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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)

## **INSIDE INFORMATION**

### **SIGNING OF SHARE TRANSFER AGREEMENT BETWEEN MR. CHENG CHUNG HING AND CENTRALCON HOLDING**

#### **THE SALE AND PURCHASE AGREEMENT**

The Board wishes to announce that it has been informed by Mr. Cheng that on 11 January 2017, a share transfer agreement in relation to the Transaction was entered into among Mr. Cheng, Accurate Gain, Best Wisdom and Centralcon Holding, in relation to the proposed share transfer by Mr. Cheng of an aggregate of 1,857,196,831 shares in the Company, representing approximately 23.20% of the total issued share capital of the Company. Upon completion of the Transaction, Centralcon Holding will own 1,857,196,831 shares in the Company (representing approximately 23.20% of the total issued share capital of the Company) and will become the single largest shareholder and a substantial shareholder of the Company.

Pursuant to the Sale and Purchase Agreement, the parties agreed that the consideration of the Sale Shares shall be HK\$2.05 per Sale Share, representing a premium of approximately 25% to the closing price of HK\$1.64 per share of the Company as quoted on the Stock Exchange today.

Completion of the Sale and Purchase Agreement is conditional upon the fulfilment or waiver (as the case may be) of, among others, approval from shareholders of Centralcon Holding in connection with the Sale and Purchase Agreement and the transactions contemplated under the Sale and Purchase Agreement having been obtained and all necessary third party, governmental and regulatory authorisations, consents, permissions, agreements and approvals in connection with the transactions contemplated under the Sale and Purchase Agreement having been obtained by Centralcon Holding and remaining entirely valid, including but not limited to the filings made to the NDRC and Ministry of Commerce in the PRC in accordance with the laws and regulations of the PRC.

Completion of the Sale and Purchase Agreement shall take place within ten business days after fulfilment (or waiver where applicable) of all Conditions Precedents or such later date as may be agreed by the parties.

To promote the Company's business development, Best Wisdom will appoint Mr. Cheng as its General Manager at the time of completion of the Sale and Purchase Agreement. By leveraging on Mr. Cheng's experience and his knowledge of the industry and the Company, Mr. Cheng will be responsible for formulating the overall planning, execution, performance and monitoring of operations management, business development strategies and commercial and investment proposals of Best Wisdom and the Company. Mr. Cheng, and each of Centralcon Holding and Best Wisdom agreed that Mr. Cheng will remain as Co-Chairman and Executive Director of the Company for at least three years after completion of the Sale and Purchase Agreement and eligible to be re-elected as Director of the Company by rotation according to the articles of association of the Company. After the completion of the Sale and Purchase Agreement, Best Wisdom will nominate two persons to be appointed to the Board of the Company (one being an executive director of the Company).

**IMPLICATIONS UNDER THE US\$350,000,000 6.75% SENIOR NOTES DUE 2021 AND THE US\$400,000,000 8.25% SENIOR NOTES DUE 2019**

As Mr. Cheng will be appointed as the General Manager of Best Wisdom and will direct or cause the direction of the management and policies of Best Wisdom, Best Wisdom would constitute an "Affiliate" of Mr. Cheng and a "Permitted Holder" under the Indentures for the Company's US\$350,000,000 6.75% Senior Notes due 2021 and US\$400,000,000 8.25% Senior Notes due 2019. As such, the relevant requirements under the Indentures in relation to the "Permitted Holders" will continue to be complied with. Mr. Cheng will continue to lead and manage the Company as he did prior to the Transaction. The Company is being advised by Linklaters on the Transaction and its compliance with the Indentures.

As disclosed in the Previous Announcement, upon completion of the Transaction, with the introduction of Centralcon Holding as a substantial stakeholder in the Company, by leveraging on the respective strength of Centralcon Holding and the Company in the residential development and the integrated logistics and trade centers business as well as their resources as listed companies in both PRC and Hong Kong, it shall generate synergies among the two companies and strengthen the competitiveness of each other, while maintaining the overall direction of the Company's business.

In addition, Mr. Cheng is also actively looking into investment opportunities in Centralcon Holding in order to become an important shareholder of Centralcon Holding (including, without limitation, participating in the issuance of A share of Centralcon Holding), subject to compliance with applicable laws and regulations.

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement published by the Company on 27 October 2016 (the "**Previous Announcement**") regarding the proposed share transfer of an aggregate of 1,857,196,831 shares in the Company, representing approximately 23.20% of the total issued share capital of the Company from Mr. Cheng Chung Hing ("**Mr. Cheng**"), Co-Chairman and Executive Director of the Company, to Centralcon Holding, a company incorporated in the People's Republic of China and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000042).

## **THE SALE AND PURCHASE AGREEMENT**

The Board wishes to announce that it has been informed by Mr. Cheng that on 11 January 2017, a share transfer agreement in relation to the Transaction was entered into among Mr. Cheng, Accurate Gain, Best Wisdom and Centralcon Holding (the “**Sale and Purchase Agreement**”).

### **KEY TERMS OF THE SALE AND PURCHASE AGREEMENT**

As informed by Mr. Cheng, the key terms of the Sale and Purchase Agreement, among others, include the following:

**Date:** 11 January 2017

#### **Parties**

- (1) Mr. Cheng
- (2) Accurate Gain (a wholly-owned company of Mr. Cheng, together with Mr. Cheng, as sellers)
- (3) Best Wisdom (a wholly-owned subsidiary of Centralcon Holding) as purchaser
- (4) Centralcon Holding as purchaser guarantor

#### **Sale Shares**

1,857,196,831 shares of the Company legally and beneficially held by the Sellers (representing approximately 23.2% of the total issued share capital of the Company as at the date of the Sale and Purchase Agreement) and all other shares of the Company legally and beneficially held by Mr. Cheng on the date of Completion due to share consolidation, share split or other similar corporate actions (“**Sale Shares**”).

#### **Consideration**

HK\$2.05 per Sale Share, representing a premium of approximately 25% to the closing price of HK\$1.64 per share of the Company as quoted on the Stock Exchange today

#### **Conditions Precedent**

Completion of the Sale and Purchase Agreement is conditional upon the fulfilment or waiver (as the case may be) of, among others, the following conditions precedents:

- (a) approval from shareholders of Centralcon Holding in connection with the Sale and Purchase Agreement and the transactions contemplated under the Sale and Purchase Agreement having been obtained; and
- (b) all necessary third party, governmental and regulatory authorisations, consents, permissions, agreements and approvals in connection with the transactions contemplated under the Sale and Purchase Agreement having been obtained by Centralcon Holding, and remaining entirely valid, including but not limited to the filings made to the NDRC and Ministry of Commerce in the PRC in accordance with the laws and regulations of the PRC.

## **Completion**

Completion of the Sale and Purchase Agreement shall take place within ten business days after fulfilment (or waiver where applicable) of all Conditions Precedents or such later date as may be agreed by the parties.

If any of the Conditions Precedents have not been satisfied (or waived where applicable) on or before 30 April 2017 (or another date as may be agreed by the parties), the Sale and Purchase Agreement will terminate immediately and be of no further effect.

Upon completion of the Sale and Purchase Agreement, Centralcon Holding will own 1,857,196,831 shares in the Company (representing approximately 23.20% of the total issued share capital of the Company) and will become the single largest shareholder and a substantial shareholder of the Company.

## **Management of the Company**

To promote the Company's business development, Best Wisdom will appoint Mr. Cheng as its General Manager at the time of completion of the Sale and Purchase Agreement. By leveraging on Mr. Cheng's experience and his knowledge of the industry and the Company, Mr. Cheng will be responsible for the overall planning, execution, performance and monitoring of operations management, business development strategies and commercial and investment proposals of Best Wisdom and the Company. Mr. Cheng and each of Centralcon Holding and Best Wisdom agreed that, Mr. Cheng will remain as Executive Director and Co-Chairman of the Company for at least three years after completion of the Sale and Purchase Agreement and eligible to be re-elected as director by rotation according to the articles of association of the Company. After the completion of the Sale and Purchase Agreement, two persons as nominated by Best Wisdom will be appointed to the Board of the Company (one being an executive director of the Company).

In addition, as mentioned in the Previous Announcement, Mr. Cheng is also actively looking into investment opportunities in Centralcon Holding in order to become an important shareholder of Centralcon Holding (including, without limitation, participating in the issuance of A share of Centralcon Holding), subject to compliance with applicable laws and regulations.

## **IMPLICATIONS UNDER THE US\$350,000,000 6.75% SENIOR NOTES DUE 2021 AND THE US\$400,000,000 8.25% SENIOR NOTES DUE 2019**

As Mr. Cheng will be appointed as the General Manager of Best Wisdom and will direct or cause the direction of the management and policies of Best Wisdom, Best Wisdom would constitute an "Affiliate" of Mr. Cheng and a "Permitted Holder" under the Indentures for the Company's US\$350,000,000 6.75% Senior Notes due 2021 and US\$400,000,000 8.25% Senior Notes due 2019 (the "**Indentures**"). As such, the relevant requirements under the Indentures in relation to the "Permitted Holders" will continue to be complied with. Mr. Cheng will continue to lead and manage the Company as he did prior to the Transaction. The Company is being advised by Linklaters on the Transaction and its compliance with the Indentures.

## **TERMINATION OF SHAREHOLDERS' ALLIANCE AGREEMENT**

Reference is made to the announcement of the Company dated 28 December 2015 in respect of a revised alliance agreement dated 28 December 2015 entered into among Mr. Cheng, Mr. Cheng Tai Po and Mr. Leung Moon Lam (together, the "**Alliance Shareholders**", each an

“Alliance Shareholder”) (the “Alliance Agreement”) pursuant to which, among other things, any Alliance Shareholder proposes to transfer any shares of the Company to any person other than an Alliance Shareholder shall obtain written approval from the other two Alliance Shareholders, following which, the other Alliance Shareholders shall have certain first right of refusal and tag-along right in respect of such proposed transfer.

In accordance with the Alliance Agreement, Mr. Cheng Tai Po and Mr. Leung Moon Lam have consented to the Transaction under the Sales and Purchase Agreement. In addition, the Alliance Shareholders have entered into a termination agreement dated 11 January 2017 to terminate the Alliance Agreement. As a result, any obligations and rights of the Alliance Shareholders provided under the Alliance Agreement shall no longer be in force.

## **GENERAL**

Centralcon Holding, formally known as 深圳市長城投資控股股份有限公司 (Shenzhen Changcheng Investment Holding Co., Ltd.\*), was established in 1984 and became a listed public company after its conversion to a joint stock company in 1994 (stock code: 000042). Centralcon Holding is an enterprise qualified as a Class I Real Property Developer in the PRC. Its main business is property development and the scope of its business covers, among others, hotel operations, asset management, business management, and investments. Currently, Centralcon Holding has projects in the Pearl River Delta radiating into the Yangtze River Delta, Sichuan and Chongqing, as well as the Bohai Basin.

As informed by Mr. Cheng, to his best knowledge, Centralcon Holding and its ultimate controlling shareholder are independent third parties of the Company and its connected persons (as defined under the Listing Rules).

As disclosed in the Previous Announcement, upon completion of the Transaction, with the introduction of Centralcon Holding as a substantial stakeholder in the Company, by leveraging on their respective strength of Centralcon Holding and the Company in the residential development and the integrated logistics and trade centers business as well as their resources as listed companies in both PRC and Hong Kong, it shall generate synergies among the two companies and strengthen the competitiveness of each other, while maintaining the overall direction of the Company’s business.

The Company will issue further announcements to update investors regarding the progress of the Transaction.

**Shareholders and potential investors of the Company should exercise caution when dealing or investing in the securities of the Company.**

## **DEFINITIONS**

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

“Accurate Gain”                      Accurate Gain Developments Limited, a company incorporated in the British Virgin Islands, a wholly owned company of Mr. Cheng

“Best Wisdom”	Best Wisdom Group Limited, a company incorporation in the British Virgin Islands, a wholly-owned subsidiary of Centralcon Holding
“Board”	the board of Directors of the Company
“Centralcon Holding”	深圳市中洲投資控股份有限公司 (Shenzhen Centralcon Investment Holding Co., Ltd.*), a company incorporated in the People’s Republic of China and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000042)
“Company”	China South City Holdings Limited, a company incorporated in Hong Kong whose shares are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Transaction according to the Sales and Purchase Agreement
“Conditions Precedents”	events which Completion of the Sale and Purchase Agreement is conditional upon the fulfilment or waiver (as the case may be) of
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NDRC”	the National Development and Reform Commission of the PRC
“PRC”	the People’s Republic of China and for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Transaction”

the share transfer of an aggregate of 1,857,196,831 shares in the Company, representing approximately 23.20% of the total issued share capital of the Company from Mr. Cheng to Centralcon Holding

For and on behalf of the Board  
**China South City Holdings Limited**  
**Fung Sing Hong Stephen**  
*Executive Director and Chief Executive Officer*

Hong Kong, 11 January 2017

*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*