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CONTINUING CONNECTED TRANSACTION PROVISION OF BUSINESS MANAGEMENT SERVICES

On 6 September 2023 (after trading hours), the Company and SZCDG (a substantial shareholder of the Company) entered into the Business Management Services Agreement in relation to the provision of the Business Management Services from SZCDG to the Company for the period from 16 June 2023 to 15 June 2025.

As at the date of this announcement, SZCDG holds approximately 29.28% of the Shares in issue. Accordingly, SZCDG is a substantial shareholder and hence a connected person of the Company. The transaction contemplated under the Business Management Services Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the annual caps for the Business Management Services exceed 0.1% but are all below 5%, the Business Management Services are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BUSINESS MANAGEMENT SERVICES AGREEMENT

The principal terms of the Business Management Services Agreement, among others, are set out below:

Date: 6 September 2023 (after trading hours)

Parties: (i) the Company; and
(ii) SZCDG.

Nature of transaction: Pursuant to the Business Management Services Agreement, SZCDG shall assign the Secondees to the Company to provide business management services (including but not limited to management, decision-making, consultancy and financial services) to the Company, under which the First Secondee shall act as an executive director of the Company and the Group's Vice President and the Second Secondee shall act as an executive director of the Company and the Group's Financial Controller (the "**Business Management Services**"). The Secondees shall be employees of SZCDG, and SZCDG shall be responsible for their remuneration packages including but not limited to salaries, social insurance contribution and other benefits. There shall be no employment relationship between the Secondees and the Company. SZCDG shall be entitled to replace the Secondees as and when necessary by providing written notice to the Company. As at the date of this announcement, the First Secondee is Mr. Wan Hongtao (who has been an executive director of the Company and the Group's Vice President since 16 June 2022) and the Second Secondee is Mr. Qin Wenzhong (who has been an executive director of

the Company and the Group’s Financial Controller since 16 June 2022). For their biographies, please refer to the annual report of the Company dated 28 July 2023 for the year ended 31 March 2023.

Term and termination: The term of the Business Management Services Agreement is from 16 June 2023 to 15 June 2025. Prior to the expiration of the term, the Company or SZCDG may terminate the Business Management Services Agreement by providing three-month prior written notice to the other party and obtaining the other party’s written consent.

Price determination: The service fees payable by the Company to SZCDG during the term shall comprise RMB4,170,000 per year (exclusive of all taxes) in respect of the services provided by the First Seconded, and RMB3,870,000 per year (exclusive of all taxes) in respect of the services provided by the Second Seconded. The service fees include expenses incurred by SZCDG from, among others, basic salaries, overtime pay, welfare subsidies, social insurance contribution, housing provident fund contribution and annuity payments.

The service fees have been determined among the parties after arm’s length negotiations with reference to a number of factors including (i) the remuneration packages of the Secondeds during the period of providing services to the Company and other fees which may be incurred by SZCDG, taking into account reasonable fluctuations; (ii) an increased demand for the Business Management Services due to the business planning of the Group and the operating costs which the Group may otherwise incur if there are no Business Management Services provided by SZCDG; (iii) the positions, qualifications, work experience and expertise of the Secondeds; (iv) the salary levels of enterprises in the industry and the year-on-year increases released by the relevant national and local government departments and the average increase in the salary level of the Company and SZCDG; (v) the management fees of relevant industry peers for provision of similar services; and (vi) the services (and the scope thereof) which are expected to be required from the Secondeds.

The rate of the service fees is fair and reasonable, on normal commercial terms and no less favorable to the Group than the rate offered by Independent Third Parties for similar services. During the term, the Company will, as an internal control measure, make reference to the fees and terms in relation to the provision of the Business Management Services of similar nature and of similar terms by Independent Third Parties (if any) on a regular basis and compare them with the fees and terms for the provision of services from SZCDG to the Company to ensure that the fees payable by the Company to SZCDG will be no less favourable to the Group than the rates offered by Independent Third Parties for the provision of services of similar nature and of similar terms, and are based on normal commercial terms and fair and reasonable. Please refer to the “*Internal control procedures for the Group’s continuing connected transactions*” section below for further details.

Payment: The service fees payable by the Company to SZCDG shall be billed semi-annually (based on the annual service fees for the Secondeds and on a pro-rata basis), and paid by bank transfer in RMB before the end of June and the end of December in each year. The service fees shall be funded by the internal resources of the Company.

Annual caps

The following table sets out the annual caps for the Business Management Services:

	For the period from 16 June 2023 to 31 March 2024	For the year ending 31 March 2025	For the period from 1 April 2025 to 15 June 2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Annual caps	6,365	8,040	1,675

The annual cap for the Business Management Services for each of the three periods above has been determined on a pro-rata basis by multiplying the annual amount of the service fees (i.e., RMB8,040,000 which comprises RMB4,170,000 per year (exclusive of all taxes) in respect of the services provided by the First Seconded and RMB3,870,000 per year (exclusive of all taxes) in respect of the services provided by the Second Seconded) by the number of months in such period and then dividing it by 12. Therefore, in determining the annual caps, the factors set out in the section headed “*BUSINESS MANAGEMENT SERVICES AGREEMENT – Price determination*” above have been taken into account.

Given the above, the Directors, including independent non-executive Directors, save for Mr. Li Wenxiong, Mr. Wan Hongtao, Mr. Qin Wenzhong, Ms. Shen Lifeng, Ms. Li Aihua and Ms. Deng Jin, who are Directors recommended by SZCDG, are of the view that the proposed annual caps for the Business Management Services are fair and reasonable.

Internal control procedures for the Group’s continuing connected transactions

In order to ensure that the transaction contemplated under the Business Management Services Agreement is (i) conducted on normal commercial terms, fair and reasonable and no less favourable than those offered by Independent Third Parties for the provision of services of similar nature and of similar terms; and (ii) comply with the annual caps and pricing policies under the Business Management Services Agreement, the internal control procedures shall be implemented by the Company as follows:

- (a) the Company has adopted and implemented a management system on connected transactions. The Board and various other internal departments of the Company are jointly responsible for evaluating the terms of the transactions contemplated under the Business Management Services Agreement, in particular, the fairness of the pricing policies under the Business Management Services Agreement, and the management of the Company also reviews the pricing policies of the Business Management Services Agreement annually. In addition, various other internal departments of the Company monitor the implementation of the Business Management Services Agreement from time to time, and the finance department is responsible for monitoring the transaction amounts of the continuing connected transaction contemplated under the Business Management Services Agreement to ensure that the annual caps under the Business Management Services Agreement are complied with;
- (b) when considering the fees for the Business Management Services, to be provided to SZCDG by the Group, the Group will constantly research into prevailing market conditions and practices and make reference to the pricing and terms of, subject to availability, at least three comparable transactions (for similar services for similar property types within the similar geographical area) offered by Independent Third Parties, to make sure that the pricing and terms offered by SZCDG after arm’s length negotiations, are no less favourable than those offered by Independent Third Parties;
- (c) the independent non-executive Directors and auditors of the Company will conduct annual review of the continuing connected transaction under the Business Management Services Agreement and provide annual confirmation to ensure that the Business Management Services are conducted in accordance with the terms of the Business Management Services Agreement (including the relevant pricing policies), on normal commercial terms and in the ordinary and usual course of business of the Group in accordance with Rules 14A.55 and 14A.56 of the Listing Rules; the audit committee of the Company will review the Company’s financial controls, risk management and internal control systems; and when considering any renewal or revisions to the Business Management Services Agreement, the Company will then comply with the Listing Rules as applicable; and
- (d) the Company has a system in place to monitor the Group’s connected transactions and the renewal of continuing connected transactions, which includes maintaining and regularly updating the list of connected persons of the Company, maintaining a list of connected transactions including details in relation to their expiration dates, checking the contracting party in each transaction to confirm whether it is a connected person, monitoring the value of transactions that are identified as connected transactions (on an aggregated basis where applicable) against the thresholds for triggering disclosure and shareholders’ approval requirements under the Listing Rules and ensuring that relevant business departments are regularly updated in relation to the renewal of the continuing connected transactions.

REASONS FOR AND BENEFITS

The Company is of the view that the Business Management Services Agreement will be conducive to: (i) making full use of SZCDG’s talent advantages in business management; (ii) leveraging SZCDG’s employees

with rich management experience to achieve human resources integration; and (iii) obtaining a ready and stable supply of personnel services, reducing the Company's labour costs and promoting the Company's daily operations.

The Directors, including independent non-executive Directors, save for Mr. Li Wenxiong, Mr. Wan Hongtao, Mr. Qin Wenzhong, Ms. Shen Lifeng, Ms. Li Aihua and Ms. Deng Jin, who are Directors recommended by SZCDG, are of the view that the Business Management Services Agreement (including the annual caps thereunder) and the transaction contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole, and their terms are fair and reasonable.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, SZCDG holds approximately 29.28% of the Shares in issue. Accordingly, SZCDG is a substantial shareholder and hence a connected person of the Company. The transaction contemplated under the Business Management Services Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the annual caps for the Business Management Services exceed 0.1% but are all below 5%, the Business Management Services are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save for Mr. Li Wenxiong, Mr. Wan Hongtao, Mr. Qin Wenzhong, Ms. Shen Lifeng, Ms. Li Aihua and Ms. Deng Jin (who are Directors recommended by SZCDG), who have abstained from voting in the relevant board resolutions at the relevant meeting of the Board, the Directors confirm that none of the other Directors had a material interest in or were required to be abstained from voting in the board resolutions relating to the Business Management Services.

GENERAL INFORMATION

The Group

The Group is engaged in development and operation of large-scale integrated logistics and trade centres in China. It provides professional integrated logistics and trading platforms with comprehensive value-added ancillary services and facilities, including but not limited to logistics and warehousing services, property management, outlet operations, e-commerce services, convention and exhibition services – to assist small-to-medium enterprises in modernising the way they conduct business. On property leasing and management, the Group manages residential, shopping malls, wholesale market, and conference and exhibition facilities, and is capable of managing both trade centre premises and residential properties. Additional sources of income are available from projects, including from advertising and exhibitions, temporary space leasing, and parking charges. The Group also focuses on investment, development and construction of project sites, and has developed various types of commercial complexes in a number of projects, including multi-purpose commercial properties and auxiliary facilities in Shenzhen, Nanning, Nanchang, Xi'an (via an associated company of the Company), Harbin, Zhengzhou, Hefei and Chongqing. Additionally, the Group provides comprehensive supply chain integrated logistics solutions and intelligent hardware infrastructure to realize data and internet-based management of project sites.

Capitalising on the Group's unique and flexible business model, proven operational capabilities and extensive experience in co-operating with local governments to support urbanization and industrial upgrade throughout China, the Group has developed an extensive network with eight projects in different provincial capitals and municipalities across the nation, including Shenzhen, Nanning, Nanchang, Xi'an (via an associated company of the Company), Harbin, Zhengzhou, Hefei and Chongqing.

SZCDG

Established by the Shenzhen Municipal Government in September 2011, SZCDG is a municipal state-owned enterprise set up for the purpose of accelerating the reform of investment and financing system and promoting the integration process of the Special Zone. In February 2016, the municipal government further clarified SZCDG as the municipal operating entity for infrastructure investment, construction and operation, with its principal activities including infrastructure investment, construction and operation, development, construction and operation of industrial park, strategic emerging industry investment, regional economic cooperation and PPP project implementation. Over the past decade since its establishment, SZCDG has

effectively played its role of major infrastructure construction, industrial upgrading and expanding the room of development, and providing support for the industry cooperation.

During the “14th Five-Year Plan” period, SZCDG will adhere to the corporate mission of “a new integrated operator of urban development with a demonstration role around the country” and plays its role as “four cores”: infrastructure investment, construction and operation, industrial park development and operation, comprehensive for marine industry development and green environmental protection industry development. SZCDG will carry out the task of regional economic collaboration, and strive to become an integrated operator of new urban development to play an exemplary role across the country, a state-owned strategic carrier to support the building of Shenzhen into a global maritime center city, and a state-owned functional carrier to help Shenzhen build a modern, international and innovative city. SZCDG is committed to becoming one of Shenzhen “100 billion backbone state-owned groups” with high quality, and helping Shenzhen to become an innovative and creative metropolitan for start-ups with global influence and a city example of a modern and strong socialist country.

DEFINITIONS

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

“associates”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Management Services Agreement”	the agreement dated 6 September 2023 and entered into between SZCDG and the Company in relation to the provision of the Business Management Services by SZCDG to the Company
“Company”	China South City Holdings Limited (華南城控股有限公司), a company incorporated in Hong Kong with limited liability and the Shares are listed on the Stock Exchange
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“First Seconded”	the employee of SZCDG assigned by SZCDG who will act as an executive director of the Company and the Group’s Vice President. As at the date of this announcement, the First Seconded is Mr. Wan Hongtao (who has been an executive director of the Company and the Group’s Vice President since 16 June 2022). For his biography, please refer to the interim report of the Company dated 23 December 2022 for the six months ended 30 September 2022
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the legal currency of the PRC

“Second Secondee”	the employee of SZCDG assigned by SZCDG who will act as an executive director of the Company and the Group’s Financial Controller. As at the date of this announcement, the Second Secondee is Mr. Qin Wenzhong (who has been an executive director of the Company and the Group’s Financial Controller since 16 June 2022). For his biography, please refer to the interim report of the Company dated 23 December 2022 for the six months ended 30 September 2022
“Secondees”	the First Secondee and the Second Secondee
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	the registered holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	with respect to any person, any corporation, association or other business entity which such person, its direct or indirect holding companies, its subsidiaries or fellow subsidiaries, which individually or collectively, is or are entitled to more than 50% of its economic interests
“substantial shareholder(s)”	has the same meaning ascribed thereto under the Listing Rules
“SZCDG”	Shenzhen SEZ Construction and Development Group Co., Ltd. (深圳市特區建設發展集團有限公司), a company established in the PRC and a wholly-owned subsidiary of Shenzhen State-owned Assets Supervision and Administration Commission
“%”	per cent.

For and on behalf of the Board
China South City Holdings Limited
LI Wenxiong and CHENG Chung Hing
Co-Chairmen

6 September 2023

As at the date of this announcement, the Co-Chairmen of the Company are Mr. Li Wenxiong (Non-Executive Director) and Mr. Cheng Chung Hing (Executive Director); the Executive Directors of the Company are Ms. Geng Mei, Mr. Wan Hongtao, Mr. Qin Wenzhong and Ms. Cheng Ka Man Carman; the Non-Executive Directors of the Company are Mr. Fung Sing Hong Stephen, Ms. Shen Lifeng, Ms. Li Aihua and Ms. Deng Jin; 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, Ms. Helen Zee and Dr. Li Xu.