBS, JP

JP

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from REORIENT Financial Markets Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.



Suites 1102-03
Far East Finance Centre
16 Harcourt Road, Admiralty
Hong Kong

21 December 2012

*The Independent Board Committee and
the Independent Shareholders*
China South City Holdings Limited

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF THE ENTIRE EQUITY CAPITAL OF
HYDOO HARBIN TRADE CITY CO., LTD.**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Acquisition, details of which are set out in the circular of the Company dated 21 December 2012 (the “Circular”) of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular, unless the context requires otherwise.

On 30 November 2012, the Company entered into the Equity Transfer Agreement in respect of the purchase of the entire equity interest in Hydoo Harbin from the Vendor. The Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. As set out in the letter from the Board in the Circular (the “Letter from the Board”), when the Equity Transfer Agreement was entered into, Mr Wong Choi Hing was a director of CSC Xi’an, a non-wholly owned subsidiary of the Company, and the Vendor was indirectly beneficially owned by Mr Wong Choi Hing. Thus, the Vendor was an associate of Mr Wong Choi Hing, and was therefore a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders’ approval requirements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We understand that no Shareholders are required to abstain from voting if the Company were to convene a general meeting to approve the Equity Transfer Agreement and the Acquisition. The Company has obtained a waiver from the Stock Exchange allowing the Company to seek a written approval from the Majority Shareholders in lieu of holding of a general meeting. As at the date of this letter, the Equity Transfer Agreement and the Acquisition have been approved by the Majority Shareholders.

The Independent Board Committee comprising all the Independent Non-executive Directors, namely Mr Leung Kwan Yuen Andrew, Mr Li Wai Keung and Mr Hui Chiu Chung Stephen, has been established to give advice and recommendation to the Independent Shareholders in relation to the Equity Transfer Agreement and the Acquisition.

REORIENT Financial Markets Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Equity Transfer Agreement and the Acquisition are fair and reasonable and whether the Acquisition is on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole.

In formulating our opinion, we have relied upon the information, facts and representations contained in the Circular and those supplied or made available by the management of and advisers to the Company to us. We have assumed that all such information, facts and representations were true and accurate in all respects at the time they were supplied or made and continue to be true and accurate at the date of the Circular and can be relied upon. We have no reason to doubt the truth, accuracy and completeness of such information and representations and have confirmed with the management of the Company that no material facts have been withheld or omitted from such information and representations.

We have taken all reasonable and necessary steps to comply with the requirements set out in Rule 13.80 of the Listing Rules. We consider that we have been provided with sufficient information to enable us to reach an informed view. We have not, however, conducted any independent verification of such information or any independent in-depth investigation into the business, affairs, financial position or prospects of the Group nor have we carried out any in-depth research on the Group, the Vendor and their respective associates.

PRINCIPAL TERMS OF THE ACQUISITION

Under the Equity Transfer Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire (1) the entire equity interest in Hydoo Harbin at the Purchase Consideration of RMB500,000,000; and (2) the Debt at its principal amount of up to RMB49,500,000, totaling up to RMB549,500,000 (the “Total Consideration”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Equity Transfer Agreement will only become effective upon the satisfaction of the following Conditions Precedent by 21 December 2012:

- (i) all necessary internal approvals of the Acquisition having been obtained by the Vendor, the Purchaser and Hydoo Harbin;
- (ii) the Purchaser's due diligence investigation being completed to the satisfaction of the Purchaser (at its sole discretion);
- (iii) Hydoo Harbin having paid all the land premiums (the outstanding amount (as at the date of the Equity Transfer Agreement) being RMB108 million) and obtained the payment receipt in relation to its acquisition of the Hydoo Land;
- (iv) all receivables owed by the Vendor and/or its related parties to Hydoo Harbin being received by Hydoo Harbin in full;
- (v) Hydoo Investment having provided an undertaking in favour of China South International, under which it undertakes, inter alia, to transfer to China South International or its associates all the rights and interests of Hydoo Investment under a cooperation agreement entered into with Hydoo Investment (a member of the Hydoo Group), the Government of Harbin and the Government of the Daowai District of Harbin on 18 October 2011 (the "Cooperation Agreement"), in relation to the development of the Hydoo Land;
- (vi) Mr Wong Choi Hing and Mr Wang Dewen having provided a non-competition undertaking in favour of the Purchaser in respect of the investment, control, management or operation of any commercial wholesale/trade centres, logistics and warehousing business in Harbin;
- (vii) Jining Co having provided a warranty in favour of the Purchaser in respect of the Vendor's obligations under the Equity Transfer Agreement; and
- (viii) the announcement and circular to be issued by the Company to its Shareholders pursuant to the Listing Rules in respect of the transactions under the Equity Transfer Agreement having been approved by the Stock Exchange (or no objection having been raised by the Stock Exchange as to their issue), such announcement and circular having been published in accordance with the Listing Rules, no objection or condition (that cannot be accepted by the Company) having been raised or imposed by the Stock Exchange with respect to transactions under the Equity Transfer Agreement, and that all obligations of the Company under the Listing Rules having been fully complied with.

We understand that none of the Conditions Precedent can be waived by the Purchaser or the Vendor. As at the Latest Practicable Date, we understand that Conditions Precedent (i) to (vii) have been satisfied. Condition (viii) will be satisfied at the time when the Circular is published.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Completion is conditional upon the satisfaction or waiver (as the case may be) of the following Completion Conditions by 31 December 2012:

- (i) the articles of Hydoo Harbin having been amended in accordance with the requirements of the Equity Transfer Agreement and approved by the Purchaser;
- (ii) Hydoo Harbin having duly completed and signed all the documentation necessary for the application for the approval of the transfer of Sale Equity;
- (iii) Hydoo Harbin having duly obtained all internal approval and completed the requisite documentation for filing with the relevant authorities for the replacement of its directors, supervisors and legal representative with the persons nominated by the Purchaser;
- (iv) all the assets of Hydoo Harbin, including but not limited to the legal documents, contracts, books and records, licences, and company stamps and chops, etc. of Hydoo Harbin having been delivered to the Purchaser;
- (v) Hydoo Harbin having paid all the relevant transfer taxes or fees in relation to the acquisition of the Hydoo Land within two working days from the Vendor's receipt of the second tranche of the Purchase Consideration as set out in the section headed "2. Equity Transfer Agreement – Purchase Consideration" in the Letter from the Board;
- (vi) the Vendor confirming that the representations, warranties and undertakings given by the Vendor, Jining Co, Hydoo Investment, Mr. Wong Choi Hing and Mr. Wang Dewen under the Equity Transfer Agreement and the relevant undertakings and warranties (as the case may be) being in all material aspects true, accurate, complete and not misleading;
- (vii) the Vendor confirming that there being no material adverse change in the legal environment, assets and liabilities, business operations and financial conditions of Hydoo Harbin, and no objections from any PRC authorities having been received in respect of transactions contemplated under the Equity Transfer Agreement; and
- (viii) the Vendor confirming that there being no breach by the Vendor, Jining Co, Hydoo Investment, Mr. Wong Choi Hing and Mr. Wang Dewen under their respective obligations under the Equity Transfer Agreement and the relevant undertakings and guarantees (as the case may be).

The Purchaser is entitled to waive any Completion Conditions under sub-paragraphs (ii) to (viii) above and the Vendor is entitled to waive the Completion Condition under sub-paragraph (i) above. As at the Latest Practicable Date, we understand that none of the Completion Condition has been satisfied or waived and neither the Purchaser nor the Vendor has any intention to waive any of the Completion Conditions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Total Consideration is payable by the Purchaser to the Vendor in cash by stages as follows:

- (i) RMB110 million was paid on the date of the Equity Transfer Agreement, and it is refundable if the Conditions Precedent and/or the Completion Conditions are not fulfilled (or waived) and the Equity Transfer Agreement is terminated;
- (ii) RMB150 million shall be paid within three working days upon the satisfaction of all the Conditions Precedent, and it is refundable if the Completion Conditions are not fulfilled (or waived) and the Equity Transfer Agreement is terminated;
- (iii) RMB160 million shall be paid within three working days after Completion; and
- (iv) Up to RMB129.5 million (including RMB80 million for the Purchase Consideration and up to RMB49.5 million for the consideration for the Debt Acquisition) shall be paid after Completion and within three working days upon the occurrence/completion of all of the following post-Completion events:
 - (a) the Purchaser having reviewed the completion accounts of Hydoo Harbin and any adjustments to the Purchase Consideration having been ascertained (if any);
 - (b) the relevant authorities having approved the transactions contemplated under the Equity Transfer Agreement and having issued to Hydoo Harbin the “Notice of Approval of Registration of Change” (《核准變更登記通知書》) and the new “Business Registration Licence” (《企業法人營業執照》), where necessary; and
 - (c) the director(s), supervisor(s) and legal representative of Hydoo Harbin having been replaced by the persons nominated by the Purchaser and relevant filings having been made with the relevant authorities.

PRINCIPAL FACTORS CONSIDERED

In formulating our opinion on the Equity Transfer Agreement and the Acquisition, we have taken into consideration the following principal factors:

Information on the Group

The Group is principally engaged in development and operation of large-scale integrated logistics and trade centres in the PRC, providing a comprehensive trading platform of raw materials and finished products for domestic and international wholesale suppliers, buyers, manufacturers and distributors.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's revenue and results by business segments for the years ended 31 March 2012, 2011 and 2010 and for the six months ended 30 September 2012 and 2011 are summarised below, which are extracted from the respective annual reports and results announcement.

	For the six months ended 30 September			For the year ended 31 March				
	2012	2011	2012	2011		2010		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		HK\$'000		
Revenue								
Property development	2,362,004	762,157	3,431,323	93%	2,046,309	92%	1,419,353	91%
Property investment	100,524	75,192	166,393	5%	133,453	6%	101,277	6%
Property management	21,283	19,368	41,500	1%	30,695	1%	24,523	2%
Hotel operation	12,864	10,769	26,946	1%	21,670	1%	22,930	1%
Others	10,643	1,112	4,605	0%	1,906	0%	2,146	0%
	<u>2,507,318</u>	<u>868,598</u>	<u>3,670,767</u>	<u>100%</u>	<u>2,234,033</u>	<u>100%</u>	<u>1,570,229</u>	<u>100%</u>
Segment results								
Property development	1,298,864	500,915	2,165,806		1,315,764		991,400	
Property investment*	451,316	187,476	1,212,017		1,526,132		1,338,669	
Property management	(19,951)	(16,080)	(26,173)		(33,158)		(24,656)	
Hotel operation	(2,848)	(4,791)	(356)		(13,427)		(16,309)	
Others	<u>6,698</u>	<u>1,112</u>	<u>2,498</u>		<u>1,905</u>		<u>2,146</u>	

* *Segment results of property investment include increases in fair value of investment properties of HK\$387,538,000, HK\$150,675,000, HK\$1,117,696,000, HK\$1,464,168,000 and HK\$1,308,543,000 for the six months ended 30 September 2012 and 2011 and for the year ended 31 March 2012, 2011 and 2010 respectively.*

Property development is the Group's major operating segment. Revenue from property development accounted for approximately 91%, 92%, 93% and 94% of the Group's total revenue for the three years ended 31 March 2010, 2011 and 2012 and the six months ended 30 September 2012 respectively. It comprises (i) revenue from sales of properties, which include trade centre units and residential properties; and (ii) finance lease income derived from the leasing of office towers and residential properties.

For the three years ended 31 March 2010, 2011 and 2012 and the six months ended 30 September 2012, the Group recorded revenue of approximately HK\$1.6 billion, HK\$2.2 billion, HK\$3.7 billion and HK\$2.5 billion respectively. The increase in the Group's revenue for the year ended 31 March 2011 was mainly due to the commencement of sales of residential properties in China South City Heyuan, and the significant increase in finance lease income which was mainly generated from the leasing of office units in China South City Shenzhen. The increase in the Group's revenue for the year ended 31 March 2012 was mainly due to the commencement of sales of trade centre units in China South City Nanchang and China South City Nanning.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the six months ended 30 September 2012, the Group recorded revenue of approximately HK\$2.5 billion, representing an increase of approximately 188.7% as compared with the revenue of approximately HK\$0.9 billion for the six months ended 30 September 2011. The significant increase in the Group's revenue for the six months ended 30 September 2012 was mainly due to the commencement of sales of trade centre units in China South City Nanchang and China South City Nanning and residential properties in China South City Nanchang.

Information on the Hydoo Group

As extracted from the Letter of the Board, insofar as the Company is aware having made all reasonable enquires, the Hydoo Group is principally engaged in the development and operation of trade centres and commercial facilities in the PRC. Hydoo Cayman, the holding company of the Hydoo Group, was as at the Latest Practicable Date held as to approximately 69% by Most Trend, which in turn was held as to approximately 52.70% by Mr. Wong Choi Hing and 12.99% by Mr. Wang Dewen. According to the official website of the Hydoo Group, it has development projects in Jining, Yulin, Ganzhou, Mianyang, Harbin, Wuzhou and Changsha, the PRC. The various projects will involve the property development for wholesale trade centres, logistics facilities, storages, hotels, exhibition centres, offices, commercial and/or residential purposes.

Background of the Acquisition

The Group and the Hydoo Group are both engaged in the development and operation of large-scale integrated logistics and trade centres in the PRC.

The Group has been developing integrated logistics and trade centres in Shenzhen, Nanchang, Xi'an, Nanning and Zhengzhou, the PRC. The Group is also investing in Harbin, the capital city of Heilongjiang province, the PRC, with a view to tapping into the potentially lucrative cross-border trade opportunities between the PRC and Russia in Northeast China.

On 16 June 2011, the Company announced that the Group entered into a framework agreement (the "Framework Agreement") with Hongkong Howard Group (Holdings) Company Limited, the Government of Harbin and the Government of the Daowai District of Harbin in respect of the development of a large-scale integrated logistics and trade centre in the Daowai district of Harbin, the PRC (the "Harbin Project") in various phases over 10 years jointly between the Group and the Hydoo Group. On 18 October 2011, the Group and Hydoo Investment entered into the Cooperation Agreement with the Government of the Daowai District of Harbin to formalise the development of the Harbin Project under the Framework Agreement. It was estimated that the Harbin Project will cover a total land area of 10 square kilometers and the preliminarily estimated total investment amount was RMB20 billion. It was originally contemplated that a joint venture would be established between the Group (to own a 51% interest) and the Hydoo Group (to own a 49% interest) to develop the Harbin Project.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 28 March 2012, the Company announced that after further discussions, the Group and the Hydoo Group had decided not to form a joint venture but to undertake the Harbin Project separately. The Group and the Hydoo Group will separately bid and acquire land in the said area and develop their own logistics and trade centres. Nevertheless, the Group and the Hydoo Group will coordinate the development of their respective projects in the said area. As stated in the annual report of the Company for the year ended 31 March 2012, the Group planned to develop a site area of approximately 5 million sq.m. in phases for a planned total gross floor area of approximately 6.30 million sq.m. as part of the Harbin Project.

Recently, the Group has acquired the land use rights for the CSC Land with a total area of 347,390 sq.m.

Recently, Hydoo Harbin (being a member of the Hydoo Group) has won the related government bids and entered into agreements to acquire the Hydoo Land with a total site area of approximately 270,350 sq.m. As at the Latest Practicable Date, among the Hydoo Land, Hydoo Harbin has obtained the State-owned Land Use Rights Certificate for an area of 33,482 sq.m. and was in the process of obtaining the State-owned Land Use Rights Certificate for another area of 236,872 sq.m. pursuant to the State-owned Land Use Rights Grant Contracts regarding these lands subject to, among other things, the payment in full of an outstanding land premium of RMB108 million. Including the land premiums and related taxes and fees paid and payable, the total acquisition cost of the Hydoo Land by Hydoo Harbin amounts to RMB267 million. According to the relevant State-owned Land Use Rights Grant Contracts, the Hydoo Land can be developed into logistic and trade centres with an aggregate gross floor area of up to approximately 911,000 sq.m. The planned development of the Hydoo Land is in line with the land usage set out in the State-owned Land Use Rights Certificate and the State-owned Land Use Rights Grant Contracts.

As a Condition Precedent, the Vendor will have to pay all the above outstanding land premiums. The related company of the Vendor will also inject a further amount up to RMB20,000,000 (which will form part of the Debt) to Hydoo Harbin (the “Additional Capital Injection”) to finance the payment of the related deed tax and stamp duty in respect of the acquisition of the Hydoo Land. Subject to the payment of the remaining land premiums, deed tax and stamp duty, the Vendor and the Company do not envisage any legal impediment in obtaining the State-owned Land Use Rights Certificates for the above said parcels of Hydoo Land. This has been further confirmed by the PRC legal advisers of the Company.

The CSC Land and the Hydoo Land form part of the original Harbin Project and the development work on the CSC Land and the Hydoo Land has been carrying out by the Group and the Hydoo Group in a well-coordinated manner. Preparation and foundation works have been commenced on certain areas of the CSC Land and the Hydoo Land. We understand from the Company that (i) the Group intends to develop the CSC Land into logistics and trade centres with car-parking spaces with

a total gross floor area of 456,304 sq.m.; and (ii) Hydoo Group intends to develop the Hydoo Land into logistics and trade centres with commercial properties with a total gross floor area of 613,102 sq.m. We understand from the Company that the development of the Hydoo Land is a major development supported by the local government. Hydoo Harbin has commenced preparatory foundation works on the Hydoo Land with a view to complying with the relevant government's overall development plan. Hydoo Harbin has, in respect of the Hydoo Land, obtained a confirmation from the relevant government authority that the preparatory foundation works have been made in accordance with the government's overall arrangements and that Hydoo Harbin would not be subject to any administrative penalty in respect of the development of the Hydoo Land.

In October 2012, the management of the Company was informed by the management of the Hydoo Group that they intended to dispose of its interest in Hydoo Harbin. The Group has been working closely with the Hydoo Group in respect of the Harbin Project (including, inter alia, the development of the CSC Land by the Group and the Hydoo Land by the Hydoo Group). We understand that the business development of Hydoo Harbin has been carrying out in tandem with development of the Group in respect of the CSC Land (as well as the overall Harbin Project). Having considered the development of the Group in the Harbin Project (including the CSC Land), the Company believes that the Acquisition represents a good investment opportunity to increase its investment in the Harbin Project in the Group's ordinary and usual course of business.

Hydoo Harbin

Hydoo Harbin is the entity within the Hydoo Group established to develop the Harbin Project. It has won the bids to acquire the Hydoo Land. We understand that Hydoo Harbin has obtained an interim licence as a property developer in the PRC.

Hydoo Harbin was established on 22 December 2011 in Harbin, the PRC. It is solely engaged in the development of the Harbin Project. As the development of the Hydoo Land is still at an early stage, since its establishment, Hydoo Harbin has not yet recorded any revenue and has recorded an unaudited accumulated losses of approximately RMB7,162,000 up to 30 November 2012.

As at 30 November 2012, Hydoo Harbin had a total assets of approximately RMB433.9 million, comprising, among other things, mainly land and related costs of approximately RMB154.2 million, prepayments of approximately RMB135.5 million in respect of (inter alia) additional land use rights and development and engineering work, and cash of approximately RMB115.0 million; and a total liabilities of approximately RMB241.1 million comprising only accounts payable in respect of (inter alia) payables in respect of development of the Hydoo Land of RMB212.1 million and the Debt due to certain related companies of the Vendor of RMB29.5 million (which shall be assigned to the Vendor before Completion).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The business of Hydo Harbin has been supported and financed by the cash inflow from the registered capital injected from the Vendor and other short-term financing injected into Hydo Harbin by the Vendor (or its related parties) via current accounts. We understand that all the current accounts between Hydo Harbin and the Vendor or its related parties will be consolidated into one current account between Hydo Harbin and the Vendor prior to Completion. As at the Latest Practicable Date, the total funding provided by the Vendor to Hydo Harbin amounted to approximately RMB229.5 million, representing the total amount of the registered capital of Hydo Harbin of RMB200.0 million and the Debt of RMB29.5 million. Under the Additional Capital Injection, the related company of the Vendor will provide further funding of up to RMB20 million to Hydo Harbin for payment of deed tax and stamp duty in respect of the acquisition of certain Hydo Land. Accordingly, the total investment amount of the Vendor in Hydo Harbin may increase to up to RMB249.5 million prior to Completion. Under the Equity Transfer Agreement, save for the Additional Capital Injection, the Vendor has undertaken that the amount of Debt will not have any material change prior to Completion without the Purchaser's consent.

Under the Equity Transfer Agreement, the entire equity interest in Hydo Harbin and the Debt will be transferred to the Purchaser upon Completion.

The Group is in the process of performing due diligence on Hydo Harbin and Completion is conditional on, among other things, that the results of the due diligence are satisfactory to the Purchaser. We understand from the Company that if there are negative findings from the due diligence which in the opinion of the Purchaser will materially adversely affect the development and prospects of Hydo Harbin, it may not proceed to complete the Acquisition. This serves an effective protection over the interests of the Company and its Shareholders.

Consideration

Under the Acquisition, the entire equity interest in Hydo Harbin and the Debt will be transferred to the Purchaser upon Completion. The Purchase Consideration represents 2.5 times of the registered paid up capital of Hydo Harbin and the consideration for the Debt Acquisition represents the principal value of the Debt outstanding. Apart from the funding contributed by the Hydo Group to Hydo Harbin, we understand that the Total Consideration for the Acquisition is agreed between the Purchaser and the Vendor after arm's length negotiations with reference to, among other factors, the development plans of the Hydo Land (as well as the Harbin Project), the latest valuation of the Hydo Land, the latest net asset value of Hydo Harbin, the potential benefits of developing the CSC Land and the Hydo Land together as part of the Harbin Project and the principal value of the Debt.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Hydoo Harbin is a developer in the PRC focusing on the Harbin Project. Its business is mainly capital asset based and book value (based on fair value) is a common way to evaluate the business value. Instead of the investment amount, we agree with the Company that it will be more relevant to compare the Purchase Consideration with the valuation.

In connection with the Acquisition, the Group has engaged Vigers Appraisal & Consulting Limited (“Vigers”) (an independent professional valuer) to value of the entire equity interest in Hydoo Harbin. A copy of the valuation report issued by Vigers on Hydoo Harbin is set out in Appendix I to the Circular. We have reviewed the valuation report and have discussed the major bases and assumptions of the valuation with Vigers and agree with Vigers and the Company that the bases and assumptions are fair and reasonable based on the information provided by the Group. As more detailed in the valuation report, the valuation of Hydoo Harbin is estimated based on the estimated fair value of the assets and liabilities of Hydoo Group as at 30 November 2012. A description of the major balance sheet items of Hydoo Group as at 30 November 2012 is set out above in the paragraph headed “Hydoo Harbin”. Apart from the value of the land costs, most of the other assets and liabilities of Hydoo Group are valued as their respective carrying value. Excluding land costs, current assets comprised 63.1% of the total assets of Hydoo Harbin, with 26.5% being unencumbered cash and bank balances, 36.6% being prepayments and other receivable which are supposedly made by Hydoo Harbin in relation to the development of the Hydoo Land and deposit paid for purchase of land use rights. All such current assets are expected to be consumed, used and/or recovered in the future course of business of Hydoo Harbin.

In respect of the land costs, we understand that Vigers has performed a valuation on the site based on direct comparison by making reference to comparable sales evidences as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development of the Hydoo Land based on the present development plan of Hydoo Harbin.

We understand that Vigers is an appraisal company which carries out business and property valuations in the PRC. Its team members are experienced in PRC business and property valuations. We have reviewed the qualification, experience and independence of Vigers and consider that Vigers possesses the relevant qualification and experience and is independence to conduct the valuation of the Hydoo Harbin.

As at 30 November 2012, Hydoo Harbin had unaudited accounts payable of RMB241.1 million comprising mainly payables in respect of development of the Hydoo Land of RMB212.1 million and the Debt of RMB29.5 million. The Vendor has warranted under the Equity Transfer Agreement that apart from liabilities accrued and recorded in the unaudited management accounts of Hydoo Harbin as at 30 November 2012, Hydoo Harbin had no other material liabilities as at 30

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

November 2012 and Hydoo Harbin will not incur any additional material liabilities before Completion (save for the Additional Capital Injection).

In order to ensure that the expenses, payments and liabilities of Hydoo Harbin were incurred in connection with its ordinary and usual course of business relating to the acquisition and development of the Hydoo Land (and potential future phases of the Harbin Project), the Purchaser will carry out a due diligence, with the assistance of the professional accounting firm, to review the books and records of Hydoo Harbin. If there are any expenses, payments or liabilities incurred by Hydoo Harbin not in the course of the acquisition and development of the Hydoo Land (or any potential future phases of the Harbin Project), the Vendor shall compensate the Purchaser on a dollar-for-dollar basis.

Having considered that (1) the nature of Hydoo Harbin's business as a property developer, (2) apart from the land costs, most of the other assets are current assets which are expected to be consumed or recovered in the course of Hydoo Harbin's normal business activities, (3) the value of the land costs is estimated by a professional valuer using direct comparison approach (which is commonly adopted for valuing land and properties), (4) the liabilities are accrued in the ordinary and usual course of Hydoo Harbin's business, and (5) the compensation arrangement as described in the preceding paragraph, we consider that the approach adopted by the Vigers to value Hydoo Harbin, and the related bases and assumptions, are fair and reasonable.

Based on the valuation report issued by Vigers, the market value of Hydoo Harbin is estimated to be about RMB617,723,000 as at 30 November 2012. The Purchase Consideration for the Acquisition of RMB500,000,000 represents a discount of approximately 19.1% to such valuation.

The Purchase of the Debt is based on its principal value on a dollar-for-dollar basis.

Based on the above, we consider that the Total Consideration for the Acquisition is fair and reasonable.

Reasons for and benefits of the Acquisition

Hydoo Harbin is principally engaged in the development of the Hydoo Land, constituting part of the Harbin Project. Hydoo Harbin has been the business partner of the Group in respect of the development of logistics and trade centres in Harbin, which is one of the major development projects of the Group. Hydoo Harbin has commenced the preparation and foundation works of certain areas of the Hydoo Land. It and the Group are planning for a synchronized pre-sale of their respective projects in 2013. The Company understands that the Vendor is looking for selling Hydoo Harbin with a view to realising its investment in the project. As the principal business partner of Hydoo Harbin, the Company considers that

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

acquiring Hydoo Harbin will allow the Group be able to continue to coordinate the development work of the entire Harbin Project (comprising the CSC Land and the Hydoo Land or other parcels of land which may be acquired). Under the Equity Transfer Agreement, Hydoo Investment, a holding company of Hydoo Harbin, will undertake to the Purchaser to transfer its rights under the Cooperation Agreement to China South International (another member of the Group and a party to the Cooperation Agreement) or its related companies. Under the Equity Transfer Agreement, Mr Wong Choi Hing and Mr Wang Dewen (being the two majority ultimate beneficial owners of the Hydoo Group) will also undertake to facilitate and help the Purchaser liaise with the Government of Harbin, the Government of the Daowai District of Harbin and other government departments in respect of the development of the Harbin Project by the Group (including Hydoo Harbin after Completion). We understand that this will allow the Group to continue to potentially maximise its return from the Harbin Project.

The Company plans that the further development of Hydoo Harbin will be financed by, among others, proceeds from pre-sales, the Group's other internally generated funding and bank financing and/or funding from possible introduction of business partners/strategic investors. Based on the current Purchase Consideration for the Acquisition and the market environment, the Company estimates that the development of the Hydoo Land may provide additional sales at reasonable prospects of return to the Group.

Given the close proximity of the Hydoo Land and the CSC Land, if Hydoo Harbin were sold to an independent third party not cooperating with the Group, the prospects of the Group's development of the CSC Land may be adversely affected. Mr Wong Choi Hing and Mr Wang Dewen will also undertake to the Purchaser that after Completion, they (and procure their respective family interests (as defined in the Equity Transfer Agreement)) and any company in which any of them hold an interest will not invest, control, manage or operate any commercial wholesale/exchange market, business, assets or entities regarding logistics and warehousing in Harbin. The Company believes that this will help ensure a stable development of the Group's logistics and trade centres development in Harbin.

Given the above, we concur with the view of the Company that the Acquisition is in its interests as well as the interests of the Shareholders.

Effects of the Acquisition

The Group will finance the payment of the Total Consideration by its internal resources. As at 30 September 2012, the Group had a total balance of cash and cash equivalents of approximately HK\$2,933.2 million and a net working capital of approximately HK\$1,695.6 million. The Group also had unutilised banking facilities of about HK\$2,871.9 million as at 30 September 2012. It is not expected that the payment of the Purchase Consideration will lead to a material adverse impact on the cash and working capital composition of the Group. The Company

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

proposes that the further development of Hydoo Harbin will be financed by, among others, proceeds from pre-sales, the Group's other internally generated funding and bank financing and/or funding from possible introduction of business partners/strategic investors.

The business of Hydoo Harbin is in line with the principal business of the Group. Hydoo Harbin plans that the development of the Hydoo Land will involve the building of about 613,102 sq.m. of area available for sales and/or lease. Pre-sales of the development project on the Hydoo Land is planned to commence in 2013 subject to the progress of the development work and obtaining of the necessary licences. The Company is optimistic that the Acquisition will lead to additional sales of the Group and enhance the profit prospects of the Group.

Hydoo Harbin will become a wholly owned subsidiary of the Group after Completion. The assets and liabilities of Hydoo Harbin will be consolidated into the financial statements of the Group and be stated at their respective fair value.

CONCLUSION

We understand that as at the date of this Circular, the Acquisition has been approved by the Majority Shareholders, in aggregate holding approximately 50.81% of the outstanding voting rights of the Company by way of a written resolution. As set out in the Circular, the Majority Shareholders do not have any material interests in the Acquisition save for their respective interests in the Group.

Having considered the above principal factors and reasons, we are of the opinion that the terms of the Equity Transfer Agreement and the Acquisition are fair and reasonable and the Acquisition is on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise (i) the Independent Board Committee to recommend to the Independent Shareholders to; and (ii) the Independent Shareholders to vote in favour of the ordinary resolution to approve the Equity Transfer Agreement and the Acquisition if a general meeting were to be convened and held by the Company.

Yours faithfully,
For and on behalf of
REORIENT Financial Markets Limited
Allen Tze
Managing Director

The following is the text of the letter received from Vigers Appraisal & Consulting Limited in connection with its valuation of Hydoo Harbin as at 30 November 2012, which is prepared for the purpose of inclusion in this circular.

Vigers Appraisal & Consulting Limited

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong



21 December 2012

The Directors
China South City Holdings Limited
Room 2205, Sun Life Tower
The Gateway
No. 15 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

Dear Sirs / Madams,

VALUATION OF NET ASSET VALUE OF 哈爾濱毅德商貿城有限公司 (HYDOO HARBIN TRADE CITY CO., LTD.)

In accordance with the request from China South City Holdings Limited (“China South City” or the “Company”), we have carried out a valuation of the net assets value of 哈爾濱毅德商貿城有限公司 (Hydoo Harbin Trade City Co., Ltd.) (the “Hydoo Harbin”) as at 30 November 2012 (the “Valuation Date”). The purpose of this report is to provide our opinion on the fair value of the net assets value of the Hydoo Harbin as at 30 November 2012. We understand this valuation is required for the purpose of incorporation in the circular of China South City in respect of its acquisition of the entire equity capital of Hydoo Harbin.

SUBJECT OF VALUATION

The subject of the valuation is the fair value of the net asset value of Hydoo Harbin. As per discussion with China South City, Hydoo Harbin is required to pay the land premium and related tax and fee on its acquisition of Hydoo Land as stated in the Equity Transfer Agreement dated 30 November 2012 entered into between 哈爾濱華南城有限公司 (Harbin China South City Company Limited) and 濟寧豪德現代實業有限公司 (Jining Howard Modern Industries Co. Ltd.) (the “Equity Transfer Agreement”). This valuation is based on this requirement as set out in the Equity Transfer Agreement and the assumption that Hydoo Harbin will obtain the land use rights upon the settlement of the land premium and related tax and fee.

BACKGROUND INFORMATION AND CORE ASSETS OF HYDOO HARBIN

As per information provided by China South City, Hydoo Harbin was established in the PRC with limited liability on 22 December 2011. The entire equity capital of Hydoo Harbin is legally and beneficially held by the Vendor. Hydoo Harbin is principally engaged in the development of the Hydoo Land, a land with a total site area of approximately 270,354 sq.m. with lot numbers 5-12-10-425(D), 5-12-10-426(D) and 5-12-10-428(D) located in the Daowai District, Harbin, the PRC. Details of the Hydoo Land are set out in our property valuation report.

Based on our discussion with the management of China South City, Hydoo Harbin owned no trademarks, technologies, intangibles or other liabilities that were not reflected on the balance sheet of Hydoo Harbin as at 30 November 2012 (the “Balance Sheet”) provided by China South City.

VALUATION THEORY

In arriving at our opinion of value, we make reference to three generally accepted approaches to value, namely; the Market Approach, the Asset/Cost Approach and the Income Approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to indicate market prices to reflect the condition and utility of the appraised assets relative to the comparable market transactions.

Asset/Cost Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation as condition or obsolescence present, whether arising from physical, functional or economic causes.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for an asset than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent asset with similar risk.

BASIS OF VALUE

Fair value of an asset is the amount for which that asset could be exchanged between knowledgeable, willing parties in an arm’s length transaction.

DETERMINATION OF THE VALUATION METHOD

Hydoo Harbin solely holds properties as their core asset. Its value shall be assessed by the sum up of assets value being hold. The holdings company itself does not have other business operation other than the holding of lands and hence can not apply market or income approach in valuation. For holdings company invested in properties, the standard required its value assessed by assets base approach.

The valuation of Hydoo Harbin will be assessed by two phases. In phase one, the value of the Hydoo Land was assessed by our property valuer. We have been provided the market value of the Hydoo Land on 30 November 2012.

In phase two, we restated the net asset value of Hydoo Harbin based on the Hydoo Land's value. Given that Hydoo Harbin is a property development company and its only asset is the Hydoo Land, the asset approach will be adopted. The net asset value of Hydoo Harbin was assessed by the restatement of the Hydoo Land's value on book to the market value as at 30 November 2012.

INFORMATION AND FACTORS CONSIDERED

Our valuation requires consideration of all relevant factors affecting the operation of the business and its ability to generate future investment returns. The factors considered in the valuation included, but were not limited to, the following:

- The business nature, contracts, project plan and related documents, if applicable, of Hydoo Harbin provided by China South City;
- The property valuation report which states the market value of the Hydoo Land as at 30 November 2012;
- The balance sheet of the Hydoo Harbin as at 30 November 2012 provided by China South City;
- The conditional Equity Transfer Agreement;
- Discussion with management in relation to status of the lands, the lands certificate application progress and the outstanding amount to be paid for the lands certificate;
- The economic outlook of the PRC and the general outlook of the properties industry in the PRC;
- Specific economic related to this project and specific risks associated with Hydoo Harbin.

Assumptions

Assumptions considered to have significant sensitivity effects in this valuation were evaluated and validated in order to provide a more accurate and reasonable basis for arriving at our assessed value. Based on our experience in valuing businesses of similar nature, we consider the assumptions made in this valuation report to be reasonable.

Major assumptions are listed as follows:

- There will be no material adverse change in the political, legal, fiscal or economic condition in the PRC and the regions in which the Hydoos Land located;
- Hydoos Harbin will retain its key management, competent personnel and technical staff to support its ongoing operation;
- Market trend and conditions for the properties development in the PRC will not deviate significantly from the economic forecasts in general;
- The valuation considered only the Hydoos Land's value which is owned by Hydoos Harbin. As per information available to us, no other business operation/ assets/ investment was hold by Hydoos Harbin that may generate future economic benefit;
- Hydoos Harbin holds no contracts, trademark, or any other intangible that provide economic benefit to Hydoos Harbin;
- Pursuant to the Equity Transfer Agreement, Hydoos Harbin is required to pay the outstanding land premiums and the related transfer tax and fee in relation to its acquisition of Hydoos Land. The total amount of the aforesaid items is approximately RMB126 million. As per discussion with management of China South City, apart from the aforesaid items, it is assumed no workdone on the Hydoos Land before the obtain of land use right. It is also assumed there is no other encumbrance, pledge or guarantee that has not been reflected on the Balance Sheet as provided to us;
- The Hydoos Land value is based on the assumption that the land use right is clear, and is freely transferable. The Hydoos Land value is based on our property valuation performed on 30 November 2012.

We have assumed the reasonableness of information provided and relied to a considerable extent on such information in arriving at our opinion of value.

METHODOLOGY

Hydoos Harbin

The fair value of Hydoos Harbin was assessed by the restatement of the net asset value as at 30 November 2012.

Property owned by Hydoos Harbin

In phase one, the value of the Hydoos Land was assessed by our property valuer.

In phase two, we restated the net asset value of Hydoo Harbin based on the Hydoo Land's value. Given that Hydoo Harbin is a property development company and its only asset is the Hydoo Land, the asset approach will be adopted. The net asset value of Hydoo Harbin was assessed by the restatement of the Hydoo Land's value on book to the market value as at 30 November 2012.

In the restatement of the net asset value, the book value of properties and other balance sheet items will be replaced by the market value or current value.

Cash, Other receivables – As per discussion with management, all receivables are collectible and no adjustment for bad debt is required. Book value of all payables and long term liabilities accurately reflects the current value that liable to the Company which must be settled. Cash, Prepayment and Advance receipts involved no adjustment and the values of all these items will report on its book value. The amount of cash was approximately RMB115.0 million and the other receivables was approximately RMB23.4 million.

Prepayment – Represents the prepayment of land premium and site formation cost rated to the Hydoo Land, approximately RMB135.5 million.

Inventory – The inventory consist of the Hydoo Land owned by Hydoo Harbin, based on the assumptions that the titleship of land is clear, is approximately RMB706 million.

Other payables – Represents the amount of land premiums, related transfer tax and fee to government as set out under the Equity Transfer Agreement, is approximately RMB367 million.

OPINION OF VALUE

With the above considerations, we have restated the Balance Sheet of Hydoo Harbin and concluded that its net asset value with the adjustment of the market value of the Hydoo Land. Based on the aforesaid investigation, analysis and appraisal method employed, it is our opinion that, as at Valuation Date, the fair value of net assets value of Hydoo Harbin can be reasonably and approximately stated as Renminbi Six Hundred Seventeen Million Seven Hundred Twenty Three Thousand (RMB617,723,000) only.

The opinion of value was based on generally accepted appraisal procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

The opinion was based on the management discussion, assumptions and representations, in oral or writing. The projection or estimates set out in the valuation formed part of the assumptions. We were furnished with limited financial information and other documents germane to the valuation. These data had been utilised without further verification as correctly representing the results and future prospects of the

operation and the financial condition of the subject. No responsibility is assumed for the accuracy of the provided information. The opinion of value is subject to change if any of the assumptions provided by the management is not reasonable or proper made, and we reserve the right to change or withdraw our opinion without any liabilities.

This report is for the specific purpose to which it refers, and should not be the only factor to be reference by the client. We have not been engaged to make specific sales or purchase recommendation. The use of this report will not supplant other due diligence which the company or the concerned parties should conduct in reaching business decision regarding the subject of valuation.

The valuation procedure did not require us to conduct legal due diligence on the legality and formality of the subject and its related legal documents, and it should be the responsibility of the legal advisor to the management of the company. Thus, no responsibility or liability is assumed from our report to the origin and continuity of the subject. We have not inspected the original documents filed in the relevant authorities to verify ownership of the subject. We need to state that we are not legal professional and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the subject. No responsibility or liability is assumed in relation to those opinions or copies of document provided (if any).

In accordance with our standard practice, this report is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of the contents of this report.

We hereby certify that we have neither present nor prospective interests in the assets or the value reported.

Yours faithfully,

For and on behalf of

VIGERS APPRAISAL & CONSULTING LTD.

Raymond Ho Kai Kwong

Registered Professional Surveyor

MRICS, MHKIS, MSc (e-com)

Managing Director

Favian Kam Man Yin

CFA, MBA

Executive Director

Note: Raymond K. K. Ho, Chartered Surveyor, MRICS, MHKIS, RPS, MSc (e-com), has twenty five years experience in undertaking valuation of properties, intangible and business in Hong Kong, Macau and the PRC and has extensive experience in business valuation in the Greater China region since 1993. Favian M. Y. Kam, CFA, MBA, has over twelve years experience in business, intangible and financial assets valuation.

The following is the text of the letter and valuation certificate received from Vigers Appraisal & Consulting Limited in connection with its valuation of the property interest of Hydoo Harbin as at 30 November 2012, which is prepared for the purpose of inclusion in this circular.

Vigers Appraisal & Consulting Limited
International Assets Appraisal Consultants

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong



21 December 2012

The Directors
China South City Holdings Limited
Room 2205, Sun Life Tower
The Gateway
No. 15 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

Dear Sirs,

In accordance with the instructions of China South City Holdings Limited (the "Company") for us to value the property interest held by 哈爾濱毅德商貿城有限公司 (Hydoo Harbin Trade City Co., Ltd.) ("Hydoo Harbin") in the People's Republic of China ("the PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interest as at 30 November 2012 ("date of valuation") for the purpose of incorporation in the circular.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property interest, which is held by Hydoo Harbin for future development in the PRC, we have valued on the basis that the property will be developed and completed in accordance with the latest development proposal as provided to us. We have assumed that all consents, approvals and licences from relevant government authorities for the development proposal have been obtained or will be obtained without

onerous conditions or undue time delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidences as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development.

Our valuation has been made on the assumption that the owner sells the property interest on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interest. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interest at the relevant government bureau in the PRC. We have been provided with certain extracts of title documents relating to the property interest. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interests, we have relied on the legal opinion (the “PRC legal opinion”) provided by the Company’s PRC legal adviser, Commerce & Finance Law Offices.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matter. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property are free from defect. No tests were carried out on any of the services.

We have not carried out investigations on site to determine the suitability of ground conditions and services etc. for any future development, nor have we undertaken any ecological or environmental surveys. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction period.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Our valuation is prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB).

We enclose herewith the valuation certificate.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor (GP)
MRICS MHKIS MSc (e-com)
China Real Estate Appraiser
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc (e-com), has over twenty five years' experiences in undertaking valuations of properties in Hong Kong and has over eighteen years' experiences in valuations of properties in the PRC.

VALUATION CERTIFICATE

Property interest held by Hydoos Harbin for future development in the PRC

Property	Description and Tenure	Particulars of occupancy	Market Value
			in existing state as at 30 November 2012
A development project located at the west of Huanan Middle Road, Tuanjie Town, Daowai District, Harbin City, Heilongjiang Province, the PRC	The property comprises 3 parcels of land having a total site area of approximately 270,354.07 sq.m. The property is planned to be developed into a commercial development. The property is held with the land use rights for commercial uses.	The property is currently under site formation.	RMB87,400,000 (see Note 7 below)

Notes:

1. According to the State-owned Land Use Rights Certificate, the land use rights of the property having a site area of approximately 33,482.30 sq.m. have been granted to 哈爾濱毅德商貿城有限公司 (Hydoos Harbin Trade City Co., Ltd.) for commercial uses. Details are summarized as follows:

No.	Lot No.	State-owned Land Use Rights Certificate No.	Use	Site Area (sq.m.)	Date of Term Expiry
1	5-12-10-425(D)	Ha Guo Yong (2012) No. 04004167	Commercial	33,482.30	8 August 2052

2. According to the State-owned Land Use Rights Grant Contract (Document No.: Ha Zheng Tu (Li Yong) He Zi (2012) No. 15) entered into between Harbin City State Land Resources Bureau (Party A) and 哈爾濱毅德商貿城有限公司 (Hydoos Harbin Trade City Co., Ltd.) (Party B) dated 2 July 2012, Party A has agreed to grant the land use rights of the property having a site area of approximately 33,482.30 sq.m. to Party B at a consideration of RMB30,500,000. Details are summarized as follows:-

(i)	Lot No.	:	5-12-10-425(D)
(ii)	Site Area	:	33,482.30 sq.m.
(iii)	Year Terms and Uses	:	40 years for commercial, wholesaling, retailing and catering uses from the delivery date of the site
(iv)	Plot Ratio	:	not less than 1 but not more than 8
(v)	Density	:	less than 60%
(vi)	Greenery Ratio	:	not less than 20%
(vii)	Building Covenant	:	commenced before 14 August 2013 and completion before 13 August 2016

3. According to the State-owned Land Use Rights Grant Contract (Document No.: Ha Zheng Tu (Li Yong) He Zi (2012) No. 18) entered into between Harbin City State Land Resources Bureau (Party A) and 哈爾濱毅德商貿城有限公司 (Hydoo Harbin Trade City Co., Ltd.) (Party B) dated 1 November 2012, Party A has agreed to grant the land use rights of the property having a site area of approximately 134,890.23 sq.m. to Party B at a consideration of RMB123,000,000. Details are summarized as follows:-

(i)	Lot No.	:	5-12-10-426(D)
(ii)	Site Area	:	134,890.23 sq.m.
(iii)	Year Terms and Uses	:	40 years for commercial, wholesaling, retailing and catering uses from the delivery date of the site
(iv)	Plot Ratio	:	not less than 1 but not more than 2.5
(v)	Density	:	less than 60%
(vi)	Greenery Ratio	:	not less than 20%
(vii)	Building Covenant	:	commenced before 16 December 2013 and completion before 15 December 2016

4. According to the State-owned Land Use Rights Grant Contract (Document No.: Ha Zheng Tu (Li Yong) He Zi (2012) No. 20) entered into between Harbin City State Land Resources Bureau (Party A) and 哈爾濱毅德商貿城有限公司 (Hydoo Harbin Trade City Co., Ltd.) (Party B) dated 1 November 2012, Party A has agreed to grant the land use rights of the property having a site area of approximately 101,981.54 sq.m. to Party B at a consideration of RMB93,000,000. Details are summarized as follows:-

(i)	Lot No.	:	5-12-10-428(D)
(ii)	Site Area	:	101,981.54 sq.m.
(iii)	Year Terms and Uses	:	40 years for commercial, wholesaling, retailing and catering uses from the delivery date of the site
(iv)	Plot Ratio	:	not less than 1 but not more than 3
(v)	Density	:	less than 60%
(vi)	Greenery Ratio	:	not less than 20%
(vii)	Building Covenant	:	commenced before 16 December 2013 and completion before 15 December 2016

5. According to the Planning Permit for Construction Land (Document No.: Ha Gui Cheng (Daowai) Di Zi No. (2012) 9) issued by Harbin City Urban and Village Planning Bureau on 23 August 2012, the construction site of a parcel of land for Lot No. 5-12-10-425(D) with a site area of 33,482.29 sq.m. is compliance with the urban and village planning requirements.

6. The State-owned Land Use Rights Certificate of the property with a site area of approximately 236,871.77 sq.m. out of the total 270,354.07 sq.m. has not been obtained yet.

7. In the course of our valuation, we have ascribed value to portion of the property which the State-owned Land Use Rights Certificate has been obtained. Had a valid State-owned Land Use Rights Certificates been issued to the remaining portion of the property, all land premium and related fees for the grant of the certificates, amounting to approximately RMB126 million, fully settled, the market value of the property as at the date of valuation would be RMB706,000,000.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or, the chief executives of the Company were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position in the Shares and underlying shares of the Company

Name of Director	Number of Shares and underlying shares held as at the Latest Practicable Date				Total	Approximate percentage of the issued share capital of the Company ⁽⁹⁾
	Corporate interest	Personal interest	Family interest	Share options		
Cheng Chung Hing	2,411,844,767 ⁽¹⁾	76,000,000	–	–	2,487,844,767	41.10%
Ma Kai Cheung	888,966,649 ⁽²⁾	–	–	–	888,966,649	14.69%
Leung Moon Lam	523,899,770 ⁽³⁾	57,389,977	2,000,000	59,870,000 ⁽⁴⁾	583,289,747	9.64%
Sun Kai Lit Cliff	217,241,662 ⁽⁵⁾	–	800,000	–	218,041,662	3.60%
Ma Wai Mo	226,197,662 ⁽⁶⁾	–	–	–	226,197,662	3.74%
Cheng Tai Po	2,411,844,767 ⁽⁷⁾	4,936,000	–	–	2,416,780,767	39.92%
Li Wai Keung	–	5,300,000	–	–	5,300,000	0.08%
Xu Yang	–	–	–	25,000,000 ⁽⁸⁾	25,000,000	0.41%

Notes:

- (1) Mr. Cheng Chung Hing is interested in 50% and approximately 56.25% of the respective issued share capital of Accurate Gain Developments Limited and Proficient Success Limited which in turn holds 1,339,913,759 and 1,071,931,008 Shares respectively and is therefore deemed to be interested in an aggregate of 2,411,844,767 Shares. Mr. Cheng is a director of each of Accurate Gain Developments Limited and Proficient Success Limited. Mr. Cheng is the younger brother of Mr. Cheng Tai Po.

- (2) Dr. Ma Kai Cheung, as beneficial owner and beneficiary of trust and through the interest of his spouse, being interested in 44.21% of the issued share capital of Tak Sing Alliance Holdings Limited which through a number of intermediaries, wholly owns Carrianna Development Limited, Dr. Ma Kai Cheung is therefore deemed to be interested and duplicated interested in an aggregate of 888,966,649 shares held by Carrianna Development Limited via its holding company. Dr. Ma is a director of each Tak Sing Alliance Holdings Limited, Carrianna Development Limited, Sincere United Holdings Limited, Carrianna Holdings Limited, Gartrend Development Limited and Carrianna (BVI) Ltd.
- (3) Mr. Leung Moon Lam owns 100% of the issued share capital of Kings Faith International Limited which in turn holds 523,899,770 Shares and is therefore deemed to be interested in 523,899,770 Shares held by Kings Faith International Limited. Mr. Leung Moon Lam is a director of Kings Faith International Limited.
- (4) The relevant interests are share options granted to Mr. Leung Moon Lam pursuant to the Company's share options scheme adopted on 4 September 2009.
- (5) Mr. Sun Kai Lit Cliff owns the entire interests in Kinox Holdings Limited and is therefore deemed to be interested in an aggregate of 217,241,662 Shares held by Kinox Holdings Limited.
- (6) By virtue of Dr. Ma Wai Mo's 50% shareholding interests in Luk Ka Overseas Investments Limited which is interested in 100% interests in Luk Ka International Limited, Dr. Ma is deemed to be interested and duplicate in the interest in the same 226,197,662 Shares held by Luk Ka International Limited.
- (7) Mr. Cheng Tai Po is interested in 50% and approximately 39.58% in the respective issued share capital of Accurate Gain Developments Limited and Proficient Success Limited which in turn holds 1,339,913,759 and 1,071,931,008 Shares respectively and is therefore deemed to be interested in an aggregate of 2,411,844,767 Shares. Mr. Cheng Tai Po is a director of each of Accurate Gain Developments Limited and Proficient Success Limited and he is the elder brother of Mr. Cheng Chung Hing.
- (8) The relevant interests are share options granted to Professor Xu Yang pursuant to the Company's share option scheme adopted on 4 September 2009.
- (9) The percentage shareholding is calculated on the basis of 6,053,564,000 Shares issued as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors have taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, to the knowledge of the Directors, the following persons (other than a Director or chief executive of the Company) had or were deemed or taken to have interests or short position in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name	Nature of interest	Number of Shares held	Long/short position	Approximate percentage of the Company's total issued share capital ⁽⁵⁾
Accurate Gain Developments Limited	Beneficial owner	1,339,913,759 ⁽¹⁾	Long position	22.13%
Proficient Success Limited	Beneficial owner	1,071,931,008 ⁽²⁾	Long position	17.71%
Tak Sing Alliance Holdings Limited	Deemed interest in controlled corporation	888,966,649 ⁽³⁾	Long position	14.69%
Carrianna (BVI) Limited	Deemed interest in controlled corporation	888,966,649 ⁽³⁾	Long position	14.69%
Gartrend Development Limited	Deemed interest in controlled corporation	888,966,649 ⁽³⁾	Long position	14.69%
Carrianna Holdings Limited	Deemed interest in controlled corporation	888,966,649 ⁽³⁾	Long position	14.69%
Sincere United Holdings Limited	Deemed interest in controlled corporation	888,966,649 ⁽³⁾	Long position	14.69%
Carrianna Development Limited	Deemed interest in controlled corporation	888,966,649 ⁽³⁾	Long position	14.69%
Kings Faith International Limited	Beneficial owner	523,899,770 ⁽⁴⁾	Long position	8.65%

Notes:

- (1) Mr. Cheng Chung Hing and Mr. Cheng Tai Po each own 50% of the issued share capital of Accurate Gain Developments Limited.

- (2) Mr. Cheng Chung Hing and Mr. Cheng Tai Po owns approximately 56.25% and 39.58% respectively of the issued share capital of Proficient Success Limited.
- (3) Carrianna Development Limited is wholly owned by Sincere United Holdings Limited, which in turn is wholly owned by Carrianna Holdings Limited. Carrianna Holdings Limited is wholly owned beneficially by Gartrend Development Limited with Dr. Ma Kai Cheung holding one share on trust for Gartrend Development Limited. Gartrend Development Limited has two classes of issued shares: ordinary shares and non-voting deferred shares. Dr. Ma Kai Cheung and his brother Mr. Ma Kai Yum each holds 50% of the non-voting deferred shares of Gartrend Development Limited, which (a) carry no right to attend or vote at, or to receive notice of, general meetings, (b) do not entitle its holders to receive dividends until (i) after the holders of ordinary shares have been paid, (ii) the company's profit available for distribution as dividends exceed HK\$100,000,000,000,000.00 and (iii) the company determines to make such distribution to the holders of non-voting deferred shares, and (c) rank after the claims of the ordinary shareholders as regards to repayment of capital in the event of insolvency in that only one half of the balance of HK\$100,000,000,000,000.00 in the assets of the company (if any) is distributable among the holders of non-voting deferred shares. All of the ordinary shares of Gartrend Development Limited are beneficially held by Carrianna (BVI) Ltd, with one share held by Dr. Ma Kai Cheung on trust for Carrianna (BVI) Ltd. Carrianna (BVI) Ltd is wholly owned by Tak Sing Alliance Holdings Limited.
- (4) These 523,899,770 Shares are held by Kings Faith International Limited which in turn is 100% owned by Mr. Leung Moon Lam.
- (5) The percentage shareholding is calculated on the basis of 6,053,564,000 Shares issued as at the Latest Practicable Date.

Save as disclosed herein, as at the Latest Practicable Date, so far as was known to the Directors or the chief executive of the Company, there was no other person, other than Directors or the chief executive of the Company and (in the case of the other members of the Group) other than the Company, who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Save as disclosed in the section headed "2. Directors' and chief executive's interests in securities" in this appendix, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest in the Company's shares required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DISCLOSURE OF OTHER INTERESTS**(i) Interests in competing business**

As at the Latest Practicable Date, none of the Directors or their respective associates had an interest in any business constituting a competing business to the Group.

(ii) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2012 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

(iii) Interests in contract or arrangement

As at the Latest Practicable Date, there was no contract or arrangement in which any Director was materially interested and which was significant in relation to the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have given opinions or advices which are contained in this circular:

Name	Qualification
REORIENT Financial Markets Limited	licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Vigers Appraisal & Consulting Limited	Professional valuers and surveyors
Commerce & Finance Law Offices	Qualified PRC lawyers

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and/or the reference to its name or opinion in the form and context in which they respectively appear as at the Latest Practicable Date.

As at the Latest Practicable Date, all of the experts above were not beneficially interested in the share capital of any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2012 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Suite 2205, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong, from the date of this circular up to and including 4 January 2013:

- (a) the Equity Transfer Agreement;
- (b) a letter agreement dated 19 December 2012 entered into between the Purchaser and the Vendor to extend the long stop date on the satisfaction of the Conditions Precedent under the Equity Transfer Agreement; and
- (c) the PRC legal opinion issued by Commerce & Finance Law Offices.