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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 35% EQUITY INTEREST IN CSC XI'AN

THE EQUITY TRANSFER

The Board is pleased to announce that on 10 February 2014, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Vendor, and pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Equity (being a 35% equity interest in CSC Xi'an) at the Consideration (being RMB260 million).

LISTING RULES IMPLICATIONS

Since certain of the applicable percentage ratios for the Equity Transfer are more than 5% but all of the ratios are less than 25%, the Equity Transfer constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. In addition, as at the date of this announcement, the Vendor is a substantial shareholder of CSC Xi'an, an indirect non wholly-owned subsidiary of the Company. Accordingly, the Vendor is a connected person of the Company and the Equity Transfer also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Equity Transfer, being a discloseable and connected transaction, is subject to the reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

A circular containing, among other things, (i) further information on the Equity Transfer; (ii) a recommendation from independent board committee of the Company to the Independent Shareholders in relation to the Equity Transfer; (iii) a letter of advice from the

independent financial adviser to the independent board committee of the Company and the Independent Shareholders in relation to the Equity Transfer; (iv) an independent valuation report on the Sale Equity; and (v) a notice of the EGM, is expected to be despatched to the Shareholders on or before 3 March 2014.

As Completion is subject to the satisfaction of a number of conditions, the Equity Transfer may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on 10 February 2014, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Vendor, and pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Equity (being a 35% equity interest in CSC Xi'an) at the Consideration (being RMB260 million).

THE EQUITY TRANSFER

The Equity Transfer Agreement

Date

10 February 2014

Parties

- (1) Vendor: 黃文杰 (Huang Wenjie*)
- (2) Purchaser: 華南城集團有限公司 (China South City Group Ltd.*) , a wholly-owned subsidiary of the Company and is principally engaged in investment holding

Subject matter

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

Conditions Precedent

Completion of the Equity Transfer will only occur upon the satisfaction of the following conditions precedent (the “**Conditions Precedent**”), provided that the Conditions Precedent under paragraphs (i), (iii), (iv), (v) and (vi) below may be waived by the Purchaser in writing and the Condition Precedent under paragraph (ii) below may be waived by the Vendor in writing:

- (i) all necessary internal approvals of the transactions under the Equity Transfer Agreement having been obtained by CSC Xi'an;

- (ii) the articles of CSC Xi'an having been amended pursuant to the Equity Transfer Agreement and approved by the Purchaser;
- (iii) the directors and senior management of CSC Xi'an appointed by the Vendor having resigned;
- (iv) the procedures of registration and approval at the relevant authorities in respect of the Equity Transfer having been completed;
- (v) the Vendor confirming in writing that the representations and warranties given by the Vendor under the Equity Transfer Agreement being true, correct, complete and not misleading in all material respects as at Completion;
- (vi) the Vendor confirming in writing that, as at Completion, it has not breached any provision of the Equity Transfer Agreement, or the Purchaser has been compensated for any such breach by the Vendor in the manner agreed by the Purchaser; and
- (vii) the announcement and circular to be issued by the Company 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 is not acceptable to the Company) having been raised or imposed by the Stock Exchange with respect to the transactions under the Equity Transfer Agreement, and all relevant obligations of the Company under the Listing Rules having been fully complied with (including but not limited to the approval by the Independent Shareholders).

Completion shall occur on the date to be confirmed by the Vendor and the Purchaser in writing on which all the Conditions Precedent have been satisfied (or waived in accordance with the terms of the Equity Transfer Agreement).

Consideration

The consideration for the sale and purchase of the Sale Equity shall be RMB260 million (the "**Consideration**"), which shall be payable by the Purchaser to the Vendor (by way of cheque or in such other manner as agreed by both parties, but after deducting therefrom the relevant individual income tax payable by the Vendor in respect of the Equity Transfer in accordance with the relevant PRC laws and regulations) within five business days from the day on which Completion occurs. The parties anticipate the amount of the said tax to be not more than RMB37.6633 million. If the actual amount of tax payable exceeds such amount, the excess shall be borne by the Vendor, and if the actual amount of tax payable is less than such amount, the difference will be refunded to the Vendor.

The 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 Xi'an Project, the independent valuation of the Sale Equity prepared by Vigers Appraisal & Consulting Limited as at 31 December 2013 (the relevant valuation report will be set out in

the circular to be despatched by the Company) in the amount of RMB324.1 million after taking into account, among others, the dividends declared by CSC Xi'an since 31 December 2013 and the unaudited net asset value of CSC Xi'an (prepared based on the generally accepted accounting principles in the PRC) attributable to the Sale Equity as at 31 December 2013 (as adjusted by dividends declared by CSC Xi'an since 31 December 2013) in the amount of approximately RMB129.6 million.

The Consideration will be funded by the internal resources of the Group.

INFORMATION ON CSC XI'AN

As at the date of this announcement, CSC Xi'an is indirectly held as to 65% by the Company and as to 35% by the Vendor. Upon Completion, CSC Xi'an will become an indirect wholly-owned subsidiary of the Company. CSC Xi'an is principally engaged in the development and operation of large-scale integrated logistics and trade centers under the Xi'an Project. Based on the information provided by the Vendor and insofar as the Company is aware, the Vendor acquired the Sale Equity at the consideration of approximately RMB71.7 million.

Set out below is a summary of certain financial information of CSC Xi'an for the year ended 31 December 2013 (unaudited) and the year ended 31 December 2012 (audited) (prepared in accordance with the generally accepted accounting principles in the PRC):

	For the year ended 31 December 2013 (RMB'000) (unaudited)	For the year ended 31 December 2012 (RMB'000) (audited)
Net profit / (loss) (before taxation)	1,229,343	(56,227)
Net profit / (loss) (after taxation)	921,753	(56,227)

The unaudited net asset value of CSC Xi'an attributable to the Sale Equity (prepared based on the generally accepted accounting principles in the PRC) as at 31 December 2013 (as adjusted by dividends declared by CSC Xi'an since 31 December 2013) is approximately RMB129.6 million.

REASONS FOR AND THE BENEFITS OF THE EQUITY TRANSFER

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

The Company is of the view that the Xi'an Project undertaken by CSC Xi'an represents the Group's strategic expansion in northwest of the PRC. Upon Completion, the Group will gain complete control of CSC Xi'an which would enhance the management and operation efficiency in carrying out the Group's business decisions and development strategies in respect of the Xi'an Project. The Equity Transfer will also enhance the Group's return on its investment in the Xi'an Project.

On the basis of the foregoing, the Directors (excluding the independent non-executive Directors who will form their view after receiving and reviewing the advice of the independent financial adviser) consider that the terms of the Equity Transfer are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Since certain of the applicable percentage ratios for the Equity Transfer are more than 5% but all of the ratios are less than 25%, the Equity Transfer constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. In addition, as at the date of this announcement, the Vendor is a substantial shareholder of CSC Xi'an, an indirect non wholly-owned subsidiary of the Company. Accordingly, the Vendor is a connected person of the Company and the Equity Transfer also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Equity Transfer, being a discloseable and connected transaction, is subject to the reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

An independent board committee comprising the independent non-executive Directors has been appointed to consider the terms of the Equity Transfer and to advise the Independent Shareholders as to whether the Equity Transfer is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. An independent financial adviser, Crosby Securities Limited, has been appointed to advise the independent board committee of the Company and the Independent Shareholders on the fairness and reasonableness of the terms of the Equity Transfer.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further information on the Equity Transfer; (ii) a recommendation from independent board committee of the Company to the Independent Shareholders in relation to the Equity Transfer; (iii) a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders in relation to the Equity Transfer; (iv) an independent valuation report on the Sale Equity; and (v) a notice of the EGM, is expected to be despatched to the Shareholders on or before 3 March 2014.

As Completion is subject to the satisfaction of a number of conditions, the Equity Transfer may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Board”	the board of directors 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”	the completion of the Equity Transfer pursuant to the terms of the Equity Transfer Agreement
“Conditions Precedent”	has the meaning ascribed to it under the section headed “The Equity Transfer - Conditions Precedent”
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	has the meaning ascribed to it under the section headed “The Equity Transfer - Consideration”
“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 as at the date of this announcement, a subsidiary of the Company indirectly owned as to 65% by the Company
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Equity Transfer
“Equity Transfer”	the proposed transfer of the Sale Equity by the Vendor to the Purchaser pursuant to the terms of the Equity Transfer Agreement
“Equity Transfer Agreement”	the conditional equity transfer agreement dated 10 February 2014 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
“Independent Shareholders”	Shareholders other than those who are required under the Listing Rules to abstain from voting on the resolution to be proposed at the EGM to approve the Equity Transfer
“Listing Rules”	the Rules Governing the Listing of the Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	華南城集團有限公司 (China South City Group Ltd.*) , a company established in the PRC and a wholly-owned subsidiary of the Company

“Sale Equity”	35% of the equity interest in CSC Xi’an
“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
“Vendor”	黃文杰 (Huang Wenjie*)
“Xi’an Project”	the project undertaken by CSC Xi’an for the development and operation of large-scale integrated logistics and trade centers in the Xi’an International Trade and Logistics Park in Xi’an, Shaanxi Province, the PRC
“HK\$”	Hong Kong dollars(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

* The English translation is provided for identification purposes only.

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

Hong Kong, 10 February 2014

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