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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)

Update on Potential Quotation of HOBA Furnishing on the National Equities Exchange and Quotations System (The New Third Board*)

In order to help unlocking the value of HOBA Group and providing a better platform for HOBA Group to finance its future development and to achieve better performance, the Board is pleased to announce that HOBA Furnishing, a 75% owned subsidiary of the Company, filed an application for the quotation of its shares on the NEEQ and the letter of acceptance was received on 28 August 2015. The Company obtained a confirmation from the Stock Exchange on 21 August 2015 that the Company may proceed with the said application.

The Potential Quotation is subject to the approval of NEEQ Co., Ltd and there is no assurance that the Potential Quotation will take place or, if it does, the timing thereof. Accordingly, shareholders and potential investors of the Company are advised to exercise caution when dealing or intending to deal in the shares of the Company.

Reference is made to the announcement of the Company dated 13 April 2015 in relation to the Potential Quotation of the shares of HOBA Furnishing on the NEEQ in the PRC (the “**Announcement**”). Unless otherwise defined, capitalized terms used herein shall have the same meanings as defined in the Announcement.

Application for the Potential Quotation

The Board is pleased to announce that HOBA Furnishing filed an application for the quotation of the shares of HOBA Furnishing on the NEEQ, which is subject to the approval by NEEQ Co., Ltd, and the letter of acceptance of such application was received on 28 August 2015.

HOBA Furnishing is indirectly held as to 75% by the Company and is principally engaged in the operation of furnishing centres in the PRC for the supply of quality home furnishing products and accessories. The Potential Quotation will, among others, help to unlock the value of HOBA Group

and provide a fund-raising platform for HOBA Group with respect to its operation and future expansion, improve the brand recognition of HOBA Furnishing and enable the HOBA Group to recruit and retain high calibre employees, which will in turn improve the business and performance of the HOBA Group.

Listing Rules implications

As the Company does not currently intend to effect any sale of its existing shareholding in HOBA Furnishing and no new shares of HOBA Furnishing will be issued in connection with the Potential Quotation, hence, immediately following completion of the Potential Quotation, the Company will maintain its 75% shareholding in HOBA Furnishing and the financial results of HOBA Furnishing will continue to be consolidated into the accounts of the Company. Since there is no disposal or deemed disposal by the Company of its interest in HOBA Furnishing in connection with the Potential Quotation, the Potential Quotation will not constitute a notifiable transaction of the Company and therefore it is not subject to shareholders' approval requirements under Chapter 14 of the Listing Rules.

On 21 August 2015, the Company obtained the confirmation from the Stock Exchange that the Company may proceed with the application for the quotation of the shares of HOBA Furnishing pursuant to Practice Note 15 of the Rules Governing the Listing of the Securities on the Stock Exchange ("**Listing Rules**").

Waiver from strict compliance with paragraph 3(f) of Practice Note 15 of the Listing Rules

Paragraph 3(f) of Practice Note 15 of the Listing Rules requires listed issuers carrying out spin-offs to provide existing shareholders with an assured entitlement to shares in the spun-off entity, either by way of a distribution in specie of existing shares or by way of preferred application in any offering of existing or new shares in the spun off entity.

HOBA Furnishing is a company incorporated in the PRC, and pursuant to the advice of the PRC counsel of HOBA Furnishing, only qualified investors, being persons qualified under 《全國中小企業股份轉讓系統投資者適當性管理細則（試行）》 (Detailed Rules of the National Equities Exchange and Quotations System on Management of Investor Fitness (for Trial Implementation)*) (the "**NEEQ Rules**"), 《合格境外機構投資者境內證券投資管理辦法》 (Measures for the Administration of Securities Investments in China by Qualified Foreign Institutional Investors*) and 《人民幣合格境外機構投資者境內證券投資試點辦法》 (Measures for the Pilot Program of Domestic Securities Investment by RMB Qualified Foreign Institutional Investors*) may hold and/or transfer the shares of a company quoted on the New Third Board, and such persons include the following:

- (a) in respect of corporations, they include, among others, persons approved by the China Securities Regulatory Commission, persons holding quotas from the State Administration of Foreign Exchange, foreign strategic investors who meets the minimum investment amount requirement as required by the NEEQ Rules, and persons satisfying a minimum registered

capital requirement as required by the NEEQ Rules; and

- (b) in respect of individuals, they include, among others, foreigners who have obtained a permanent right of abode in the PRC, citizens of Hong Kong, Macau or Taiwan with valid working or residential proof of their residence in the PRC, investors with at least two years' experience in investment (or acceptable qualification in accounting, finance, investment or economics) and hold securities with an aggregate value of over RMB5 million, and existing shareholders of the company.

Accordingly, not all, if any, of the existing shareholders of the Company will be entitled to hold shares in HOBA Furnishing following the Potential Quotation, and thus compliance with paragraph 3(f) of Practice Note 15 in relation to the Potential Quotation will not be feasible. The Company has therefore applied to the Stock Exchange for, and the Listing Committee of the Stock Exchange has granted the Company, a waiver from strict compliance with paragraph 3(f) of Practice Note 15 of the Listing Rules.

Having considered that HOBA Furnishing and the Company are required to comply with the requirements under PRC law as mentioned above as well as the said reasons for and benefits of the Potential Quotation, and the fact that HOBA Furnishing will remain as a subsidiary of the Company and the results of which will continue to be consolidated into the accounts of the Company upon completion of the Potential Quotation, the Board is of the view that the Potential Quotation and the non-provision of assured entitlements in connection with the Potential Quotation are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Potential Quotation is subject to the approval of NEEQ Co., Ltd and there is no assurance that the Potential Quotation will take place or if it does, the timing thereof. Accordingly, shareholders and potential investors of the Company are advised to exercise caution when dealing or intending to deal in the shares of the Company.

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

Hong Kong, 28 August 2015

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

** For identification purposes only*