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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)**

**CONTINUING CONNECTED TRANSACTION IN RELATION TO THE  
NEW SHARING OF OFFICE AGREEMENT**

Reference is made to the Prospectus in which the Company disclosed, among others, information in relation to the sharing of office space with Man Sang Jewellery for a term commencing from 1 July 2008 to 16 March 2011 which is pursuant to the Previous Sharing of Office Agreement. Such transaction was considered as an exempt continuing connected transaction under Chapter 14A of the Listing Rules.

As the Previous Sharing of Office Agreement will be expired, the Company on 23 February 2011 entered into the New Sharing of Office Agreement with Man Sang Jewellery, a wholly-owned subsidiary of Man Sang, to renew the sharing of office arrangement in the respect of the Shared Premises for a term of three years from 17 March 2011 and expiring on 16 March 2014. The New Sharing of Office Agreement contains substantially similar terms as those contained in the Previous Sharing of Office Agreement.

Summarized below are the principal terms of the New Sharing of Office Agreement:

Date:	23 February 2011
Parties:	(1) the Company; and (2) Man Sang Jewellery
Shared Premises:	Suite 2205, 22/F., Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong with a total floor area of approximately 3,873 square feet
Term:	Commencing on 17 March 2011 and expiring on 16 March 2014 (both days inclusive)

Either party is entitled to terminate the New Sharing of Office Agreement prior to the expiry of its term by giving three months' prior written notice to the other party.

- Usage: Commercial offices use only.
- Monthly Fees:
- (1) Rental fees: HK\$120,063.00 per month payable in advance before the seventh day of each month.
  - (2) Management fees: HK\$8,907.90 per month payable in advance before the seventh day of each month.
  - (3) Air-conditioning fees: HK\$12,006.30 per month payable in advance before the seventh day of each month.
  - (4) Utilities fees: The Company will pay Man Sang Jewellery utilities fees within ten days after Man Sang Jewellery sent out the relevant demand notice (together with documents evidencing the demand amount) on a monthly basis.
- Rental Deposit: HK\$422,931.60 (equivalent to the aggregate amount of three months' rental fees, management fees and air-conditioning fees).

## **CAPS**

For the period from 1 July 2008 to 31 March 2009, the aggregate amount paid by the Company was approximately HK\$1,406,000, and for the period from 1 April 2009 to 31 March 2010 and from 1 April 2010 to 16 March 2011, the annual caps for the Previous Sharing of Office Agreement were HK\$2,109,380 and HK\$2,024,325 respectively.

In accordance with the terms of the New Sharing of Office Agreement and with reference to the historical figures and the relevant annual caps for the Previous Sharing of Office Agreement, the caps is set to be HK\$80,000, HK\$1,900,000, HK\$1,900,000 and HK\$1,800,000 respectively for the periods from 17 March 2011 to 31 March 2011, from 1 April 2011 to 31 March 2012, from 1 April 2012 to 31 March 2013 and from 1 April 2013 to 16 March 2014.

## **REASONS FOR AND BENEFITS OF THE NEW SHARING OF OFFICE AGREEMENT**

The Directors are of the view that the entering into of the New Sharing of Office Agreement by the Company with Man Sang Jewellery will allow the Group to continue to use an office premises located at a prime business area of Hong Kong at market price, which is advantageous to the Group.

The Directors (including the independent non-executive Directors) consider that the New Sharing of Office Agreement was entered in the ordinary and usual course of business of the Group and the terms of the New Sharing of Office Agreement having been determined

after arm's length negotiations between the Company and Man Sang Jewellery by reference to the prevailing market rent for comparable properties and the rental per sq.ft. charged by the landlord to Man Sang Jewellery, are on normal commercial terms which are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATION OF THE LISTING RULES**

Mr. Cheng Chung Hing is a co-chairman and an executive director of the Company and Mr. Cheng Tai Po is a non-executive director of the Company, are brothers. They each hold 50% of the interest in a private company which in turn holds 22.41% interest in the Company. Moreover, Mr. Cheng Chung Hing and Mr. Cheng Tai Po also hold 42% and 38% of the interest respectively in another private company which in turn holds 18.67% interest in the Company. Apart from the above, Mr. Cheng Chung Hing and Mr. Cheng Tai Po are personally interested as to 0.17% and 0.08% respectively in shares of the Company. In light of the directorships and shareholding held by Mr. Cheng Chung Hing and Mr. Cheng Tai Po in the Company, Mr. Cheng Chung Hing and Mr. Cheng Tai Po are connected persons of the Company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, Mr. Cheng Chung Hing and Mr. Cheng Tai Po directly hold approximately 19.21% and approximately 8.48% respectively in Man Sang and through a private company (the issued share capital of which is owned as to 60% by Mr. Cheng Chung Hing and 40% by Mr. Cheng Tai Po respectively) hold approximately 38.20% in Man Sang. Therefore, the Company considers that Man Sang is a connected person of the Company and entered into the New Sharing of Office Agreement by the Company with Man Sang Jewellery is considered as the connected transaction of the Company".

Since Mr. Cheng Chung Hing and Mr. Cheng Tai Po are considered as having a material interest in the transactions contemplated under the New Sharing of Office Agreement and as such, Mr. Cheng Chung Hing and Mr. Cheng Tai Po have abstained from voting on the resolutions of the Board in relation to the New Sharing of Office Agreement and the transactions contemplated thereunder.

As the highest applicable percentage ratios (other than the profits ratio) for the transaction contemplated under the New Sharing of Office Agreement is, on an annual basis, more than 0.1% but less than 5% and the Caps are more than HK\$1,000,000, under Rule 14A.34 of the Listing Rules, such transaction is only subject to the reporting and announcement requirements set out in Rule 14A.45 to 14A.47, the annual review requirements set out in Rules 14A.37 to 14A.40 and the requirement set out in Rules 14A.35(1) and 14A.35(2) of the Listing Rules, and is exempt from the requirement of independent Shareholders' approval.

## **GENERAL**

The Group is one of the leading developers and operators of large-scale, integrated logistics and trade centers in the PRC.

Man Sang and its subsidiaries are principally engaged in the purchasing, processing, assembling, merchandising and wholesale distribution of pearls and jewelry products and property development and investment.

Man Sang Jewellery is principally engaged in trading of pearl products.

## DEFINITIONS

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

“associate(s)”	meanings as described under the Listing Rules
“Board”	the board of Directors
“Caps”	the estimated maximum aggregate value of the transactions contemplated under the New Sharing of Office Agreement from 17 March 2011 to 31 March 2011, from 1 April 2011 to 31 March 2012, from 1 April 2012 to 31 March 2013 and from 1 April 2013 to 16 March 2014 being HK\$80,000, HK\$1,900,000, HK\$1,900,000 and HK\$1,800,000 respectively
“Company”	China South City Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	meanings as described under the Listing Rules
“Director(s)”	director(s) (including independent non-executive director(s)) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Man Sang”	Man Sang International Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Man Sang Jewellery”	Man Sang Jewellery Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Man Sang
“New Sharing of Office Agreement”	the new sharing of office agreement dated 23 February 2011 entered into between the Company and Man Sang Jewellery to renew the sharing arrangement in respect of the Shared Premises for a term of three years expiring on 16 March 2014

“PRC”	the People’s Republic of China
“Previous Sharing of Office Agreement”	the previous sharing of office agreement dated 1 July 2008 entered into between the Company and Man Sang Jewellery in relation to the sharing of office spaces between the parties therein for a term which will be expired on 16 March 2011
“Prospectus”	the prospectus dated 17 September 2009 issued by the Company in connection with its primary listing of the shares on the Stock Exchange
“Shared Premises”	Suite 2205, 22/F., Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong with a total floor area of approximately 3,873 square feet
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By Order of the Board  
**China South City Holdings Limited**  
**Tse Man Yu**  
*Company Secretary*

Hong Kong, 24 February 2011

*As at the date of this announcement, 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, Dr. Ma Wai Mo and Mr. Cheng Tai Po; and the independent non-executive directors of the Company are Mr. Shi Wan Peng, Mr. Leung Kwan Yuen Andrew, GBS, SBS, JP and Mr. Li Wai Keung.*