

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CONTINUING CONNECTED TRANSACTION PROVISION OF PROPERTY MANAGEMENT SERVICES

THE PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT

On 16 May 2025 (after trading hours), the Company and First Asia Pacific (an associate of SZCDG) entered into the Property Management Services Framework Agreement for the provision of Property Management Services by the First Asia Pacific Group to the Group for the period from 1 April 2025 to 31 December 2027.

LISTING RULES IMPLICATIONS

As at the date of this announcement, SZCDG holds approximately 29.28% of the Shares in issue, and hence is a substantial shareholder and connected person of the Company. As First Asia Pacific is an associate of SZCDG (each of the Company and SZCDG holds 50% of the shares of First Asia Pacific), First Asia Pacific is a connected person of the Company. Therefore, the transaction contemplated under the Property Management Services Framework 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 Property Management Services exceed 5%, the Property Management Services are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

It is currently contemplated that the Property Management Services Framework Agreement and the transaction contemplated thereunder (including the annual caps for the Property Management Services) will be put forward for the Independent Shareholders to consider and, if thought fit, approve at the Company's upcoming EGM. As at the date of this announcement, First Asia Pacific is an associate of SZCDG and SZCDG holds approximately 29.28% of the Shares in issue. Therefore, SZCDG will abstain from voting on the resolution(s) in respect of the Property Management Services Framework Agreement. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no other Shareholder will be required to abstain from voting on the resolution(s) in respect of the Property Management Services Framework Agreement at the EGM.

An Independent Board Committee, comprising the independent non-executive Directors, has been established to advise the Independent Shareholders on the Property Management Services Framework Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Property Management Services Framework Agreement and the transaction contemplated thereunder, (ii) a letter from the Independent Board Committee, (iii) a letter from the Independent Financial Adviser, together with the notice of the EGM and a form of proxy, is expected to be sent to the Shareholders on or before 12 June 2025 as additional time will be required to finalise certain information to be included in the circular.

INTRODUCTION

On 16 May 2025 (after trading hours), the Company and First Asia Pacific (an associate of SZCDG) entered into the Property Management Services Framework Agreement for the provision of Property Management Services by the First Asia Pacific Group to the Group for the period from 1 April 2025 to 31 December 2027.

THE PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT

The principal terms of the Property Management Services Framework Agreement are set out below:

Date:	16 May 2025 (after trading hours)
Parties:	(i) The Company; and (ii) First Asia Pacific.
Term:	Effective from 1 April 2025 to 31 December 2027 (both days inclusive), subject to termination as agreed by both parties.
Subject matter:	Property management services from the First Asia Pacific Group to the Group, including security, cleaning service, customer service, maintenance of order, parking management, equipment and facility maintenance, pre-delivery consultancy services, sales office coordination, gardening and road maintenance and polishing services.
Pricing basis:	The parties to the Property Management Services Framework Agreement have agreed that each transaction contemplated under the Property Management Services Framework Agreement will be negotiated on an arm's length basis to ensure the relevant pricing terms are on normal commercial terms and no less favourable than those being agreed with the Independent Third Parties for comparable transactions.

In particular:

- (a) the property management fee for each property used or leased by the Group will be the multiple of the area of the relevant property (in sq. m.) and the property management fee of the relevant property project per sq. m.;
- (b) the property management fee per sq. m. for each property project shall be determined based on (a) reasonable costs of the First Asia Pacific Group, which mainly comprise of (x) labour costs with reference to the size of the relevant property projects and (y) other costs such as utility expenses, subcontracting costs, maintenance expenses, administrative cost, daily operational cost, fee for professional services and (b) standard unit rates per sq. m. ranging from RMB1/month to RMB20/month (which vary primarily based on the types of property, size of the relevant property, the geographical location of the relevant property, the expectation of service quality and expected operational costs in the area),

and also determined by reference to (x) the market price of similar services for similar property types within the same location and (y) the impact of inflation and fluctuation in costs (there being a positive correlation between, on the one hand, the exact standard unit rate for each property and, on the other hand, the prevailing inflation rate or fluctuation in costs), in accordance with usual commercial terms;

- (c) for ancillary services such as advertising, public venue and various management services, lighting, road maintenance, professional fire crew, a gross profit margin of around 10% above cost will be charged, which is with reference to the prevailing market prices for similar ancillary services (such as maintenance and management of common areas, security services, pre-delivery consultancy services and sales office co-ordination) in the PRC based on at least three recent comparable transactions considered by the Company;
- (d) the property management fee for vacant units will be calculated based on the Specific Agreements.

During the term of the Property Management Services Framework Agreement, the Company will as an internal control measure, make reference to the fees and terms in relation to the provision of 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 by the First Asia Pacific Group to the Group to ensure that the fees payable by the Group to the First Asia Pacific Group will be no less favourable than the fees payable to 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.

Payment:

The time and means of payment shall be agreed by the relevant parties in the Specific Agreements.

The following table sets out the amounts of historical transactions for property management services provided by the First Asia Pacific Group to the Group:

For the period from 15 July 2022⁽²⁾ to 31 March 2023	For the nine months ended 31 December 2023	For the year ended 31 December 2024
<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
309,100	299,550	394,825

Note:

- (1) The exchange rates of RMB1.00 = HK\$1.1395, RMB1.00 = HK\$1.1006 and RMB1.00 = HK\$1.0956 have been used for illustration of the amounts of historical transaction for each of the three periods referred to in the table above, respectively.
- (2) Represents the date of the equity transfer agreement pursuant to which the Group disposed 50% equity interest in First Asia Pacific to SZCDG.

The following table sets out the annual caps for the continuing connected transactions contemplated under the Property Management Services Framework Agreement:

For the nine months ending 31 December 2025	For the year ending 31 December 2026	For the year ending 31 December 2027
<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
370,000	540,000	610,000

The annual caps for Property Management Services were determined with reference to a number of factors, including, among other things:

- (i) the scope of services required;
- (ii) the total contracted area under management and chargeable area under management of the property projects (i) owned or developed by the Group and (ii) managed by the First Asia Pacific Group as at the date of this announcement, which are 23.57 million sq. m. and 18.86 million sq. m., respectively;
- (iii) the expected increase in relevant staff costs and the administrative and daily operational costs;
- (iv) the possible increase in the services required, depending on the actual circumstances;
- (v) the expected delivery of property projects owned and developed by the Group;
- (vi) the estimated vacancy rate of the areas under management;
- (vii) the historical transaction amounts paid to the First Asia Pacific Group for provision of property management services to the Group;
- (viii) the management fees charged by Independent Third Parties for services in similar scope and quality provided to the Group;
- (ix) potential inflation and currency exchange fluctuation; and
- (x) a reasonable buffer for unexpected increase in management fee.

INTERNAL CONTROL PROCEDURES FOR THE GROUP'S CONTINUING CONNECTED TRANSACTIONS

In order to ensure that the transactions contemplated under the Property Management Services Framework Agreement and Specific Agreements are (i) conducted on normal commercial terms, fair and reasonable and no less favourable than those agreed with 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 Property Management Services Framework Agreement, the following internal control procedures shall be implemented by the Company:

- (i) 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 Property Management Services Framework Agreement and Specific Agreements in particular, the fairness of the pricing policies under each Specific Agreement, the management of the Company also reviews the pricing policies of the Property Management Services Framework Agreement annually. In addition, various other internal departments of the Company monitor the implementation of the Property Management Services Framework Agreement from time to time, and the finance department is responsible for monitoring the transaction amounts of the continuing connected transactions contemplated under the Property Management Services Framework Agreement to ensure that the annual caps under the Property Management Services Framework Agreement are complied with, and that any Specific Agreement shall be entered into by the Company with the prior approval of the finance department;
- (ii) when considering the fees for property management services and ancillary services to be provided to the Group by the First Asia Pacific 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) between the Group and Independent Third Parties, to make sure that the pricing and terms offered by First Asia Pacific Group after arm's length negotiations, are no less favourable than those offered by Independent Third Parties;

- (iii) the independent non-executive Directors and auditors of the Company will conduct annual review of the continuing connected transactions under the Property Management Services Framework Agreement and provide annual confirmation to ensure that the Property Management Services are conducted in accordance with the terms of the Property Management Services Framework 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 Property Management Services Framework Agreement, the Company will then comply with the Listing Rules as applicable; and
- (iv) 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 continuing connected transactions.

REASONS AND BENEFITS

The First Asia Pacific Group has been providing property management services to the Group since 2004. By entering into the Property Management Services Framework Agreement, the Group will continue to have access to quality property management services provided by the First Asia Pacific Group. Moreover, the First Asia Pacific Group has extensive experiences in providing property management services for commercial and logistics parks and trade centres, which is a rare competitive strength in the industry. The Directors believe that it is beneficial to the business of the Group to engage the First Asia Pacific Group for providing property management services to the Group as it is competitive in terms of price, efficiency, quality and reliability in the provision of such services.

Save for (i) Mr. Li Wenxiong, Mr. Wan Hongtao, Ms. Fang Ling, Mr. Liu Heng, 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; and (ii) the independent non-executive Directors whose opinions on the Property Management Services Framework Agreement and the transactions contemplated thereunder will be included in the letter from the Independent Board Committed in the circular to be sent to the Shareholders after taking into account the advice from the Independent Financial Adviser, the Directors are of the view that the terms of the Property Management Services Framework Agreement and the transactions contemplated thereunder (including the annual caps for the Property Management Services) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Save for the abovementioned Directors who are recommended by SZCDG, 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 Property Management Services.

INFORMATION ON THE GROUP AND FIRST ASIA PACIFIC

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.

First Asia Pacific

First Asia Pacific is a limited liability company established in the PRC. It is principally engaged in the provision of property management services. As at the date of this announcement, SZCDG holds 50% equity interest in First Asia Pacific.

LISTING RULES IMPLICATIONS

As at the date of this announcement, SZCDG holds approximately 29.28% of the Shares in issue, and hence is a substantial shareholder and connected person of the Company. As First Asia Pacific is an associate of SZCDG, First Asia Pacific is a connected person of the Company. Therefore, the transaction contemplated under the Property Management Services Framework 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 Property Management Services exceed 5%, the Property Management Services are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

It is currently contemplated that the Property Management Services Framework Agreement and the transaction contemplated thereunder (including the annual caps for the Property Management Services) will be put forward for the Independent Shareholders to consider and, if thought fit, approve at the Company's upcoming EGM. As at the date of this announcement, First Asia Pacific is an associate of SZCDG and SZCDG holds approximately 29.28% of the Shares in issue. Therefore, SZCDG will abstain from voting on the resolution(s) in respect of the Property Management Services Framework Agreement. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no other Shareholder will be required to abstain from voting on the resolution(s) in respect of the Property Management Services Framework Agreement at the EGM.

An Independent Board Committee, comprising the independent non-executive Directors, has been established to advise the Independent Shareholders on the Property Management Services Framework Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Property Management Services Framework Agreement and the transaction contemplated thereunder, (ii) a letter from the Independent Board Committee, (iii) a letter from the Independent Financial Adviser, together with the notice of the EGM and a form of proxy, is expected to be sent to the Shareholders on or before 12 June 2025 as additional time will be required to finalise certain information to be included in the circular.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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 meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for, among other things, consideration and (if thought fit) approval of the Property Management Services Framework Agreement and the transaction contemplated thereunder
“First Asia Pacific”	Shenzhen First Asia Pacific Property Management Company Limited (深圳第一亞太物業管理有限公司), a limited liability company established in the PRC
“First Asia Pacific Group”	First Asia Pacific and its subsidiaries
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company whose members comprise independent non-executive Directors to advise the Independent Shareholders on the Property Management Services Framework Agreement and the transaction contemplated thereunder
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the resolution(s) to be proposed at the upcoming EGM in relation to the Property Management Services Framework Agreement and the transaction contemplated thereunder
“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 of Hong Kong Limited, as amended from time to time
“PRC”	the People’s Republic of China
“Property Management Services”	property management services from the First Asia Pacific Group to the Group, including security, cleaning service, customer service, maintenance of order, parking management, equipment and facility maintenance, pre-delivery consultancy services, sales office coordination, road maintenance and polishing services
“Property Management Services Framework Agreement”	the property management services framework agreement dated 16 May 2025 entered into among the Company and First Asia Pacific in relation to the Property Management Services
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the registered holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of the Company
“Specific Agreements”	the specific individual agreement(s) that may be entered into between the relevant member(s) of the Group and the First Asia Pacific Group in relation to the provision of the Property Management Services, in accordance with the principles and terms of the Property Management Services Framework Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it 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
“%”	“percentage”

For and on behalf of the Board
China South City Holdings Limited
CHAN Hing Chau
Company Secretary

16 May 2025

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 Mr. Wan Hongtao, Ms. Fang Ling, Ms. Xu Hongxia and Mr. Liu Heng; 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. Zee Helen and Dr. Li Xu.