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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China South City Holdings Limited (the “Company”), you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

CONNECTED TRANSACTIONS **NON-EXERCISE OF RIGHTS OF FIRST OFFER**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**

VINCO  **城高**

Grand Vinco Capital Limited

(A wholly-owned subsidiary of Vinco Financial Group Limited)

A letter from the board of directors of the Company is set out on pages 4 to 11 of this circular. A letter from the independent board committee of the Company containing its recommendation to the independent shareholders of the Company is set out on page 12 of this circular. A letter from Vinco Capital, the independent financial adviser, containing its advice to the independent board committee and the independent shareholders of the Company is set out on pages 13 to 25 of this circular.

A notice convening the extraordinary general meeting of the Company (the “EGM”) to be held at Annapurna Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Friday, 19 March 2010 at 2:30 p.m. is set out on pages 30 to 31 of this circular. Whether or not you are able to attend the EGM, please complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 2 clear days before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“China Metro”	China Metro-Rural Limited (formerly known as Mega Dragon Limited), a company incorporated in the Cayman Islands and in the process of redomiciliation to the British Virgin Islands, which is the indirect holding company of NE Logistics
“China Metro-Rural”	China Metro-Rural Exchange Limited, a company incorporated in Hong Kong which is the holding company of NE Logistics and directly wholly owned by China Metro
“China South City”	the integrated logistics and trade center in Shenzhen, the Guangdong Province of the PRC, which developed and operated by the Group
“Company”	China South City Holdings Limited, a company incorporated in Hong Kong whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Deed(s) of Option and Undertaking”	the deed(s) of option and undertaking dated 4 September 2009 entered into between the Company and each of Mr. Cheng and Mr. Leung
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened and held for the purpose of considering and, if thought fit, to approve the non-exercise of the Rights of First Offer
“GFA”	the gross floor area
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Company comprising the independent non-executive Directors who do not have a material interest in the subject matter
“Independent Directors”	the Directors other than Mr. Cheng, Mr. Leung and the independent non-executive Directors
“Independent Shareholder(s)”	the Shareholders other than Mr. Cheng and Mr. Leung and their respective associates
“Kindfar”	Kindfar International Limited, a company incorporated in the British Virgin Islands which is directly owned as to 63.82% by Mr. Cheng
“Kind United”	Kind United Holdings Limited, a company incorporated in the British Virgin Islands which is directly owned as to 72.30% by Kindfar and 27.70% by Zagat respectively
“Latest Practicable Date”	means 26 February 2010, being the latest practicable date for ascertaining certain information included herein before the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Man Sang BVI”	Man Sang International (B.V.I.) Limited, a company listed on the NYSE Amex
“Mr. Cheng”	Mr. Cheng Chung Hing, a Director and a Substantial Shareholder
“Mr. Leung”	Mr. Leung Moon Lam, a Director and a Substantial Shareholder
“NE Logistics”	China Northeast Logistics City Co. Ltd. (鐵嶺東北物流城有限公司), a company incorporated in the PRC which develops and operates Northeast Logistics City
“Northeast Logistics City”	a comprehensive and integrated logistics and trade center, details of which are set out under the section headed “Northeast Logistics City”
“PRC”	the People’s Republic of China

DEFINITIONS

“Proposed Transaction”	the transaction proposed to be entered into by Man Sang BVI for the acquisition of all effective interests in Northeast Logistics City held by Mr. Cheng and Mr. Leung respectively
“Prospectus”	the prospectus of the Company issued on 17 September 2009
“RMB”	Renminbi, the lawful currency of the PRC
“Right(s) of First Offer”	the right(s) of first offer granted to the Company by Mr. Cheng and Mr. Leung respectively in relation to their effective interests in Northeast Logistics City
“SFO”	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
“Shareholder(s)”	the shareholder(s) of the Company
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“US\$”	the United States dollar, the lawful currency of the United States of America
“Vinco Capital”	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (stock code: 8340), a corporation licensed to carry out business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the non-exercise of the Rights of First Offer
“Zagat”	Zagat International Limited, a company incorporated in the British Virgin Islands which is directly owned as to 61.15% by Mr. Leung
“%”	per cent

Unless otherwise specified herein, translations of US\$ into HK\$ and RMB into HK\$ are made in this circular, for illustration purpose only, at the rate of US\$1 to HK\$7.8 and RMB0.88 to HK\$1 respectively. No representation is made that any amount in US\$ and RMB could have been or could be converted at such rate or any other rates.

LETTER FROM THE BOARD



China South City Holdings Limited
華南城控股有限公司

(incorporated in Hong Kong with limited liability)
(Stock Code: 1668)

Executive Directors

Mr. Cheng Chung Hing (*Co-Chairman*)
Mr. Leung Moon Lam (*Chief Executive Officer*)
Professor Xu Yang

Registered office and headquarter

Room 2205, Sun Life Tower
The Gateway
15 Canton Road
Tsimshatsui
Kowloon
Hong Kong

Non-executive Directors

Dr. Ma Kai Cheung *SBS, BBS (Co-Chairman)*
Mr. Sun Kai Lit Cliff *BBS, JP*
Dr. Ma Wai Mo

Independent non-executive Directors

Mr. Shi Wan Peng
Mr. Leung Kwan Yuen Andrew *SBS, JP*
Mr. Li Wai Keung

3 March 2010

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS NON-EXERCISE OF RIGHTS OF FIRST OFFER

INTRODUCTION

Reference is made to the Prospectus in relation to, among other things, the Deeds of Option and Undertaking entered into by each of Mr. Cheng and Mr. Leung on 4 September 2009. Reference is also made to the announcement of the Company dated 19 February 2010 in relation to, among other things, the non-exercise of the Rights of First Offer.

LETTER FROM THE BOARD

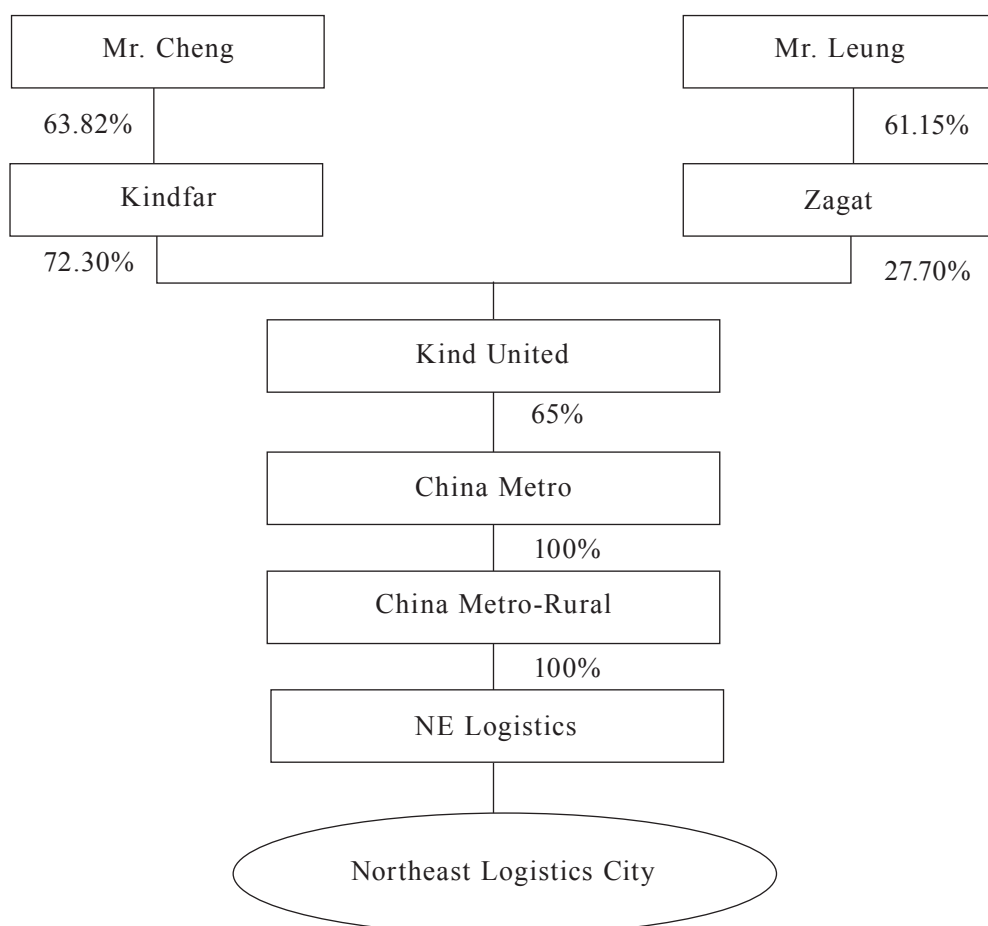
The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Rights of First Offer. The Company has appointed Vinco Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

Each of Mr. Cheng and Mr. Leung recently received a written notice from Man Sang BVI stating, among other things, its intention to acquire the effective interests in Northeast Logistics City held by Mr. Cheng and Mr. Leung respectively, for a total consideration of US\$117,758,638 (approximately HK\$918,517,376) which will be satisfied by way of a new issue of ordinary shares in Man Sang BVI. Mr. Cheng and Mr. Leung have an effective interest in Northeast Logistics City of approximately 30% and 11% respectively.

RIGHTS OF FIRST OFFER

Each of Mr. Cheng and Mr. Leung has notified the Company on 3 February 2010 the details of the Proposed Transaction and sought the confirmation from the Company whether it would like to exercise its Rights of First Offer.

As at the Latest Practicable Date, Northeast Logistics City is indirectly held by each of Mr. Cheng and Mr. Leung under the following shareholding structure:



LETTER FROM THE BOARD

The Rights of First Offer will entitle the Company to acquire the effective interests in Northeast Logistics City from each of Mr. Cheng and Mr. Leung, representing a total of 41% effective interests in Northeast Logistics City for a total consideration of US\$117,758,638 (approximately HK\$918,517,376), which is the same price offered by Man Sang BVI. It is expected that if the Rights of First Offer are exercised, the Company will pay such consideration by internal resources and borrowings from financial institutions. The Company understands that the consideration is determined with reference to the financial and business conditions of Northeast Logistics City.

NORTHEAST LOGISTICS CITY

Northeast Logistics City is a comprehensive and integrated agricultural logistics and trade center providing products such as foodstuffs, agricultural products, local specialty products, works of art, construction materials, furniture, electrical equipment and textiles in Tieling of the Liaoning Province, which is located in the northeastern part of the PRC. It commenced its business in August 2009. It is expected to have a total planned GFA of approximately 8 million square meters on a total planned site area of approximately 4 million square meters upon completion of all phases.

As mentioned in the Prospectus, the Company understands from the management of Northeast Logistics City that, on the national level, the northeastern region of the PRC is a major base for agricultural products due to the fertile lands and farming machineries and tools (including fertilizers) are prevalent in the region. Accordingly, the primary goal of Northeast Logistics City is to capture the demand for the agricultural sector and other related economic advantages.

China Metro is the indirect holding company of the developer and operator of Northeast Logistics City. Based on the unaudited consolidated financial statements of China Metro prepared in accordance with the International Financial Reporting Standards for the two financial years ended 31 March 2008 and 2009, the profit/(loss) before and after taxation and extraordinary items of China Metro are as follows:

	For the financial year ended 31 March 2009 HK\$	For the financial year ended 31 March 2008 HK\$
Profit before taxation and extraordinary items of China Metro	111,577,386	4,620,566
Profit/(loss) after taxation and extraordinary items of China Metro	84,854,463	(1,227,435)

LETTER FROM THE BOARD

The unaudited net asset value of China Metro, based on the International Financial Reporting Standards, as at 31 December 2009 was HK\$261,316,492.

Mr. Cheng and Mr. Leung have an effective interest in China Metro of approximately 30% and 11% respectively.

REASONS FOR NOT EXERCISING THE RIGHTS OF FIRST OFFER

The Board has been provided with various documents in relation to Northeast Logistics City, including, a business plan of Northeast Logistics City and the relevant financial information of Northeast Logistics City.

Having taken into account the principal factors and considerations set out below, the Independent Directors (excluding the independent non-executive Directors who reserve their views pending receipt of advice from Vinco Capital) have on 19 February 2010 concluded that it would not be in the best interests of the Company and the Shareholders as a whole to exercise the Rights of First Offer at the present time:

1. China South City and Northeast Logistics City primarily supply products for industrial sector in the Guangdong Province of the PRC and agricultural sector in the northeastern region of the PRC respectively. The occupants of China South City include an array of domestic and international manufacturers, suppliers and dealers seeking to display, trade and promote their products in order to gain a share of the domestic industrial trade market in the PRC. However, a substantial portion of the occupants of Northeast Logistics City are local agricultural producers, farmers and villagers. Therefore, the products offered by, and the occupants of, Northeast Logistics City will be distinctively different from those of the Group. Considering that the Group has no relevant experience in operating logistics and trade center for the agricultural sector, the Independent Directors are of a view that substantial manpower and capital will be required to efficiently operate the business of Northeast Logistics City. In addition, since the Independent Directors consider that there is currently no imminent competition between China South City and Northeast Logistics City given the difference in the focus of business sectors and geographical distance, the Company considers that it is not necessary to reduce competition by acquiring the effective interests in Northeast Logistics City held by Mr. Cheng and Mr. Leung respectively. Therefore, it is not commercially beneficial to the Group to acquire Northeast Logistics City.

LETTER FROM THE BOARD

2. The Group has 5 projects for development including, China South City Phase 2, China South City Nanning, China South City Nanchang, China South City Xi'an and Heyuan project. These projects are in line with the business development strategy of the Group. The Independent Directors are of the view that the exercise of the Rights of First Offer will require additional costs and capital injection that may have an impact on the development of the existing projects which are more in line with the current business development strategy of the Company. According to the business plan, the total development cost for the construction of the remaining phases of Northeast Logistics City is approximately RMB17 billion (approximately HK\$19.32 billion).
3. Given the brand name of the Company together with the relevant expertise obtained from the development, management and operation of integrated logistics and trade centers such as China South City, China South City Nanning and China South City Nanchang, the Independent Directors are of the view that the Company has the capability and the necessary experience to develop a brand new comprehensive and integrated logistics and trade center at a more cost effective manner. According to the business plan, the existing land use rights of Northeast Logistics City are approximately 1,788,000 square meters. Pursuant to a master agreement entered into between Northeast Logistics City and the Tieling City municipal government of the PRC, Northeast Logistics City has the right to further acquire approximately 2,137,000 square meters of land at a consideration of approximately RMB176 (approximately HK\$200) per square meter (inclusive of all taxes) but the final cost will be determined by way of a public tender. When comparing the consideration to be paid in relation to the acquisition of 41% of the effective interests in Northeast Logistics City against 41% of the area of the existing land use rights of Northeast Logistics City, the cost for the existing land use rights of Northeast Logistics City in relation to the acquisition will approximately be RMB1,104 (approximately HK\$1,255) per square meter. However, the costs for the existing land use rights of the existing projects of the Company are approximately RMB150 (approximately HK\$170) to RMB529 (approximately HK\$601) per square meter, with an average of approximately RMB369 (approximately HK\$419) per square meter. Such costs are relatively lower than the cost for the existing land use rights of Northeast Logistics City in relation to the acquisition. As such, the consideration required to acquire the effective interests in Northeast Logistics City is not commercially attractive to the Company.

Having taken into account the principal factors and considerations above, the Independent Directors agree that it would be in the interests of the Company and the Shareholders as a whole not to exercise the Rights of First Offer are fair and reasonable. Subject to compliance with the relevant requirements of the Listing Rules, the Board intends to inform Mr. Cheng and Mr. Leung of the Company's decision that it will not exercise the Rights of First Offer.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Mr. Cheng and Mr. Leung are Directors and the Substantial Shareholders. Accordingly, Mr. Cheng and Mr. Leung are regarded as connected persons of the Company.

Since the non-exercise of the Rights of First Offer involves the Company and each of Mr. Cheng and Mr. Leung and the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) exceeds 2.5%, the transactions contemplated thereunder will constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Accordingly, the Company is subject to the relevant reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

GENERAL

The Company

The Company is a developer and operator of large-scale, integrated logistics and trade centers in the PRC. It currently operates China South City in Shenzhen, the Guangdong Province, the PRC.

Man Sang BVI

Man Sang BVI is a company incorporated in the British Virgin Islands with its shares listed on the NYSE Amex under the ticker symbol of "MHJ". It is principally engaged in the purchase, process, assembly, merchandise and wholesale distribution of pearls, pearl jewelry products and jewelry products. As at the Latest Practicable Date, Mr. Cheng is the chairman, president, chief executive officer and the Substantial Shareholder of Man Sang BVI, whilst Mr. Leung does not have any interests or any position in Man Sang BVI.

Kindfar

Kindfar is an investment holding company incorporated in the British Virgin Islands and has no daily business operation.

Zagat

Zagat is an investment holding company incorporated in the British Virgin Islands and has no daily business operation.

LETTER FROM THE BOARD

Kind United

Kind United is an investment holding company incorporated in the British Virgin Islands and has no daily business operation.

China Metro

China Metro is an investment holding company incorporated in the Cayman Islands and has no daily business operation.

China Metro-Rural

China Metro-Rural is an investment holding company incorporated in Hong Kong and has no daily business operation.

NE Logistics

NE logistics is a company incorporated in the PRC and is the direct holding and operating company of NE Logistics City.

EGM

Set out on pages 30 and 31 is a notice convening the EGM which will be held at Annapurna Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Friday, 19 March 2010 at 2:30 p.m. at which an ordinary resolution will be proposed to consider and, if thought fit, to approve, confirm and ratify the non-exercise of the Rights of First Offer. Any vote of the Independent Shareholders at the EGM will be taken by poll.

As at the Latest Practicable Date, Mr. Cheng and Mr. Leung together with their respective associates interested in 2,532,508,558 shares and 722,874,712 shares in the Company, representing 42.21% and 12.05% of the existing issued share capital of the Company respectively. Mr. Cheng and Mr. Leung, being connected persons of the Company having a material interest in the Proposed Transaction, will abstain from voting at the EGM. Save for the above, to the best of the Directors' knowledge, information and belief, no Shareholder has any interests in the relevant transactions to be approved in the EGM.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 2 clear days before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors) consider that the non-exercise of the Rights of First Offer are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve, confirm and ratify the non-exercise of the Rights of First Offer.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the letter from the Independent Board Committee to the Independent Shareholders set out on page 12 of this circular and the letter from Vinco Capital to the Independent Board Committee and the Independent Shareholders set out on pages 13 to 25 of this circular, and the additional information set out in the appendix to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the non-exercise of the Rights of First Offer prepared for the purpose of incorporation in this circular.



China South City Holdings Limited
華南城控股有限公司

(incorporated in Hong Kong with limited liability)
(Stock Code: 1668)

3 March 2010

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS NON-EXERCISE OF RIGHTS OF FIRST OFFER

We refer to the circular of the Company dated 3 March 2010 (the “Circular”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether in our opinion, the non-exercise of the Rights of First Offer as described in the Letter from the Board are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Vinco Capital has been appointed as the independent financial adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out in the “Letter from Vinco Capital” on pages 13 to 25 of the Circular.

Your attention is also drawn to the Letter from the Board in the Circular and the additional information set out in the appendix thereto.

Having considered the terms for the non-exercise of the Rights of First Offer and taking into account the independent advice of Vinco Capital, in particular the principal factors, reasons and recommendation as set out in their letter, we consider that the non-exercise of the Rights of First Offer are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the ordinary resolution to be proposed at the EGM to approve, confirm and ratify the non-exercise of the Rights of First Offer.

Yours faithfully,

Independent Board Committee

SHI Wan Peng

LEUNG Kwan Yuen, Andrew

LI Wai Keung

SBS, JP

Independent non-executive Directors

LETTER FROM VINCO CAPITAL

The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in connection with the non-exercise of the Rights of First Offer which has been prepared for the purpose of incorporation in this circular:



Grand Vinco Capital Limited

Units 4909-4910, 49/F., The Center
99 Queen's Road Central, Hong Kong

3 March 2010

*To the Independent Board Committee and the Independent Shareholders of
China South City Holdings Limited*

Dear Sirs,

CONNECTED TRANSACTIONS NON-EXERCISE OF RIGHTS OF FIRST OFFER

A. INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the non-exercise of the Rights of First Offer, details of which are set out in the section headed "Letter from the Board" in the circular issued by the Company to the Shareholders dated 3 March 2010 (the "Circular") of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made to the Prospectus in relation to, among other things, the Deeds of Option and Undertaking entered into by each of Mr. Cheng and Mr. Leung on 4 September 2009.

Each of Mr. Cheng and Mr. Leung recently received a written notice from Man Sang BVI stating, among other things, its intention to acquire the aggregate effective interests of approximately 30% and 11% in Northeast Logistics City held by Mr. Cheng and Mr. Leung respectively, for a total consideration of US\$117,758,638 (equivalent to approximately HK\$918,517,376) which will be satisfied by way of issuing new ordinary shares in Man Sang BVI.

LETTER FROM VINCO CAPITAL

Each of Mr. Cheng and Mr. Leung has notified the Company on 3 February 2010 the details of the Proposed Transaction and sought the confirmation from the Company whether it would like to exercise its Rights of First Offer. The Rights of First Offer will entitle the Company to acquire an aggregate of 41% effective interests in Northeast Logistics City from each of Mr. Cheng and Mr. Leung for a total consideration of US\$117,758,638 (equivalent to approximately HK\$918,517,376), which is the same price offered by Man Sang BVI.

As the non-exercise of the Rights of First Offer involves the Company and each of Mr. Cheng and Mr. Leung (both are the executive Directors and the Substantial Shareholders of the Company as at the Latest Practicable Date) and the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) exceeds 2.5%, the non-exercise of the Rights of First Offer will constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Accordingly, the non-exercise of the Rights of First Offer is subject to the reporting, announcement requirements and approval of the Independent Shareholders at the EGM to be taken by way of a poll. In this regard, Mr. Cheng and Mr. Leung, together with their respective associates shall abstain from voting in favour of the relevant resolutions in respect of the non-exercise of the Rights of First Offer.

The Independent Board Committee, comprising Mr. Shi Wan Peng, Mr. Leung Kwan Yuen Andrew and Mr. Li Wai Keung, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders on the non-exercise of the Rights of First Offer. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the non-exercise of the Rights of First Offer. In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules, our role is to give you an independent opinion as to whether the non-exercise of the Rights of First Offer is on normal commercial terms, in the ordinary course of business, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

B. BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and

LETTER FROM VINCO CAPITAL

its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the non-exercise of the Rights of First Offer, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

For the purpose of this letter, unless otherwise specified, an exchange rate of US\$1.00 to HK\$7.80 and RMB0.88 to HK\$1.00 have been adopted for illustrative purpose only. No representation is made that any amounts in US\$ or RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the non-exercise of the Rights of First Offer and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation in relation to the non-exercise of the Rights of First Offer, we have taken into consideration the following principal factors and reasons:

LETTER FROM VINCO CAPITAL

1. Financial highlights of the Group

The Company is a developer and operator of large-scale, integrated logistics and trade centers in the PRC. Currently, it operates China South City in Shenzhen, Guangdong Province, the PRC.

Set out below is a summary of the Group's financial results for the two financial years ended 31 March 2008 and 2009 as extracted from the Prospectus and the interim report for the six months ended 30 September 2009 respectively:

	For the year ended		For the six months ended	
	31 March		30 September	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	224,399	562,880	249,564	96,765
Profit/(Loss) for the year/period	753,570	555,124	245,404	(319,468)
Profit/(Loss) attributable to equity holders of the Company	754,048	556,075	245,709	(319,195)
	As at 31 March		As at 30 September	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Cash and cash equivalents	246,084	1,228,898	3,639,088	N/A
Total assets	9,321,315	7,306,268	14,060,873	N/A
Total liabilities	4,825,357	3,663,716	6,216,779	N/A
Net assets	4,495,958	3,642,552	7,844,094	N/A
Net assets attributable to equity holders of the Company	4,461,963	3,608,780	7,810,368	N/A

As set out in the Prospectus, for the year ended 31 March 2009, the Group recorded revenue of approximately HK\$224,399,000, representing a decrease of approximately 60.13% as compared to the revenue of approximately HK\$562,880,000 for the previous year. As advised by the Company, such decrease was mainly due to the decrease in finance lease income from residential units when the Company decided to set aside the majority of remaining residential units for the future purchasers and tenants of China South City Phase 2. In addition, for the year ended 31 March

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2009, the Group recorded net profit attributable to equity holders of the Company of approximately HK\$754,048,000, representing an increase of approximately 35.60% as compared to that of approximately HK\$556,075,000 in 2008. As advised by the Company, such increase was mainly due to the increase in the change of fair value of the investment properties arising from China South City Phase 2 textile trade center with its construction completed in March 2009. As at 31 March 2009, the Company recorded net assets attributable to equity holders of the Company of approximately HK\$4,461,963,000, representing an increase of approximately 23.64% as compared to 31 March 2008.

As set out in the interim report of the Company for the six months ended 30 September 2009, the Company recorded revenue of approximately HK\$249,564,000 and profit attributable to equity holders of the Company of approximately HK\$245,709,000. As at 30 September 2009, the Company recorded cash and cash equivalents of approximately HK\$3,639,088,000 and net assets attributable to equity holders of the Company of approximately HK\$7,810,368,000.

2. Background of and reasons for the non-exercise of the Rights of First Offer

i. Information of China Metro

China Metro is the indirect holding company of the developer and operator of Northeast Logistics City. As at the Latest Practicable Date, China Metro was indirectly held as to approximately 30% by Mr. Cheng and 11% by Mr. Leung respectively.

Set out below is the unaudited consolidated financial information of China Metro prepared in accordance with the International Financial Reporting Standards for the two financial years ended 31 March 2008 and 2009:

	For the year ended	
	31 March	
	2009	2008
	(Unaudited)	(Unaudited)
Profit before taxation and extraordinary items of China Metro	111,577,386	4,620,566
Profit/(loss) after taxation and extraordinary items of China Metro	84,854,463	(1,227,435)

Based on the International Financial Reporting Standards, the unaudited net assets value of China Metro was approximately HK\$261,316,492 as at 31 December 2009.

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ii. Information of Northeast Logistics City

Northeast Logistics City is a comprehensive and integrated agricultural logistics and trade center providing products such as foodstuffs, agricultural products, local specialty products, works of art, construction materials, furniture, electrical equipment and textiles in Tieling of the Liaoning Province, which is located in the northeastern part of the PRC. It commenced its business in August 2009. It is expected to have a total planned GFA of approximately 8 million square meters on a total planned site area of approximately 4 million square meters upon completion of all phases.

As set out in the Prospectus, the Company understands from the management of Northeast Logistics City that, on a national level, the northeastern region of the PRC is a major base of agricultural products due to the fertile lands and farming machineries and tools (including fertilizers) are prevalent in that region. Accordingly, the Directors understand that the primary goal of Northeast Logistics City is to capture the demand for the agricultural sector and other related economic advantages.

iii. Information of the Man Sang BVI

Man Sang BVI is a company incorporated in the British Virgin Islands with its shares listed on the NYSE Amex under the ticket symbol of “MHJ”. It is principally engaged in the purchase, process, assembly, merchandise and wholesale distribution of pearls, pearl jewelry products and jewelry products. As at the Latest Practicable Date, Mr. Cheng is the chairman, president, chief executive officer and the Substantial Shareholder of Man Sang BVI, whilst Mr. Leung does not have any interests or any position in Man Sang BVI.

iv. Background of the non-exercise of the Rights of First Offer

Reference is made to the Prospectus in relation to, among other things, the Deeds of Option and Undertaking entered into by each of Mr. Cheng and Mr. Leung on 4 September 2009.

Each of Mr. Cheng and Mr. Leung recently received a written notice from Man Sang BVI stating, among other things, its intention to acquire the aggregate effective interests of approximately 30% and 11% in Northeast Logistics City held by Mr. Cheng and Mr. Leung respectively, for a total consideration of US\$117,758,638 (equivalent to approximately HK\$918,517,376) which will be satisfied by way of issuing new ordinary shares in Man Sang BVI.

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Each of Mr. Cheng and Mr. Leung has notified the Company on 3 February 2010 the details of the Proposed Transaction and sought the confirmation from the Company whether it would like to exercise its Rights of First Offer.

As stated in the Letter from the Board, the Rights of First Offer will entitle the Company to acquire an aggregate of 41% effective interests in Northeast Logistics City from each of Mr. Cheng and Mr. Leung for a total consideration of US\$117,758,638 (equivalent to approximately HK\$918,517,376), which is the same offer price as offered by Man Sang BVI. It is expected that in the event that the Company exercised the Rights of First Offer, the consideration of US\$117,758,638 (equivalent to approximately HK\$918,517,376) will be satisfied by Company's internal resources and borrowings from financial institutions.

v. ***Reasons for the non-exercise of the Rights of First Offer***

As stated in the Letter from the Board, the Independent Directors have taken into account the principal factors and considerations set out below:

- (1) China South City and Northeast Logistics City primarily supply products for industrial sector in the Guangdong Province of the PRC and agricultural sector in the northeast region of the PRC respectively. The occupants of China South City include an array of domestic and international manufacturers, suppliers and dealers seeking to display, trade and promote their products in order to gain a share of the domestic industrial trade market in the PRC. However, a substantial portion of the occupants of Northeast Logistics City are local agricultural producers, farmers and villagers. Therefore, the products offered by, and the occupants of, Northeast Logistics City will be distinctively different from those of the Group. Considering that the Group has no relevant experience in operating logistics and trade center for the agriculture sector, the Independent Directors are of a view that substantial manpower and capital will be required to efficiently operate the business of Northeast Logistics City. In addition, since the Independent Shareholders consider that there is currently no imminent competition between China South City and Northeast Logistics City given the difference in the focus of business sectors and geographical distance, the Company considers that it is not necessary to reduce competition by acquiring the effective interests in Northeast Logistics City held by Mr. Cheng and Mr. Leung respectively. Therefore, it is not commercially beneficial to the Group to acquire Northeast Logistics City;

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- (2) The Group has 5 projects for development including, China South City Phase 2, China South City Nanning, China South City Nanchang, China South City Xi'an and Heyuan project. These projects are in line with the business development strategy of the Group. The Independent Directors are of the view that the exercise of the Rights of First Offer will require additional costs and capital injection that may have an impact on the development of the existing projects which are more in line with the current business development strategy of the Company. According to the business plan, the total development cost for the construction of the remaining phases of Northeast Logistics City is approximately RMB17 billion (equivalent to approximately HK\$19.32 billion); and
- (3) Given the brand name of the Company together with the relevant expertise obtained from the development, management and operation of integrated logistics trade centers such as China South City, China South City Nanning and China South City Nanchang, the Independent Directors are of the view that the Company has the capability and the necessary experience to develop a brand new comprehensive and integrated logistics and trade center at a more cost effective manner. According to the business plan, the existing land use rights of Northeast Logistics City are approximately 1,788,000 square meters. Pursuant to a master agreement entered into between Northeast Logistics City and the Tieling City municipal government of the PRC, Northeast Logistics City has the right to further acquire approximately 2,137,000 square meters of land at a consideration of approximately RMB176 (equivalent to approximately HK\$200) per square meter (inclusive of all taxes) but the final cost will be determined by way of a public tender. When comparing the consideration to be paid in relation to the acquisition of the 41% of the effective interests in Northeast Logistics City against the 41% of the area of the existing land use rights of Northeast Logistics City, the cost for the existing land use rights of Northeast Logistics City in relation to the acquisition will approximately be RMB1,104 (equivalent to approximately HK\$1,255) per square meter. However, the costs for the existing land use rights of the existing projects of the Company are approximately RMB150 (equivalent to approximately HK\$170) to RMB529 (equivalent to approximately HK\$601) per square meter, with an average of approximately RMB369 (equivalent to approximately HK\$419) per square meter. Such costs are relatively lower than the cost for the existing land use rights of Northeast Logistics City in relation to the acquisition. As such, the consideration required to acquire the effective interests in Northeast Logistics City is not commercially attractive to the Company.

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Business Strategy

As stated in the Group's 2009/10 interim report dated 15 December 2009, we noted that the Group intended to establish large-scale integrated logistics and trade centers strategically in regional economic hubs to satisfy the economic and industrial needs of the respective regions. However, as advised by the Independent Directors and further to our review on the relevant information of Northeast Logistics City (including but not limited to the business license, business plan, corporate leaflets, and website of Northeast Logistics City (www.nlc88.com)), we understand that Northeast Logistics City was established at different times with operations in different geographical locations and focus on different industry sectors as compared with China South City. We were also given to understand that Northeast Logistics City with its primary goal is to capture the demand for the agricultural sector and other related economic advantages, its business strategy is not considered to be in line with the existing business development strategy of the Group and the Group may be overly exposed to the risks that may be associated with a new business and a new market, which require additional costs and capital injection to expand its business scope to certain business areas which are not in line with the Company's long-term business development strategy, as well as the impact on the existing development of the existing projects given the different business natures of China South City and Northeast Logistics City, the Independent Directors consider that substantial manpower and capital will be required to operate the business of Northeast Logistics City efficiently. Further, the Independent Directors consider that there is no currently imminent competition between China South City and Northeast Logistics City given their difference in the focus of business sectors and geographical distance and it is not necessary for the Company to reduce competition through acquiring Northeast Logistics City held by Mr. Cheng and Mr. Leung respectively.

Financial Position

We noted from the allotment results announcement of the Company dated 29 September 2009, the net proceeds from its listing amounted to approximately of HK\$2,916 million is intended to apply for specific funding purposes. As at 30 September 2009, the Company recorded cash and cash equivalents of approximately HK\$3,639,088,000.

As advised by the Independent Directors, after deducting the net proceeds of approximately HK\$2,916 million from the Company's listing, the cash and cash equivalents of the Company that are readily

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available to be used for other investments would be approximately HK\$723 million as at 30 September 2009. As advised by the Company, the full consideration of US\$117,758,638 (equivalent to approximately HK\$918,517,376) will be satisfied by internal resources and borrowings from financial institutions in the event that the Company exercised the Rights of First Offer, and will eventually outweigh the existing cash and cash equivalents of approximately HK\$196 million as at 30 September 2009. As confirmed by the Independent Directors and based on the 2009/10 interim report, the Group has sufficient cash resources for conducting its daily business operations and sufficient working capital for its future developments.

We understand from the Independent Directors that the Company will be in exactly the same position after the non-exercise of the Rights of First Offer and the Company will suffer no loss or leakage of value by approving the non-exercise of the Rights of First Offer.

Furthermore, the Group considers to take a more prudent and conservative approach by maintaining a reasonable level of cash on hand for the Group at this stage given the recent market volatile conditions and it is reasonable for the Group to maintain cash to consolidate its financial and management resources and to focus attention on the development of its existing core business.

Cost on Land Use Rights

As stated in the Letter from the Board, the Independent Directors are of the view that the Company has the capability and the necessary experience to develop a brand new comprehensive and integrated logistics and trade center at a more cost effective manner given the Company has its brand name and the relevant expertise obtained from the development, management and operation of integrated logistics trade centers such as China South City, China South City Nanning and China South City Nanchang. In this regard, we have discussed with the Independent Directors and reviewed the relevant information of the other existing development projects of the Group (including but not limited to the confirmation letters issued by the municipal governments and/or the project master agreements in relation to its acquisition of land use rights in Shenzhen, Nanning, Nanchang and Heyuan) and noted that the costs for the land use rights of these existing development projects range from approximately RMB150 (equivalent to approximately HK\$170) to RMB529 (equivalent to approximately HK\$601) with a mean of approximately RMB369 (equivalent to approximately HK\$419) per square meter, which is relatively lower than the cost on land use right

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of Northeast Logistics City of approximately RMB1,104 (equivalent to approximately HK\$1,255). As advised by the Independent Directors, the costs for the land use rights of the existing development projects of the Group is relatively lower as compared to that of Northeast Logistics City because the Company developed totally new projects in the region and obtained the land use rights directly from the respective government authorities.

Further, pursuant to a master agreement entered into between Northeast Logistic City and the Tieling City municipal government of the PRC, Northeast Logistics City has the right to further acquire approximately 2,137,000 square meters of land in Tieling at a consideration of approximately RMB176 (equivalent to approximately HK\$200) per square meter (inclusive of all taxes) but the final costs will be determined by way of a public tender, which may be differed from the price stated at the said mater agreement.

Apart from the consideration of US\$117,758,638 (approximately HK\$918,517,376) to acquire 41% equity interest of Northeast Logistics City, according to the business plan of the Northeast Logistics City, the total development cost for the construction of the remaining phases of Northeast Logistics City is approximately RMB17 billion (equivalent to approximately HK\$19.32 billion), which may further expose the Group to additional capital commitment during the development stages and dilute its financial and management resources and attention to its existing core business.

Taking into consideration that the costs for the land use rights of Northeast Logistics City is higher than other existing development projects of the Group and the uncertainty for the potential acquisition of the land in Tieling with a relatively lower investment capital, we are of the view that it would not be the best interests to the Group to use its investment capital to acquire and develop Northeast Logistics City but to focus attention on its existing development projects.

Gross Domestic Products of the PRC

According to the statistics available from the National Bureau of Statistics of China, we noted that the overall gross domestic products (the “GDP”) of the PRC for the nine months ended 30 September 2009 was approximately RMB21,782 billion (equivalent to approximately HK\$24,752.27 billion) with its growth rate of approximately 7.7% as compared to the same corresponding period in the previous year. For instance, the GDP of the PRC for the nine months ended 30 September

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2009 in the primary industry (including but not limited to the agricultural sectors) was approximately RMB2,250 billion (equivalent to approximately HK\$2,556.82 billion) (representing approximately 10.33% of the overall GDP of the PRC for the nine months ended 30 September 2009) with its growth rate of approximately 4.0% as compared to the same period in 2008, which falls below the overall growth rate of the PRC for the nine months ended 30 September 2009 and represents a relatively small portion of the overall GDP of the PRC. In this regard, we have discussed with the Independent Directors and were given to understand that Northeast Logistics City, having its primary goals is to capture the demand for the agricultural sector and other related economic advantages, might not be as attractive as the existing development projects of the Group.

On the other hand, we also noted that the GDP of the PRC for the nine months ended 30 September 2009 in the tertiary industry was approximately RMB8,884 billion (equivalent to approximately HK\$10,095.45 billion) (being approximately 40.79% of the overall GDP of the PRC for the nine months ended 30 September 2009) with its growth rate of approximately 8.8% as compared to the previous corresponding period, which lies above the overall growth rate of the overall GDP of the PRC for the nine months ended 30 September 2009. With regard to the prospect of the tertiary industry in the PRC in which the existing development projects of the Group are focus on, we are of the view that it is a reasonable move for the Group to focus on its existing core business.

vi. Other financing alternatives

Pursuant to Rule 10.08 of the Listing Rules, no further shares or securities convertible into equity securities of a listed issuer (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within 6 months from the date on which securities of the listed issuer first commence dealing on the Stock Exchange of Hong Kong Limited (whether or not such issue of shares or securities will be completed within 6 months from the commencement of dealing). Given that the Company was listed on 30 September 2009, it is not allowed to issue shares or securities convertible into equity securities under the Listing Rules. In such case, the Company cannot settle the consideration through ways of equity financing.

In addition, we have enquired into the Independent Directors and were advised that the financial position of the Group was healthy. As at 30 September 2009, the Group had unutilized banking facilities of approximately RMB2,550 million (equivalent to approximately HK\$2,897.73 million), which

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are to be applied for the business development of the existing projects of the Group. The Independent Directors also confirmed that they have considered other financing alternatives, including bank financing, to finance the potential capital investment to settle the consideration for Northeast Logistics City which may incur interest expenses and consume a portion of the existing financial resources of the Group. In view of the aforesaid, the Independent Directors consider that it is not commercially attractive to use bank financing in raising additional capital for funding the potential capital investment to settle the required consideration to acquire the 41% effective interests in Northeast Logistics City.

D. VIEWS

In light of (i) the significant amount of investment capital required to acquire the 41% effective interests in Northeast Logistics City, which will outweigh the net cash and cash equivalents of the Group of approximately HK\$196 million (after deducting the net proceeds to be used for the development projects as stipulated in the Prospectus) as at 30 September 2009; (ii) the fact that the additional capital commitment is needed for the required consideration and further development of Northeast Logistics City through the way of bank borrowings may increase the interest expenses of the Group and consume a portion of the existing financial resources of the Group; (iii) the non-exercise of the Rights of First Offer represents the best alternative that the Company could secure in order to consolidate its financial and management resources and attention for the development of its existing core business; and (iv) the Company has the capability and the necessary experience to develop a brand new comprehensive and integrated logistics and trade center at a more cost effective manner, we consider the non-exercise of the Rights of First Offer is in the interest of the Company and the Independent Shareholders as a whole.

E. RECOMMENDATION

Taking into consideration the above principal factors and reasons, we consider that the non-exercise of the Rights of First Offer is in the interests of the Company and Shareholders as a whole, on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the non-exercise of the Rights of First Offer contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Grand Vinco Capital Limited
Alister Chung
Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Directors	Class of shares	Number of shares held under corporate interest	Number of shares held under personal/family interest	Number of Underlying shares held under equity derivatives	Total	Approximate percentage of the Company's total issued share capital
Cheng Chung Hing	Ordinary shares/ share options	2,456,508,558 ⁽²⁾	10,000,000	66,000,000 ⁽¹⁾	2,532,508,558	42.21%
Leung Moon Lam	Ordinary shares/ share options	654,874,712 ⁽³⁾	2,000,000	66,000,000 ⁽¹⁾	722,874,712	12.05%
Ma Kai Cheung	Ordinary shares	888,966,649 ⁽⁴⁾	—	—	888,966,649	14.82%
Sun Kai Lit Cliff	Ordinary shares	222,241,662 ⁽⁵⁾	800,000	—	223,041,662	3.72%
Ma Wai Mo	Ordinary shares	223,921,662 ⁽⁶⁾	—	—	223,921,662	3.73%
Li Wai Keung	Ordinary shares	—	2,000,000	—	2,000,000	0.03%

Notes:

- (1) These represent the long positions of the shares falling to be allotted and issued to the relevant Directors upon the exercise of the outstanding share options of the Company granted to the Directors as their personal interest under the pre-IPO share option agreements dated 31 July 2008.

- (2) Mr. Cheng Chung Hing owns 50% and 42% of the issued share capital of Accurate Gain Developments Limited and Proficient Success Limited which in turn hold 1,339,913,759 and 1,116,594,799 shares respectively and is therefore deemed to be interested in an aggregate of 2,456,508,558 shares. Mr. Cheng is a director of each of Accurate Gain Developments Limited and Proficient Success Limited.
- (3) Mr. Leung Moon Lam owns 80% of the issued share capital of Kings Faith International Limited which in turn hold 654,874,712 shares and is therefore deemed to be interested in an aggregate of 654,874,712 shares. Mr. Leung Moon Lam is a director of Kings Faith International Limited.
- (4) Dr. Ma Kai Cheung, the beneficial owner and beneficiary of trust and through the interest of his spouse, being interested in 43.58% of the issued share capital of Tak Sing Alliance Holdings Limited which through a number of intermediaries, wholly owns Carrianna Development Limited, he is therefore deemed to be interested in an aggregate of 888,966,649 shares held by Carrianna Development Limited. Dr. Ma Kai Cheung is a director of each of Tak Sing Alliance Holdings Limited, Carrianna Development Limited, Sincere United Holdings Limited, Carrianna Holdings Limited, Gartrend Development Limited and Carrianna (BVI) Ltd.
- (5) Mr. Sun Kai Lit Cliff owns the entire equity interests in Kinox Holdings Limited and is therefore deemed to be interested in an aggregate of 222,241,662 shares held by Kinox Holdings Limited.
- (6) Dr. Mai Wai Mo owns 50% of the issued share capital of Luk Ka Overseas Investment Limited which in turn is interested in the entire equity interests in Luk Ka International Limited. Dr. Mai Wai Mo is therefore deemed to be interested in an aggregate of 223,921,662 shares held by Luk Ka International Limited.

As at the Latest Practicable Date, save as disclosed above, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, none of Directors is a director or employee of a company which has an interest in the Company's shares required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. INTEREST IN ASSETS AND CONTRACTS

China South International Industrial Materials City (Shenzhen) Co. Ltd (“**China South International**”), a wholly owned subsidiary of the Company, leased from, among others, the Directors namely Mr. Sun Kai Lit Cliff and Mr. Xu Yang in respect of certain trade center units of Phase One of China South City owned by each of them pursuant to the respective lease agreements (the “**Lease Agreements**”). Under the Lease Agreements, China South International will pay a fixed annual rental equal to approximately 8% of the original purchase price of those trade center units, minus tax and expenses paid by China South International, to each of the abovementioned Directors.

As at the Latest Practicable Date, save as disclosed above, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2009 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

No contract or arrangement in which any of the Directors is materially interested and which is significant in relation to the business of the Group subsisted as at the Latest Practicable Date.

4. INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective associates were interested in any business, apart from the Group’s business, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

5. SERVICE CONTRACT

As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors and the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. EXPERT AND CONSENT

The following is the qualification of the expert whose letter or advice is contained in this circular:

Name	Qualification
Vinco Capital	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Vinco Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the references to its name included in the form and context in which they respectively appear.

As at the Latest Practicable Date, Vinco Capital did not have any shareholding in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Vinco Capital did not have any direct or indirect interest in any assets which have been, since 31 March 2009 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2009, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Deed(s) of Option and Undertaking will be available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (save for Saturdays, Sundays and public holidays) at the registered office and headquarter of the Company at Room 2205, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong from the date of this circular up to and including the date of the EGM.

NOTICE OF THE EGM



China South City Holdings Limited
華南城控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 1668)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of China South City Holdings Limited (the “Company”) will be held at Annapurna Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Friday, 19 March 2010 at 2:30 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company (unless otherwise indicated, capitalized terms used in this notice shall have the same meanings as defined in the circular of the Company dated 3 March 2010):

ORDINARY RESOLUTION

“**THAT**, the non-exercise of the Rights of First Offer and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and that any one or more of the Directors be and are hereby authorised to sign, seal, execute, perfect, deliver or do all other documents or supplemental agreements or deeds on behalf of the Company and to do all such things, matters and take all such actions as he or they may in his or their discretion consider necessary or desirable for the purpose of or in connection with effecting and implementing the non-exercise of the Rights of First Offer and the transactions contemplated thereunder or any of them.”

By order of the Board
China South City Holdings Limited
Cheng Chung Hing
Co-Chairman & Executive Director

Hong Kong, 3 March 2010

NOTICE OF THE EGM

Notes:

1. Any member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and vote instead of him/her. A member of the Company who is holding two or more shares of the Company is entitled to appoint more than one proxy to attend and vote in his stead. If more than one proxy is appointed, the appointment shall specify the number and class of shares in respect of each such proxy is so appointed.
2. A form of proxy for the meeting is enclosed. The form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power of attorney or authority, must be deposited at the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 2 clear days before the time for holding the meeting or adjourned meeting thereof, and in default the form of proxy shall not be treated as valid.
3. Completion and return of the form of proxy will not preclude such members of the Company from attending and voting in person at the above meeting or any adjourned meeting thereof should they so wish. In such case, such form of proxy shall be deemed to be revoked.
4. Where there are joint holders of any shares, the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of member of the Company.

As at the date of this notice, the executive directors of the Company are Mr. Cheng Chung Hing, Mr. Leung Moon Lam and Professor Xu Yang; the non-executive directors of the Company are Dr. Ma Kai Cheung, SBS, BBS, Mr. Sun Kai Lit Cliff, BBS, JP and Dr. Ma Wai Mo; and the independent non-executive directors of the Company are Mr. Shi Wan Peng, Mr. Leung Kwan Yuen Andrew, SBS, JP and Mr. Li Wai Keung.