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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**  
**EQUITY TRANSFER OF 35% EQUITY INTEREST IN CSC XI'AN**

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

**CROSBY**

**Crosby Securities Limited**

A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 11 to 12 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 13 to 21 of this circular.

A notice convening the EGM to be held at Fountains Room 1-3, LG/F, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Thursday, 13 March 2014 at 2:30 p.m. is set out on pages 40 to 41 of this circular.

Whether or not you intend to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than two clear days before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish and in such event, the form of proxy will be deemed to be revoked.

25 February 2014

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## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expressions shall 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 “2. 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 “2. 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 Latest Practicable Date, 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 on 13 March 2014 for the purpose of considering and, if thought fit, approving the Equity Transfer, the notice for which is contained in this circular
“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

## 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, Mr. Hui Chiu Chung Stephen and Mr. Yung Wing Ki Samuel
“Independent Financial Adviser”	Crosby Securities 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 Equity Transfer
“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
“Latest Practicable Date”	20 February 2014, 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 the Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this circular 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
“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”	黄文杰 (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.

*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*  
Mr. Yung Wing Ki Samuel *SBS, MH, JP*

***Registered Office***

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

25 February 2014

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION**

We refer to the announcement of the Company dated 10 February 2014 in relation to the Equity Transfer.

**1. INTRODUCTION**

The Board announced on 10 February 2014 that 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).

## LETTER FROM THE BOARD

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 Latest Practicable Date, 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.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder has a material interest in the Equity Transfer and hence no Shareholder is required under the Listing Rules to abstain from voting at the EGM.

The purpose of this circular is to provide Shareholders with, among other things, (i) further information on the Equity Transfer; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Equity Transfer; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee 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.

## 2. THE EQUITY TRANSFER

The principal terms of the Equity Transfer Agreement are summarised as follows:

### **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.

## LETTER FROM THE BOARD

### 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). As at the Latest Practicable Date, none of the Conditions Precedent has been fulfilled.



## LETTER FROM THE BOARD

### 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 is set out as Appendix I to this circular) 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 non-controlling nature discount of 30% of the revalued Sale Equity, 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.

### 3. INFORMATION ON CSC XI’AN

As at the Latest Practicable Date, 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 a limited liability company established in the PRC on 12 November 2009 and is principally engaged in the development and operation of large-scale integrated logistics and trade centers under the Xi’an Project. In 2014, 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.

## LETTER FROM THE BOARD

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):

	<b>For the year ended 31 December 2013</b>	<b>For the year ended 31 December 2012</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(unaudited)	(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.

#### **4. REASONS FOR AND 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 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 (including the independent non-executive Directors 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.

#### **5. 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 Latest Practicable Date, 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.

## **LETTER FROM THE BOARD**

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 and the Independent Shareholders on the fairness and reasonableness of the terms of the Equity Transfer.

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

### **6. EXTRAORDINARY GENERAL MEETING**

Set out on pages 40 to 41 of this circular is a notice convening the EGM to be held at Fountains Room 1-3, LG/F, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Thursday, 13 March 2014 at 2:30 p.m. at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Equity Transfer.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than two clear days before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish and in such event, the form of proxy will be deemed to be revoked.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder has a material interest in the Equity Transfer and hence no Shareholder is required under the Listing Rules to abstain from voting at the EGM.

### **7. RECOMMENDATION**

Your attention is drawn to (a) the letter from the Independent Board Committee set out on pages 11 to 12 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 13 to 21 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, 25 February 2014

## 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 Equity Transfer, 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)**

25 February 2014

*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 25 February 2014 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 Equity Transfer 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 4 to 10 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 Equity Transfer, as set out on pages 13 to 21 of the Circular.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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 Equity Transfer 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. We therefore recommend you to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Equity Transfer.

Yours faithfully,

Independent Board Committee

<b>Mr. Leung Kwan Yuen</b>	<b>Mr. Li Wai Keung</b>	<b>Mr. Hui Chiu Chung</b>	<b>Mr. Yung Wing Ki</b>
<b>Andrew</b>		<b>Stephen</b>	<b>Samuel</b>
<i>GBS, SBS, JP</i>		<i>JP</i>	<i>SBS, MH, JP</i>
<i>Independent non-executive Directors</i>			

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

# CROSBY

5/F, AXA Centre  
151 Gloucester Road  
Wanchai, Hong Kong

25 February 2014

*To the Independent Board Committee and  
the Independent Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF 35% EQUITY INTEREST OF CSC XI'AN**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the entering into of the Equity Transfer Agreement between the Purchaser and the Vendor, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 25 February 2014, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 10 February 2014, the Purchaser, a 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 35% equity interest in CSC Xi'an) at the Consideration of RMB260 million.

As of the Latest Practicable Date, the Vendor held 35% equity interest in CSC Xi'an and therefore is a substantial shareholder of CSC Xi'an. CSC Xi'an is also an indirect non-wholly owned subsidiary of the Company. Accordingly, the Vendor is a connected person of the Company and the Equity Transfer constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Equity Transfer are more than 5% but less than 25%, the Equity Transfer constitutes a discloseable and connected transaction, and is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 and Mr. Yung Wing Ki Samuel, has been formed to advise the Independent Shareholders in relation to the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder.

### **BASIS OF OUR OPINION**

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company. The Directors have declared in a responsibility statement set out in Appendix III to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, the Vendor or any of their respective subsidiaries or associates.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and advice in respect of the entering into of the Equity Transfer Agreement, we have considered the following principal factors and reasons:

#### **A. Background of and reasons for entering into the Equity Transfer Agreement**

##### *Information on the Group*

The Group is principally engaged in the development and operation of large-scale integrated logistics and trade centers in the PRC, and the provision of a comprehensive trading platform of raw materials and finished products for domestic and international wholesale suppliers, buyers, manufacturers and distributors. Apart from the development of trade centers, the Group also builds other commercial and residential facilities next to the trade centers.

Reference is made to the Company's annual reports for the three years ended 31 March 2011, 2012 and 2013, and interim report for the six months ended 30 September 2013 (collectively, the "**Financial Reports**"). For the three years ended 31 March 2011, 2012 and 2013 and the six months ended 30 September 2013, property development has been the largest business segment of the Group. The



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Group's revenue from property development amounted to approximately HK\$2,046.3 million, HK\$3,431.3 million, HK\$7,178.7 million and HK\$2,998.5 million, respectively, representing approximately 91.6%, 93.5%, 95.9% and 93.8% of the Group's total consolidated revenue for the corresponding periods. As at the Latest Practicable Date, the Group had eight projects, namely China South City Shenzhen, China South City Nanchang, China South City Nanning, China South City Harbin, China South City Zhengzhou, China South City Hefei, the Chongqing project, and CSC Xi'an. The Xi'an Project represents the biggest project of the Group in terms of total planned gross floor area ("GFA") (including land acquired and may be acquired). Other business segments of the Group include property investment, property management, the provision of advertising, exhibition, logistic and warehousing, outlet center operation and others. The Group has also recently invested in a furniture retailer in the PRC.

### *Information on CSC Xi'an and the Xi'an Project*

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.

The Xi'an Project is situated in the Xi'an International Trade and Logistics Park in Shaanxi Province, and is adjacent to a transportation network connected to a railway container terminal and the largest bonded area in the northwestern region of China. There are two planned subway lines that cross the project site, of which one of the subway stations next to the Xi'an Project is currently under construction. CSC Xi'an has a planned total site area of approximately 10.0 million sq. m. and a total planned GFA of approximately 17.5 million sq. m. comprising trade centers mainly for fashion, clothing and accessories, machinery and hardware industries, and warehousing and logistics facilities. As at 31 December 2013, CSC Xi'an had acquired land having a total site area of 947,118.15 sq. m. on which 5 complex had been built and 3 more complex were still under planning.

A trade centre with a GFA of 620,300 sq. m. was completed in the financial year ended 31 March 2013 and another trade centre with a GFA of 278,400 sq. m. was completed during the six months ended 30 September 2013. Construction of other trade centers with a GFA of 461,200 sq. m. is scheduled to commence in the second half of the financial year ending 31 March 2014. As at 31 December 2013, CSC Xi'an was holding a total GFA of approximately 370,416.39 sq. m. which was available for sale. As advised by the Company, it is also expected that parts of the trade centers will commence operations in the calendar year of 2014.

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 based on the generally accepted accounting principles in the PRC):

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b>
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	<b>For the year ended 31 December 2013 (RMB'000) (unaudited)</b>	<b>For the year ended 31 December 2012 (RMB'000) (audited)</b>
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 (prepared based on the generally accepted accounting principles in the PRC) as at 31 December 2013 is RMB1,027.5 million. As understood from the Company, since 31 December 2013, CSC Xi'an has declared a total dividend of RMB657.1 million to its shareholders out of its distributable reserves in accordance with its articles. Taking into account the above dividend payment, the adjusted net asset value attributable to the Sale Equity as at 31 December 2013 would be approximately RMB129.6 million (the "**Post-Dividend NAV**").

According to the Financial Reports and our understanding of the Group's principal business, we note that the principal business of CSC Xi'an is in line with the ordinary and usual course of business of the Group.

***Reasons for the Equity Transfer***

CSC Xi'an is indirectly owned as to 65% by the Company and the Xi'an Project has been one of the major development projects of the Group. As stated above, the Xi'an Project represents the biggest project of the Group in terms of total planned GFA (including land acquired and may be acquired). The Company is of the view that the Xi'an Project undertaken by CSC Xi'an represents the Group's strategic expansion in the northwest of the PRC. As understood from the Company, the Group's business of trade and logistics centre development is supported by local governments in the PRC because the development of the Group's projects will help achieve a better city planning and accelerate the economic growth of developing cities.

In addition, we have reviewed the joint venture agreement (the "**JV Agreement**") entered into between China South International Industrial Materials City (Shenzhen) Co., Ltd. and Xin Hao Da (Hong Kong) Holdings Company Limited on 8 November 2009 in relation to the setting-up of CSC Xi'an and note that pursuant to the terms of the JV Agreement, China South City Group Limited has the right to appoint three directors and Xin Hao Da has the right to appoint two directors on CSC Xi'an's board of directors. As CSC Xi'an will become an indirect wholly-owned subsidiary of the Company upon Completion, gaining complete control of CSC Xi'an would enhance management and operation efficiency in carrying out the Group's business decisions and development strategies in respect of the Xi'an Project.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Finally, the Consideration as agreed between the Purchaser and the Vendor represents a discount of 19.8% to the independent valuation of the Sale Equity of RMB324.1 million performed by Vigers Appraisal & Consulting Limited (“**Vigers**”) (for further details of our analysis on the Consideration, please refer to the subsection headed ‘Consideration’ below). Based on such favorable terms, the Equity Transfer therefore represents an excellent opportunity for the Company to consolidate its control over CSC Xi’an and continue its strategic expansion in the northwest of the PRC.

Having taking into account that (i) the principal business of CSC Xi’an is in line with the ordinary and usual course of business of the Group; (ii) the Equity Transfer is consistent with the Group’s on-going strategic expansion into the northwest of the PRC; (iii) the Equity Transfer allows the Group to consolidate its control over CSC Xi’an and as a result, will potentially enhance management and operation efficiency in carrying out the Group’s business decisions and development strategies in respect of the Xi’an Project going forward; and (iv) the valuation of the Sale Equity is supported by Vigers, a professional independent third party valuer, and the Consideration represents a discount to the valuation of the Sale Equity, we are of the view that the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder are in the interests of the Group and the Independent Shareholders as a whole.

### **B. Major terms of the Equity Transfer Agreement**

#### *Subject matter*

Pursuant to the Equity Transfer Agreement, 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.

#### *Consideration*

We understand from the Company that the Consideration of RMB260 million 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, and the independent valuation of the Sale Equity (prepared by Vigers) as at 31 December 2013 (the relevant valuation report is set out in Appendix I of this Circular (the “**Sale Equity Valuation Report**”). The independent valuation of the Sale Equity mainly takes into account 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, the revaluation of the properties under the Xi’an Project (the “**Properties**”) as at 31 December 2013 as set out in Appendix II of this Circular (the “**Property Valuation Report**”), and the estimated deferred tax liabilities that may be payable by the Group upon delivery of the Properties.

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b>
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As stated above, the Post-Dividend NAV is approximately RMB129.6 million. The Consideration therefore represents a premium of approximately 100.8% over the Post-Dividend NAV. The principal activity of CSC Xi'an is the undertaking of the Xi'an Project, and we understand from the Company that the carrying amounts of the Properties are recorded in the financial statements of CSC Xi'an (as well as the Group) on historical cost basis. The Post-Dividend NAV therefore has not reflected, among other things, the market value of the Properties. As a substantial portion of a property developer's value lies within its properties, we consider that it is appropriate to compare the Consideration to the unaudited net asset value attributable to the Sale Equity after adjusting for, among other things, the market value of the Properties.

With reference to the Sale Equity Valuation Report, the valuation of the Sale Equity as at 31 December 2013 is RMB324,137,000. The valuation of the Sale Equity could be reconciled as follows:

	<i>RMB million</i> (approximate)	<i>RMB million</i> (approximate)
Unaudited net asset value of CSC Xi'an as at 31 December 2013 <i>Note 1</i>		1,027.5
Dividend declared subsequent to 31 December 2013		(657.1)
<i>Properties revaluation adjustment:</i>		
Market value of the Properties as at 31 December as set out in the Property Valuation Report	4,690.0	
Less: Related book value of the Properties as at 31 December 2013	(2,741.0)	1,949.0
Deferred tax liabilities adjustment <i>Note 2</i>		(996.3)
<b>Adjusted net asset value</b>		<b><u>1,323.1</u></b>
Attributable to the Sale Equity (35%)		463.1
Less: Non-controlling interest discount (30%) <i>Note 3</i>		(139.0)
<b>Estimated valuation of the Sale Equity</b>		<b><u>324.1</u></b>

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*Notes:*

1. The unaudited net asset value of CSC Xi'an as at 31 December 2013 represents the difference between the total assets of CSC Xi'an of approximately RMB4,666 million and the total liabilities of CSC Xi'an of approximately RMB3,640 million as at 31 December 2013.

The aggregate book value of the Properties, being approximately RMB2,741 million, accounted for approximately 60% of total assets of CSC Xi'an as at 31 December 2013, the value of which would be adjusted according to the Property Valuation, and the remaining approximately 40% of the total assets mainly represents cash balances, accounts receivables, other receivables, deferred tax assets and certain machinery and equipments, which, as advised by the Company and based on assumptions that the receivables would be recoverable, did not require adjustments to their book values.

Liabilities of CSC Xi'an as at 31 December 2013 comprised accounts payable mainly in relation to construction costs and expenses, tax payable, deposits received from pre-sales, bank borrowings and other accruals and other sundry payables. We understand from the Company these liabilities have been recorded consistent with the Group's accounting policies and shall reflect the amounts that CSC Xi'an was required to pay as at 31 December 2013, and thus required no adjustments to their book values.

2. As there may be potential deferred tax liabilities to be borne by the Group upon disposal of the Properties, in arriving at the valuation of the Sale Equity, the unaudited net asset value of CSC Xi'an as at 31 December 2013 has to be adjusted downwards.
3. This represents the discount rate that is normally applied on acquiring a non-controlling stake of a company that is similar to CSC Xi'an in terms of business activity as set out in the Sale Equity Valuation Report.

Based on the above reconciliation, the Consideration represents a discount of approximately 19.8% to the estimated valuation (after taking into account a 30% non-controlling interest discount) of the Sale Equity as at 31 December 2013.

Set out below is our work performed on the various adjustments on the unaudited net asset value of CSC Xi'an:

*i. Market value of the Properties*

As set out in the Property Valuation Report, Vigers has adjusted the unaudited net asset value of CSC Xi'an for the revaluation of the Properties as at 31 December 2013. In reviewing the valuation of the Properties (the "**Property Valuation**"), we have held discussions with Vigers. In particular, we note that in performing the Property Valuation, Vigers has adopted the direct comparison approach by making reference to the comparable transactions in the relevant locality. The Property Valuation is mainly based on the actual selling prices of units sold for completed properties and the comparable sales evidences as available in the market for parcels of land pending for development. We have also been advised by Vigers that given the particulars of the Properties, the above valuation methodologies are commonly adopted. Based on the above, we believe that the direct comparison approach adopted by Vigers in performing the Property Valuation is appropriate.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *ii. Deferred tax liabilities adjustment*

As set out in the Sale Equity Valuation Report, Vigers has adjusted the unaudited net asset value of CSC Xi'an for the estimated deferred tax liabilities that may be payable by the Group upon delivery of the Properties. We have obtained from the Company and reviewed the calculations in relation to the estimated deferred tax liabilities, and understand that the estimated deferred tax liabilities are calculated with reference to the prevailing tax rates, the projected sales proceeds from the sale of the Properties, and the projected allowable cost deductions. Based on the above, we consider that the Company's bases and assumptions in calculating the estimated deferred tax liabilities are reasonable.

### *iii. Non-controlling interest discount*

As set out in the Sale Equity Valuation Report, Vigers has adjusted the unaudited net asset value of CSC Xi'an for a non-controlling interest discount of 30% (as CSC Xi'an is already a subsidiary of the Company, the acquisition of a further 35% equity interest in CSC Xi'an is considered non-controlling in nature). Upon Completion, the Group will earn the amount of non-controlling interest discount now being applied to the valuation of the Sale Equity. We have obtained from Vigers and reviewed an independent report published by 'The Institute of Business Appraisers', a global professional society that offers business appraisal education and professional accreditation, and note that the proposed non-controlling interest discount for privately held real estate companies with regular cash flows to be approximately 30%. Based on the above, we consider that there is a reasonable basis to support the non-controlling interest discount used in the valuation of the Sale Equity.

### ***Payment terms***

The Consideration 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.

### ***Conditions precedents***

Please refer to the sub-section headed 'Conditions Precedents' in the Letter from the Board for the conditions precedents to the Equity Transfer.

### ***Completion***

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).

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having taking into account that (i) the valuation of the Sale Equity is supported by Vigers, a professional independent third party valuer; (ii) we have discussed with Vigers to understand that the direct comparison approach used to perform the Property Valuation is a commonly adopted valuation methodology given the particulars of the Properties; (iii) the Company's bases and assumptions in calculating the estimated deferred tax liabilities are reasonable; and (iv) there is a reasonable basis to support the non-controlling discount rate of 30% adopted by Vigers in valuing the Sale Equity, we consider that the approach adopted by Vigers to value the Sale Equity, and the related bases and assumptions, are fair and reasonable. Furthermore, as stated above, the Consideration represents a discount of approximately 19.8% to the estimated valuation of the Sale Equity as at 31 December 2013, which is favorable to the Company. As such, we are of the view that the Consideration is fair and reasonable, on normal commercial terms and in the interests of the Group and the Independent Shareholders as a whole.

### C. Possible financial effects of the Equity Transfer

Prior to the Equity Transfer, CSC Xi'an is an indirect non-wholly owned subsidiary of the Company. Upon Completion, CSC Xi'an will become an indirect wholly owned subsidiary of the Company. As such, the results of CSC Xi'an will continue to be consolidated into the results of the Group and the Group will not record any non-controlling interest on its holding in CSC Xi'an after Completion.

As stated in the Letter from the Board, the Consideration of RMB260 million will be funded by the internal resources of the Group. As noted in the Company's interim report for the six months ended 30 September 2013, given the Group's cash and cash equivalents balance of approximately HK\$9,080.3 million, we are of the view that the Equity Transfer will not have an immediate adverse impact on the Group's liquidity and working capital position.

## RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interest of the Group and the Shareholders as a whole, and the terms thereof are fair and reasonable so far as the Group and the Independent Shareholders are concerned.

Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Crosby Securities Limited**  
**Heidi Cheng**                      **Lily Li**  
*Managing Director*              *Assistant Director*  
*Corporate Finance*              *Corporate Finance*

*The following is the text of the letter received from Vigers Appraisal & Consulting Limited in connection with its valuation of the 35% equity interest of CSC Xi'an as at 31 December 2013, 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

Date: 25 February 2014

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 THE 35% EQUITY INTEREST OF 西安華南城有限公司 (XI'AN CHINA SOUTH CITY COMPANY LIMITED\*)**

In accordance with the request from China South City Holdings Limited (“China South City”), we have carried out a valuation of the 35% equity interest of 西安華南城有限公司 (Xi'an China South City Company Limited\*) (“CSC Xi'an”, or the “Company”) as at 31 December 2013 (the “Valuation Date”). The purpose of this report is to provide our opinion on the fair value of the 35% equity interest of the Company as at 31 December 2013 based on the net asset value (“NAV”) of the Company as per balance sheet dated 31 December 2013. We understand this valuation is required for the purpose of incorporation in the circular of China South City in respect of its equity transfer of the 35% equity interest of CSC Xi'an.

**SCOPE OF VALUATION**

CSC Xi'an is principally engaged in the development and operation of large-scale integrated logistics and trade centers and currently owns property interests as its core assets. The objective of this report is to assess the 35% equity interest of the Company (the “Sale Equity”) based on the reported figures as set out on the Company's balance sheet (“Balance Sheet”), together with the consideration of property revaluation adjustment, dividend payables, contingency liabilities as a result of the property revaluation and the non-controlling nature of the Sale Equity.



**BACKGROUND INFORMATION AND CORE ASSETS OF THE COMPANY**

As per our discussion with the management, CSC Xi'an currently owns properties located at No. 8 Port Avenue, Xi'an International Trade & Logistics Park, Xi'an City, Shannxi Province, the PRC (the "Property"). The Property details are set out in our Property Valuation Report dated 25 February 2014.

Based on our discussion with the management, the Company owned no trademarks, technologies, intangibles or other liabilities that were not reflected on 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 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.

**DETERMINATION OF THE VALUATION METHOD**

**Fair value** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The valuation of the NAV of the Company will be assessed in two phases. In phase one, the value of the property interests were assessed by our property valuer. We have been provided the market value of the property interests that were based on the same scope of valuation as at 31 December 2013.

In phase two, we assess the fair value of the Sales Equity. Given that the primary asset of CSC Xi'an is the property interest, the asset approach will be adopted. The fair value of CSC Xi'an was assessed by the adjusted NAV that incorporated revaluation change due to the fair value of property interests, other contingency liabilities and possible adjustment due to the non-controlling nature of the Sale Equity.

Based on the information available to us, the book value of 35% equity interest of CSC Xi'an (the "Adjusted NAV") is obtained from the NAV of CSC Xi'an as at 31 December 2013. We have considered the upward adjustment of the property valuation in the NAV adjustment. With reference to the Balance Sheet dated 31 December 2013 provided by China South City, the original net book value of the property was RMB2,741.0 million. According to the Property Valuation Report dated 25 February 2014, the aggregate valuation of the property was RMB4,690,000,000.00, which representing an upward adjustment of RMB1,949.0 million.

As per our discussion with the Company's management, CSC Xi'an has declare dividends of RMB657.1 million to the shareholders after 31 December 2013 and before the transaction. Such dividend payables would be deducted from the NAV adjustment. We also assumed that information provided to us is correctly budgeted and free from misrepresentation. Since the dividend payable is discretionary to CSC Xi'an, we cannot verify the reasonableness of the assumption.

As we are not tax expert, we have relied on China South City to assess the provision on deferred tax liabilities due to property revaluation. The amount of the deferred tax liabilities is estimated to be RMB996.3 million. It is also assumed that information provided to us is correctly calculated and free from misrepresentation. Since we are not expert nor in a position to provide tax advice, we can only rely on the information provided and we cannot verify the reasonableness of the assumption.

As per information provided, there is no adjustment required for account receivables, payables, other liabilities or assets. Due to the non-controlling nature of the Sales Equity, we would consider a discount of 30% to reflect of this non-controlling interest.

## 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, business contracts, project plan and related documents, if applicable, of the Company provided by China South City;
- The property valuation report which states the market value of the property interests as at 31 December 2013;
- The latest available Balance Sheet and the NAV of the Company as at 31 December 2013 provided by China South City;
- The dividend payables and deferred tax liabilities provided by China South City;
- The economic outlook of the PRC and the general outlook of the property industry in the PRC;
- Specific economic related to this project and specific risks associated with the Company.

**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 fixed assets located;
- The Company will retain its key management, competent personnel and technical staff to support its ongoing operation;
- Market trend and conditions for the property industry in the PRC will not deviate significantly from the economic forecasts in general;
- The valuation considered only the value of property interests which owned by the Company. As per information available to us, no other business operation/assets/investment was held by the Company that may generate future economic benefit;
- The Company holds no contracts, trademark, or any other intangible that provide economic benefit to the Company;
- There is no encumbrance, pledge, guarantee, that has not been reflected on the balance sheet as provided to us;
- The property value is based on the assumption that the land use right is clear, and is freely transferable. The property value is based on our property valuation performed on the valuation date as at 31 December 2013;
- As per discussed with the Company, the long term equity investment on 西安泰盛商業運營管理有限公司 (Xi'an Taisheng Commerce and Operation Management Company Limited\*) has not yet started any operation nor any economic contribution to CSC Xi'an. In this regards, we considered its cost value, i.e. the book value, in our valuation;
- As per our discussion with the Company's management, CSC Xi'an declared dividends to the shareholder before the transaction completed. It is assumed that information provided to us is correctly budgeted and free from misrepresentation. The dividend payable is solely based on such information provided and we cannot verify the reasonableness of the assumption;
- As we are not tax expert, we have relied on China South City with regard to the provision on tax liabilities. It is also assumed that information provided to us is correctly calculated and free from misrepresentation. The taxation is solely based on such information provided and we cannot verify the reasonableness of the assumption;

- As per our discussion with the Company's management, CSC Xi'an is currently owned by 華南城集團有限公司 (China South City Group Limited\*) (65%) and another third party (35%). Due to CSC Xi'an is already consolidated in the financial statements of China South City, the 35% share of another third party is considered in non-controlling nature. It is that assumed a 30% non-controlling discount to be applied.

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

## OPINION OF VALUE

With the above considerations, we have restated the balance sheet of the Company and concluded that the Sale Equity with the adjustment of the market value of the property interests, dividend payables, contingency liabilities as a result of the property revaluation and the non-controlling nature of the Sale Equity. Based on the aforesaid investigation, analysis and appraisal method employed, it is our opinion that, as at Valuation Date, the Sale Equity can be reasonably and approximately stated as Renminbi Three Hundred Twenty Four Million One Hundred Thirty Seven Thousand (RMB324,137,000) 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.

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)*  
*China Real Estate Appraiser*  
*Managing Director*

**Favian Kam Man Yin**  
*CFA, MBA*  
*Executive Director*

*Note:* Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), China Real Estate Appraiser, has over twenty seven years' experience in undertaking valuations of properties in Hong Kong and has over twenty years' experience in valuations of properties in the PRC. And he has over ten years' experience in business valuation.

\* *For identification purposes only*

*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 CSC Xi'an as at 31 December 2013, 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



25 February 2014

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 西安華南城有限公司 (Xi'an China South City Company Limited\*) ("CSC Xi'an") 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 31 December 2013 ("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 an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property interest, which is held by CSC Xi'an for sale and future development in the PRC, we have valued the property by direct comparison approach by making reference to comparable sales evidences as available in the market assuming sale with the benefit of vacant possession.

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 (2012 Edition) 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 seven years' experiences in undertaking valuations of properties in Hong Kong and has over twenty years' experiences in valuations of properties in the PRC.

\* *For identification purposes only*

## VALUATION CERTIFICATE

## Property interest held by CSC Xi'an for sale and future development in the PRC

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2013
China South City Xi'an, No. 8 Port Avenue, Xi'an International Trade & Logistics Park, Xi'an City, Shaanxi Province, the PRC	<p>The property comprises 7 parcels of land having a total site area of approximately 947,118.15 sq.m.</p> <p>The property is planned to be developed into a commercial development consisting of 8 buildings.</p>	The property was vacant as at the date of valuation.	RMB4,690,000,000

As at the date of valuation, 5 buildings had been erected thereon. The 5 buildings were completed in 2013 and their gross floor areas which are mainly intended for sale (the "Saleable Property") are as follows:

Building	No. of storey	Approximate Gross Floor Area (sq.m.)
Machinery and Hardware Trade Center Area "A"	3	66,347.16
Machinery and Hardware Trade Center Area "B"	3	274,306.86
Trade Plaza No. 2	6	487,174.78
Theme Trade Center	5	48,149.46
Office Center	2	<u>23,298.00</u>
Total:		<u><u>889,276.26</u></u>

As at the date of valuation, portions of the building have been sold and the remaining portion has a gross floor area of 370,416.39 sq.m..

According to the Company, the remaining 3 buildings are under planning and the associated costs have not been estimated. The relevant permits have not been obtained.

The property is held with the land use rights for commercial and service uses.



*Notes:*

1. According to 7 State-owned Land Use Rights Certificates, the land use rights of the property having a total site area of approximately 947,118.15 sq.m. have been granted to CSC Xi'an for commercial and service 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	GW1-(26)-1	Xi Gang Guo Yong (2012) No. 002	Commercial	278,984.40	30 June 2051
2	GW1-(26)-2	Xi Gang Guo Yong (2013) No. 003	Commercial and service	117,729.85	15 February 2053
3	GW2-(16)-1	Xi Gang Guo Yong (2011) No. 003	Commercial	111,530.50	24 July 2051
4	GW2-(18)-1	Xi Gang Guo Yong (2011) No. 009	Commercial and service	205,924.52	3 August 2051
5	GW2-(18)-3	Xi Gang Guo Yong (2012) No. 009	Commercial and service	2,350.34	19 April 2052
6	GW2-(15)-1	Xi Gang Guo Yong (2013) No. 025	Commercial and service	115,532.51	28 August 2053
7	GW2-(15)-2	Xi Gang Guo Yong (2013) No. 026	Commercial and service	115,066.03	28 August 2053
Total:				947,118.15	

2. According to 7 State-owned Land Use Rights Grant Contracts entered into between Xi'an City State Land Resources Bureau International Trade & Logistics Park Branch (Party A) and CSC Xi'an (Party B), Party A has agreed to grant the land use rights of the property having a total site area of approximately 947,118.15 sq.m. to Party B at a total consideration of RMB1,118,000,000. Details are summarized as follows:

No.	Lot No.	State-owned Land Use Rights Grant Contract No.	Use	Site Area (sq.m.)	Permitted Gross Floor Area (sq.m.)
1	GW1-(26)-1	GW-2011-3-93	Commercial	278,984.40	836,953.20
2	GW1-(26)-2	GF-2008-2601-28049	Commercial and service	117,729.85	353,189.55
3	GW2-(16)-1	GW-2011-5-206	Commercial	111,530.50	334,591.50
4	GW2-(18)-1	GW-2011-7-236	Commercial and service	205,924.52	514,811.30
5	GW2-(18)-3	GW-2012-6-42	Commercial and service	2,350.34	5,875.85
6	GW2-(15)-1	GF-2008-2601-29057	Commercial and service	115,532.51	231,065.02
7	GW2-(15)-2	GF-2008-2601-29058	Commercial and service	115,066.03	230,132.06
Total:				947,118.15	2,506,618.48

3. The PRC legal opinion states, inter alia, the following:

- (i) CSC Xi'an has legally owned the land use rights of the property.
- (ii) In respect of the Saleable Property, CSC Xi'an has obtained the Planning Permits for Construction Land, Planning Permits for Construction Works, Permits for Commencement of Construction Works and Pre-sales Permits issued by the relevant government departments.

4. The status of title and grant of major approvals and permits in accordance with the PRC legal opinion and information provided by the Company are as follows:
- |  |                                 |
|--|---------------------------------|
| (i) State-owned Land Use Rights Grant Contracts    | Yes                             |
| (ii) State-owned Land Use Rights Certificates      | Yes                             |
| (iii) Planning Permits for Construction Land       | Yes                             |
| (iv) Planning Permits for Construction Works       | Yes (for the Saleable Property) |
| (v) Permits for Commencement of Construction Works | Yes (for the Saleable Property) |
| (vi) Pre-sales Permits                             | Yes (for the Saleable Property) |
5. The property was inspected by Ms. Liu Fang Min, China Real Estate Appraiser (CREA), on 2 December 2013.

## 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 <sup>(8)</sup>
	Corporate interest	Personal interest	Family interest	Share options		
Cheng Chung Hing	2,367,180,976 <sup>(1)</sup>	76,000,000	—	—	2,443,180,976	35.53%
Cheng Tai Po	2,367,180,976 <sup>(2)</sup>	4,936,000	—	—	2,372,116,976	34.50%
Leung Moon Lam	523,899,770 <sup>(3)</sup>	57,389,977	2,000,000	120,670,000 <sup>(4)</sup>	703,959,747	10.24%
Ma Kai Cheung	138,966,649 <sup>(5)</sup>	—	—	—	138,966,649	2.02%
Ma Wai Mo	126,197,662 <sup>(6)</sup>	—	—	—	126,197,662	1.83%
Sun Kai Lit Cliff	117,241,662 <sup>(7)</sup>	—	—	—	117,241,662	1.70%
Xu Yang	—	6,146,000	—	24,000,000 <sup>(4)</sup>	30,146,000	0.43%
Li Wai Keung	—	7,500,000	—	2,000,000 <sup>(4)</sup>	9,500,000	0.13%
Leung Kwan Yuen						
Andrew	—	—	—	2,000,000 <sup>(4)</sup>	2,000,000	0.02%
Hui Chiu Chung						
Stephen	—	—	—	2,000,000 <sup>(4)</sup>	2,000,000	0.02%
Yung Wing Ki Samuel	—	—	—	2,000,000 <sup>(4)</sup>	2,000,000	0.02%

#### Notes:

- (1) Mr. Cheng Chung Hing is interested in 50% and 58.7% of the respective issued share capital of Accurate Gain Developments Limited and Proficient Success Limited which in turn holds 1,339,913,759 and 1,027,267,217 Shares respectively and is therefore deemed to be interested in an aggregate of 2,367,180,976 Shares. Mr. Cheng is a director of each of Accurate Gain Developments Limited and Proficient Success Limited. Mr. Cheng Chung Hing is the younger brother of Mr. Cheng Tai Po.

- (2) Mr. Cheng Tai Po is interested in 50% and 41.3% in the respective issued share capital of Accurate Gain Developments Limited and Proficient Success Limited which in turn holds 1,339,913,759 and 1,027,267,217 Shares respectively and is therefore deemed to be interested in an aggregate of 2,367,180,976 Shares. Mr. Cheng is a director of each of Accurate Gain Developments Limited and Proficient Success Limited. Mr. Cheng Tai Po is the elder brother of Mr. Cheng Chung Hing.
- (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. 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, Professor Xu Yang, Mr. Li Wai Keung, Mr. Leung Kwan Yuen Andrew, Mr. Hui Chiu Chung Stephen and Mr. Yung Wing Ki Samuel pursuant to the Company's share options scheme adopted on 4 September 2009.
- (5) 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 Carrianna Group Holdings Company Limited (formerly known as "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 138,966,649 Shares held by Carrianna Development Limited via its holding company. Dr. Ma is a director of each Carrianna Group Holdings Company Limited, Carrianna Development Limited, Sincere United Holdings Limited, Carrianna Holdings Limited, Gartrend Development Limited and Carrianna (BVI) Ltd.
- (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 126,197,662 Shares held by Luk Ka International Limited.
- (7) Mr. Sun Kai Lit Cliff owns the entire interests in Kinox Holdings Limited and is therefore deemed to be interested in an aggregate of 117,241,662 Shares held by Kinox Holdings Limited.
- (8) The percentage shareholding is calculated on the basis of 6,874,514,000 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 or underlying Shares held	Long/short position	Approximate percentage of the Company's total issued share capital <sup>(7)</sup>
Accurate Gain Developments Limited	Beneficial owner	1,339,913,759 <sup>(1)</sup>	Long position	19.49%
Proficient Success Limited	Beneficial owner	1,027,267,217 <sup>(2)</sup>	Long position	14.94%
Mr. Chen Hong Tian	Deemed interest in controlled corporation	950,000,000 <sup>(3)</sup>	Long position	13.81%
Mrs. Chen Li Ni Yao	Deemed interest in controlled corporation	950,000,000 <sup>(3)</sup>	Long position	13.81%
Chen Family Assets Management Company Limited	Deemed interest in controlled corporation	950,000,000 <sup>(3)</sup>	Long position	13.81%
Chen's International Investment Limited	Beneficial owner	950,000,000 <sup>(3)</sup>	Long position	13.81%
Naspers Limited	Deemed interest in controlled corporation	925,100,000 <sup>(4)</sup>	Long position	13.45%
MIH TC Holdings Limited	Deemed interest in controlled corporation	925,100,000 <sup>(4)</sup>	Long position	13.45%
Tencent Holdings Limited	Deemed interest in controlled corporation	925,100,000 <sup>(4)</sup>	Long position	13.45%
THL H Limited	Beneficial owner	925,100,000 <sup>(4)</sup>	Long position	13.45%

Name	Nature of interest	Number of Shares or underlying Shares held	Long/short position	Approximate percentage of the Company's total issued share capital <sup>(7)</sup>
PAG Holdings Limited	Deemed interest in controlled corporation	657,682,000 <sup>(5)</sup>	Long position	9.56%
		299,358,974 <sup>(5)</sup>	Short position	4.35%
Pacific Alliance Group Limited	Deemed interest in controlled corporation	657,682,000 <sup>(5)</sup>	Long position	9.56%
		299,358,974 <sup>(5)</sup>	Short position	4.35%
Pacific Alliance Investment Management Limited	Deemed interest in controlled corporation	657,682,000 <sup>(5)</sup>	Long position	9.56%
		299,358,974 <sup>(5)</sup>	Short position	4.35%
Pacific Alliance Group Asset Management Limited	Deemed interest in controlled corporation	657,682,000 <sup>(5)</sup>	Long position	9.56%
		299,358,974 <sup>(5)</sup>	Short position	4.35%
Pacific Alliance Asia Opportunity Fund L.P.	Beneficial owner	657,682,000 <sup>(5)</sup>	Long position	9.56%
		299,358,974 <sup>(5)</sup>	Short position	4.35%
Kings Faith International Limited	Beneficial owner	523,899,770 <sup>(6)</sup>	Long position	7.62%

*Notes:*

- (1) Mr. Cheng Chung Hing and Mr. Cheng Tai Po each owns 50% of the issued share capital of Accurate Gain Developments Limited.
- (2) Mr. Cheng Chung Hing and Mr. Cheng Tai Po own 58.7% and 41.3% respectively of the issued share capital of Proficient Success Limited.
- (3) Chen's International Investment Limited is wholly owned by Chen Family Assets Management Company Limited. Mr. Chen Hong Tian and Mrs. Chen Li Ni Yao each owns 50% of the issued share capital of Chen Family Assets Management Company Limited.
- (4) Pursuant to an investment and cooperation agreement entered into between the Company and THL H Limited on 15 January 2014, 680,300,000 Shares were issued and allotted by the Company to THL H Limited on 23 January 2014. The Company has also granted an option to THL H Limited to subscribe for 244,800,000 Shares. THL H Limited is wholly owned by Tencent Holdings Limited. Tencent Holdings Limited is owned as to 33.81% by MIH TC Holdings Limited, a company owned as to 90% by MIH (Mauritius) Limited which in turn is indirectly wholly owned by Naspers Limited.
- (5) Pacific Alliance Group Asset Management Limited is the general partner of Pacific Alliance Asia Opportunity Fund L.P.. Pacific Alliance Group Asset Management Limited is wholly owned by Pacific Alliance Investment Management Limited. PAG Holdings Limited owns 99.17% of the issued share capital of Pacific Alliance Group Limited which owns 90% of the issued share capital of Pacific

Alliance Investment Management Limited. Thus, all of the above mentioned entities are deemed to be interested in an aggregate of 657,682,000 Shares held by Pacific Alliance Asia Opportunity Fund L.P., amongst which 625,000,000 Shares are the Shares which may be issued upon full exercise by Pacific Alliance Asia Opportunity Fund L.P. of the conversion rights attached to the convertible notes held by Pacific Alliance Asia Opportunity Fund L.P.. On 21 August 2013, Pacific Alliance Asia Opportunity Fund L.P. entered into a short position transaction for 299,358,974 Shares, which represents approximately 4.35% of the issued share capital of the Company.

- (6) These 523,899,770 Shares are held by Kings Faith International Limited which in turn is 100% owned by Mr. Leung Moon Lam.
- (7) The percentage shareholding is calculated on the basis of 6,874,514,000 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 2013 (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 2013 (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:

<b>Name</b>	<b>Qualification</b>
Crosby Securities 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 2013 (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 10 March 2014:

- (a) the Equity Transfer Agreement; and
- (b) the PRC legal opinion issued by Commerce & Finance Law Offices.



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

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 1668)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of China South City Holdings Limited (the “Company”) will be held at Fountains Room 1–3, LG/F, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Thursday, 13 March 2014 at 2:30 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company (unless otherwise indicated, capitalized terms used in this notice shall have the same meanings as defined in the circular of the Company dated 25 February 2014):

**ORDINARY RESOLUTION**

“**THAT**, the Equity Transfer Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and that any one or more of the Directors be and are hereby authorised to sign, seal, execute, perfect, deliver or do all other documents or supplemental agreements or deeds on behalf of the Company and to do all such things, matters and take all such actions as he or they may in his or their discretion consider necessary or desirable for the purpose of or in connection with effecting and implementing the Equity Transfer Agreement and the transactions contemplated thereunder or any of them.”

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

Hong Kong, 25 February 2014

*Notes:*

1. Any member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and vote instead of him/her. A member of the Company who is holding two or more shares of the Company is entitled to appoint more than one proxy to attend and vote in his stead. If more than one proxy is appointed, the appointment shall specify the number and class of shares in respect of each such proxy is so appointed.

2. A form of proxy for the meeting is enclosed. The form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power of attorney or authority, must be deposited at the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 2 clear days before the time for holding the meeting or adjourned meeting thereof, and in defaults the form of proxy shall not be treated as valid.
3. Completion and return of the form of proxy will not preclude such members of the Company from attending and voting in person at the above meeting or any adjourned meeting thereof should they so wish. In such case, such form of proxy shall be deemed to be revoked.
4. Where there are joint holders of any shares, the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of member of the Company.

*As at the date of this notice, 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.*