



## **Tencent Makes Strategic Investment in China South City**

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### **Industry Leaders Partner to Develop Integrated Online and Offline Trade Service Platform**

Hong Kong, 15 January 2014 - **China South City Holdings Limited** ("China South City"; SEHK stock code: 1668), a leading developer and operator of large-scale, integrated logistics and trade centers in China, and **Tencent Holdings Limited** ("Tencent"; SEHK stock code: 700), a leading provider of comprehensive Internet services in China, today jointly announced that the two companies have entered into an Investment and Cooperation Agreement. Tencent will invest in China South City and become its strategic shareholder. The two companies will leverage their strategic resources for extensive collaboration in integrated online and offline trade services, including, e-commerce, outlet services for branded goods, O2O retail business, online payment and warehousing and logistics arrangements.

Pursuant to the Agreement, Tencent will subscribe to an aggregate of 680,300,000 new shares ("Subscription Shares") of China South City ("Shares"), which represents approximately 9.9% of the issued share capital of China South City as enlarged by the issue and allotment of the Subscription Shares, for a total consideration of approximately HK\$1.50 billion. The Subscription Price of HK\$2.20 per Share represents a premium of approximately 1.4% to the closing price of HK\$2.17 per Share as quoted on the Stock Exchange on 13 January 2014, immediately before the trading of Shares was suspended on 14 January 2014. In addition, Tencent can propose a candidate for appointment to the Board of China South City.

Furthermore, China South City has agreed to grant an option to Tencent to further subscribe to new Shares ("Option Shares") of China South City at HK\$3.50 per Share within a two-year subscription period after the completion of the issue of the Subscription Shares, such that Tencent will then hold an aggregate of up to approximately 13.0% of the issued share capital of China South City as enlarged by the issue and allotment of the Subscription Shares and the Option Shares.

For China South City, bringing on Tencent to jointly achieve "Physical + Online" service integration will expedite the upgrade of China South City's online services, allowing it to offer its tenants more effective integrated trade services. The enhanced online services will also progressively transcend the geographical boundaries of China South City's individual logistics

and trade center projects to create an inter-regional wholesale trade network across China, which will let China South City and its customers reap the benefits of nationwide economies of scale. As for Tencent, collaborating with China South City represents a strategic investment supporting Tencent's e-commerce, payments, and O2O initiatives.

**Martin Lau Chi Ping, President of Tencent,** said, "China South City is implementing a differentiated strategy of transforming existing local wholesale markets into modern large-scale trade and logistics centers. We recognize its unique business model and the results it has achieved. Chinese small-to-medium sized enterprises have huge demand to expand their businesses online. Cooperation with China South City enables us to jointly facilitate such enterprises migrating online, utilizing China South City's physical locations and logistics capabilities, together with Tencent's Internet user platforms and technology capabilities."

**Ricky Cheng Chung Hing, Co-Chairman and Executive Director of China South City,** said, "We are pleased to introduce Tencent, a leading provider of comprehensive Internet services in China, as our strategic investor. We will jointly develop an on-line and off-line trade service platform within our strong physical logistics and trade center network across the country. Combining the leading advantages of Tencent's Internet technology and services, as well as the unique physical trade and logistics network developed by China South City, we are set to create more innovative value-added service offerings upon the establishment of the platform."

China South City and Tencent will jointly develop opportunities to provide value-added services to China South City's tenants and customers as well as Tencent's users, including:

- (1) E-commerce: China South City will utilize Tencent's Internet technology to expedite and improve the construction of the China South City e-commerce platform (華南城網), allowing it to serve small and medium enterprises and help enterprises develop their own online transaction businesses;
- (2) Outlet Services: Both parties will explore opportunities for co-operation with respect to online outlet services for branded goods by leveraging China South City's resources with respect to physical outlet services for branded goods and Tencent's e-commerce platform;
- (3) Online and Offline Integration: Both parties will collaborate to develop China South City's retail business (such as the "Outlets" and "HOBAs Furnishing Store") to provide an integrated online and offline retail service experience through Tencent's platform;
- (4) Online Payment: Both parties will collaborate to provide Tencent's online payment services to China South City's tenants and customers; and

- (5) Warehousing and Logistics: Both parties will collaborate in the planning of joint warehousing facilities and logistics arrangements for e-commerce businesses

With the acceleration of urbanization and the growth of emerging economies in China, the country's integrated logistics and trade industry has been booming, and holds ample growth potential. China South City has seven physical cross-industry trade and logistics centers nationwide. To date, two e-commerce parks have been established - at China South City Shenzhen and China South City Nanchang - and the development of e-commerce parks at the remaining five projects is progressing rapidly. Capitalizing on the leading Internet technology and mature e-commerce and payment platforms developed by Tencent, China South City will be able to build an integrated on-line and off-line demand and supply platform, and can provide more value-added services to its tenants and merchants.

China South City intends to use the net proceeds (excluding the exercise of the Option Shares) to pursue the areas of cooperation mentioned above and for general corporate purposes.

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**About China South City Holdings Limited (SEHK:1668) ([www.chinasouthcity.com](http://www.chinasouthcity.com))**

China South City Holdings Limited ("the Group") is a leading developer and operator of large-scale integrated logistics and trade centers in China. The Group provides a comprehensive logistics and trading platform for domestic and international wholesale suppliers, buyers, manufacturers, distributors and end-users of products ranging from raw materials to finished products. With its unique business model, the Group not only sells and leases well-designed quality trade center units for businesses to display and sell their products, but also provides the occupants and their clients with one-stop convenient supply chain solutions that include a full range of facilities and services. Moreover, to support the operation of its business model, five pillars of ancillary services, namely one-stop warehousing and logistics services, convention and exhibition services, outlet operation and management, e-commerce platform and property management have been included in each of our projects to complement the core business of trade center development and operation. This successful and proven business model was first pioneered by China South City Shenzhen and has been replicated in strategic locations across China such as Nanchang, Nanning, Xi'an, Harbin, Zhengzhou and Hefei to satisfy the needs of businesses and industries in their respective regions. The Company's stock has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 30 September 2009 under stock code 1668.

**About Tencent Holdings Limited (SEHK:700) ([www.tencent.com](http://www.tencent.com))**

Tencent uses technology to enrich the lives of Internet users. Every day, hundreds of millions of people communicate, share experiences, consume information, seek entertainment, and shop online through our integrated platforms. Our diversified services include QQ, Weixin and WeChat for communications; Qzone for social networking; QQ Game Platform for online games; QQ.com for information; as well as our eCommerce open platform. Our company was founded in Shenzhen in 1998 and went public on the Hong Kong Stock Exchange in 2004. We seek to evolve with the Internet by investing in innovation, providing a hospitable environment for our partners, and staying close to our users.

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