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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)

FURTHER ANNOUNCEMENT

CONNECTED AND DISCLOSEABLE TRANSACTION IN RELATION TO THE PROPOSED DISPOSAL OF 50% EQUITY INTEREST IN THE TARGET COMPANY

INTRODUCTION

Reference is made to the announcement of China South City Holdings Limited (the “**Company**”) dated 18 July 2022 (the “**Announcement**”) in relation to, among others, the disposal of 50% equity interest in Shenzhen First Asia Pacific Property Management Company Limited (the “**Target Company**”). Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

As disclosed in the Announcement, the Consideration was determined based on arm’s length negotiations between the Vendor and the Purchaser and with reference to, among others, the Business Equity Value, which was based on the valuation (the “**Valuation**”) as set out in the valuation report dated 8 June 2022 (the “**Valuation Report**”) issued by Shenzhen Zhongqihua Land Real Estate Assets Appraisal Co., Ltd. (the “**Valuer**”), an independent valuer. The Valuer determined the Business Equity Value by adopting the asset-based approach and income approach as approximately RMB2,766,316,500 (equivalent to approximately HK\$3,208,927,140). Accordingly, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. This announcement is therefore subject to the requirements under Rules 14.60A and 14.62 of the Listing Rules in relation to profit forecast.

ASSUMPTIONS OF THE VALUATION UNDER INCOME APPROACH

Pursuant to Rule 14.62(1) of the Listing Rules, the principal and commercial assumptions, upon which the Valuation is based under income approach, are as follows:

General Assumptions

1. There will be no material changes to the relevant national laws, regulations and policies and the macroeconomic situation, and there will be no material changes to the political, economic and social environment in the regions where the parties to the transaction are located;
2. the Target Company will continue to operate as a going concern after 30 September 2021 (the “**Valuation Benchmark Date**”);
3. there will be no material changes to the interest rates, exchange rates, tax bases, tax rates, policy-imposed levies in relation to the Target Company after the Valuation Benchmark Date;
4. the management of the Target Company will be responsible and stable, and will have the capability to perform their duties after the Valuation Benchmark Date;
5. unless otherwise specified in the Valuation Report, the Target Company will fully comply with all relevant laws and regulations; and
6. there will be no force majeure and unforeseeable factors which may have a material adverse impact on the Target Company after the Valuation Benchmark Date.

Specific Assumptions

1. The accounting policies to be adopted by the Target Company after the Valuation Benchmark Date are consistent with the accounting policies adopted in the preparation of the Valuation Report in material respects;
2. based on the existing management style and standard of the Target Company, the scope and way of business operation will remain consistent after the Valuation Benchmark Date;
3. the impacts of future potential pledge, guarantee and additional consideration to be paid under special circumstances which may affect the Valuation have not been taken into account;
4. the cash inflow and cash outflow of the Target Company will be evenly distributed over time after the Valuation Benchmark Date;

5. the property projects under construction will be delivered in time and there will be no material changes to future property management fee collection plans; and
6. the unit price of property management fee for various types of properties will remain stable and there will be no material changes in the future.

CONFIRMATIONS

Ernst & Young, acting as the Company’s reporting accountants (the “**Reporting Accountants**”), has reported on the arithmetical accuracy of the calculations of the discounted cash flow forecast, which does not involve the adoption of accounting policies, as adopted in the preparation of the Valuation Report issued by the Valuer.

The Directors have discussed with the Valuer the different aspects upon which the Valuation was prepared (including the principal and commercial assumptions) and have reviewed the Valuation for which the Valuer is responsible. The Directors have confirmed that the Valuation has been made after due and careful enquiry by them.

A report from the Reporting Accountants dated 28 July 2022 in compliance with Rule 14.62(2) of the Listing Rules and a letter from the Board dated 28 July 2022 in compliance with Rule 14.62(3) of the Listing Rules have been submitted to the Stock Exchange, the texts of which are included in Appendix I and Appendix II to this announcement, respectively.

EXPERTS AND CONSENTS

The qualifications of the experts who have given their opinion and advice included in this announcement are as follows:

Name	Qualification
Shenzhen Zhongqihua Land Real Estate Assets Appraisal Co., Ltd.	Professional valuer
Ernst & Young	Certified Public Accountants, Hong Kong

To the best of the Directors’ knowledge, information and belief and after having made all reasonable enquiries, each of the Valuer and the Reporting Accountants is a third party independent of the Group and its connected persons. As at the date of this announcement, each of the Valuer and the Reporting Accountants does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the Valuer and the Reporting Accountants has given and has not withdrawn its written consent to the issue of this announcement with inclusion of its name, statements and all references to its name (including its qualification) in the form and context in which they are included.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 = HK\$1.16 has been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.

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

Hong Kong, 28 July 2022

As at the date of this announcement, the Executive Directors of the Company are Mr. Cheng Chung Hing, Ms. Geng Mei, Mr. Wan Hongtao, Mr. Qin Wenzhong and Ms. Cheng Ka Man Carman; the Non-Executive Directors of the Company are Mr. Cheng Tai Po and Mr. Lei Ming; and the Independent Non-Executive Directors of the Company are Mr. Leung Kwan Yuen Andrew, GBM, GBS, JP, Mr. Li Wai Keung, Mr. Hui Chiu Chung, JP and Ms. Shen Lifeng.

APPENDIX I — LETTER FROM THE REPORTING ACCOUNTANTS RELATING TO THE PROFIT FORECAST

The following is the text of a report received from the Reporting Accountants, Ernst & Young, for the purpose of incorporation in this announcement.

28 July 2022

The Board of Directors
China South City Holdings Limited (the “**Company**”)

Dear Sirs,

REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF SHENZHEN FIRST ASIA PACIFIC PROPERTY MANAGEMENT COMPANY LIMITED (HEREINAFTER REFERRED TO AS “SHENZHEN FIRST ASIA PACIFIC”)

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation dated 8 June 2022 prepared by Shenzhen Zhongqihua Land Real Estate Assets Appraisal Co., Ltd. in respect of the equity interest of Shenzhen First Asia Pacific as at 30 September 2021 is based. The valuation is set out in the announcement of the Company in relation to the disposal of 50% equity interest in Shenzhen First Asia Pacific dated 28 July 2022 (the “**Announcement**”). The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ responsibilities

The directors of the Company (the “**Directors**”) are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in ASSUMPTIONS OF THE VALUATION UNDER INCOME APPROACH of the Announcement.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of Shenzhen First Asia Pacific. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under Rule 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in accordance with the Assumptions adopted by the Directors.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

APPENDIX II — LETTER FROM THE BOARD IN RELATION TO THE PROFIT FORECAST

The following is the text of a letter from the Board for the purpose of incorporation in this announcement.



China South City Holdings Limited
華南城控股有限公司
(incorporated in Hong Kong with limited liability)
(Stock code: 1668)

28 July 2022

Listing Division
The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square
8 Connaught Place Central
Hong Kong

Dear Sirs,

Re: Announcement — Connected and Discloseable Transaction in relation to the Proposed Disposal of 50% Equity Interest in the Target Company

We, China South City Holdings Limited (the “**Company**”) (Stock code: 1668), refer to the announcement of the Company dated 28 July 2022 (the “**Announcement**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

We refer to the Valuation conducted by Shenzhen Zhongqihua Land Real Estate Assets Appraisal Co., Ltd., an independent valuer. The Valuation adopts an asset-based approach and income approach, among which the income approach (which is based on the discounted cash flow forecast) is regarded as a profit forecast under Rule 14.61 of the Listing Rules. We have discussed with the Valuer the different aspects upon which the Valuation was prepared (including the principal and commercial assumptions) and have reviewed the Valuation for which the Valuer is responsible.

Pursuant to Rule 14.62 of the Listing Rules, we have also engaged Ernst & Young, acting as the Company's reporting accountants, to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (which does not involve the adoption of accounting policies), and considered the report from Ernst & Young which was prepared in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*" issued by the Hong Kong Institute of Certified Public Accountants, as set out in Appendix I to the Announcement.

On the basis of the above, we confirm that the Valuation has been made after due and careful enquiry by us.

Yours faithfully,
For and on behalf of the Board
China South City Holdings Limited
CHENG Chung Hing
Chairman and Executive Director