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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)

Exercise of Option by Tencent's Subsidiary

The Board is pleased to announce that the Company has received a notice for the exercise of the Option from Tencent's Subsidiary, pursuant to which 244,800,000 Option Shares will be issued to Tencent's Subsidiary at the Option Price of HK\$3.36 per Share (as adjusted by the dividend declared by the Company) at the total consideration of HK\$822,528,000 at the closing of the Option in accordance with the terms and conditions of the Investment and Cooperation Agreement which shall be taken place on or before 30 September 2014.

The 244,800,000 Option Shares to be issued shall represent approximately 3.15% of the existing number of issued shares of the Company as at the date hereof. Immediately after the closing of the Option, Tencent's Subsidiary shall hold 925,100,000 Shares in aggregate in the Company which shall represent a total of approximately 11.55% of the number of issued shares of the Company as enlarged by the issue and allotment of the Option Shares (assuming that there is no other change in the number of Shares in issue).

The Company believes that the exercise of the Option by Tencent's Subsidiary, being a strategic and substantial shareholder of the Company, demonstrated its recognition of the Company's unique business model and its strong confidence in the Company's long term success. It cements the strategic cooperation between Tencent and the Company in the development of an O2O business eco-system. The increased equity holding by this strategic shareholder further improves the Company's capital structure.

References are made to the announcements of the Company dated 15 January 2014 and 23 January 2014 (collectively the "**Announcements**") in relation to the issue of the Subscription Shares and the grant of the Option under the General Mandate to the Investor, being a wholly owned subsidiary of Tencent ("**Tencent's Subsidiary**") pursuant to the Investment and Cooperation Agreement dated 15 January 2014 (the "**Investment and Cooperation Agreement**"). Capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements unless the context requires otherwise.

The Board is pleased to announce that the Company has received a notice for the exercise of the Option from Tencent's Subsidiary, pursuant to which 244,800,000 Option Shares will be issued to Tencent's Subsidiary at the Option Price of HK\$3.36 per Share (being adjusted from the Option Price of HK\$3.50 per Share by the dividend of HK14 cents per Share as declared by the Company for the fiscal year ended 31 March 2014) at the total consideration of HK\$822,528,000 at the closing of the Option in accordance with the terms and conditions of the Investment and Cooperation Agreement which shall be taken place on or before 30 September 2014.

As at the date of this announcement, the total number of issued shares of the Company was 7,761,947,999 Shares. The 244,800,000 Option Shares to be issued shall represent approximately 3.15% of the existing number of issued shares of the Company as at the date hereof. Immediately after the closing of the Option, the Tencent's Subsidiary shall hold 925,100,000 Shares in aggregate in the Company which shall represent a total of approximately 11.55% of the number of issued shares of the Company as enlarged by the issue and allotment of the Option Shares (assuming that there is no other change in the number of Shares in issue).

The Company believes that the exercise of the Option by Tencent's Subsidiary, being a strategic and substantial shareholder of the Company, demonstrated its recognition of the Company's unique business model and its strong confidence in the Company's long term success. It cements the strategic cooperation between Tencent and the Company in the development of an O2O business eco-system. The increased equity holding by this strategic shareholder further improves the Company's capital structure.

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

Hong Kong, 23 September 2014

As at the date of this announcement, the executive Directors of the Company are Mr. Cheng Chung Hing, Mr. Leung Moon Lam and Mr. Fung Sing Hong Stephen; 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, Mr. Cheng Tai Po and Mr. Lin Ching Hua; 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.