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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 TRANSACTIONS

Reference is made to the announcement dated 18 December 2022 in relation to, among others, the Subscription and the Put Option. This announcement is made in accordance with Rule 14A.60(1)(a) of the Listing Rules.

On 25 February 2021, China South International (a direct wholly-owned subsidiary of the Company) and the Target Company entered into the Continuing Transactions Agreements in relation to the provision of, among others, construction project management services, marketing management services and supporting consultancy services by China South International to the Target Company. On 21 December 2022, China South International and the Target Company entered into supplemental agreements to each of the Continuing Transactions Agreements, such that they will only expire after 31 December 2025.

As disclosed in the Announcement, upon Completion of the Subscription, the Target Company will cease to be a subsidiary of the Company and become a subsidiary of the Subscriber, which is an associate of a connected person of the Company. Accordingly, the Continuing Transactions between China South International and the Target Group will become continuing connected transactions 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 Continuing Transactions exceed 0.1% but are all below 5%, the Continuing Transactions 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.

In accordance with Rule 14A.60(1)(b) of the Listing Rules, the Company will comply with all connected transaction requirements under Chapter 14A of the Listing Rules when any of the Continuing Transactions Agreements (as amended by the supplemental agreements) is renewed or its terms are varied.

INTRODUCTION

Reference is made to the announcement dated 18 December 2022 in relation to, among others, the Subscription and the Put Option. This announcement is made in accordance with Rule 14A.60(1)(a) of the Listing Rules.

On 25 February 2021, China South International (a direct wholly-owned subsidiary of the Company) and the Target Company entered into:

- (1) the Construction Project Management Agreement in relation to the provision of construction project management and consultancy services by China South International to the Target Company for the period from 1 January 2021 to 31 December 2023;
- (2) the Marketing Management and Brand Licensing Agreement in relation to the provision of marketing management and consultancy services and brand licensing services by China South International to the Target Company for the period from 1 January 2021 to 31 December 2023; and
- (3) the Supporting Services Agreement in relation to the provision of supporting consultancy services by China South International to the Target Company for the period from 1 January 2021 to 31 December 2023.

On 21 December 2022, China South International and the Target Company entered into supplemental agreements to each of the Construction Project Management Agreement, the Marketing Management and Brand Licensing Agreement and the Supporting Services Agreement, such that they will only expire after 31 December 2025.

(I) CONSTRUCTION PROJECT MANAGEMENT AGREEMENT

The principal terms of the Construction Project Management Agreement, among others, are set out below:

Date: 25 February 2021 (as amended on 21 December 2022)

Parties: (i) China South International; and
(ii) the Target Company.

Remaining term (after completion of the Subscription): For the period from the date of Completion of the Subscription to 31 December 2025

Subject matter: Construction project management and consultancy services, including, among others, authorisation to use the product design system and the intelligent fine decoration design and management system, construction cost management, construction quality control, construction technology management, full-cycle customer management and other supporting consultancy services related to the operation of construction projects of the Target Company.

Service fee:

The service fee shall be equivalent to 2% of the construction cost incurred by the Target Company within the year, subject to an additional 6% value-added tax.

The service fee shall include but not limited to service remuneration, site visit costs, production costs, plan presentation costs, follow-up service costs, travel costs, communication costs, other costs incurred from the provision of services for the projects of the Target Company, profit, tax and other costs required to achieve the purpose of the Construction Project Management Agreement.

The service fee has been determined by the parties after arm's length negotiations with reference to (i) the historical cost incurred by China South International for providing the services; (ii) the expected extent of improvement to the Target Company's business with the services provided by China South International; (iii) the value of knowledge and technology embedded in the services provided by China South International; and (iv) the prevailing market rates for the relevant services. In particular, the rate has been compared against rates charged by real estate industry peers for similar contracts involving construction support services. 18 contracts were examined, among which the minimum rate was 0.8%, the maximum rate was 5%, and the median rate was 2%. The rate 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 remaining term of the Construction Project Management Agreement, the Company will as an internal control measure, make reference to the fees and terms in relation to the provision of construction project management services of similar nature and of similar terms by Independent Third Parties on a regular basis and compare them with the fees and terms for the provision of services from China South International to the Target Company to ensure that the fees payable by the Target Company to China South International 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.

Payment: Shortly after the end of each calendar year, China South International shall issue an invoice to the Target Company for the actual service fee incurred for that year. After the invoice has been agreed, the Target Company shall pay the relevant service fee to China South International in RMB in cash.

(II) MARKETING MANAGEMENT AND BRAND LICENSING AGREEMENT

The principal terms of the Marketing Management and Brand Licensing Agreement, among others, are set out below:

Date: 25 February 2021 (as amended on 21 December 2022)

Parties: (i) China South International; and
(ii) the Target Company.

Remaining term (after completion of the Subscription): For the period from the date of Completion of the Subscription to 31 December 2025

Subject matter: (i) Marketing management and consultancy services including, among others, marketing and public relations management, client and partner management, marketing training, marketing planning and other consultancy services related to the operation of construction projects of the Target Company; and
(ii) Brand licensing services, including the grant of (a) the right to use the trademarks registered by China South International for marketing purposes; (b) the right to incorporate “China South City” in the registered name of the Target Company; and (c) the right to use the achievements and recognitions of China South International for marketing and business negotiation purposes.

Service fee: The service fee shall be equivalent to 2.5% of the property sale proceeds received by the Target Company within the year, subject to an additional 6% value-added tax.

The service fee shall include but not limited to consultancy service remuneration, site visit costs, production costs, plan presentation costs, follow-up service costs, travel costs, communication costs, other costs incurred from the provision of consultancy services for the projects of the Target Company, profit, tax and other costs required to achieve the purpose of the Marketing Management and Brand Licensing Agreement.

The service fee has been determined by the parties after arm's length negotiations with reference to (i) the historical cost incurred by China South International for providing the services; (ii) the expected extent of improvement to the Target Company's business with the services provided by China South International; (iii) the value of knowledge and technology embedded in the services provided by China South International; and (iv) the prevailing market rates for the relevant services. In particular, the rate has been compared against rates charged by real estate industry peers for similar contracts involving marketing services. 20 contracts were examined, among which the minimum rate was 0.8%, the maximum rate was 5%, and the median rate was 2%. The rate 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 remaining term of the Marketing Management and Brand Licensing Agreement, the Company will as an internal control measure, make reference to the fees and terms in relation to the provision of marketing management services and brand licensing services of similar nature and of similar terms by Independent Third Parties on a regular basis and compare them with the fees and terms for the provision of services from China South International to the Target Company to ensure that the fees payable by the Target Company to China South International 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.

Payment:

Shortly after the end of each calendar year, China South International shall issue an invoice to the Target Company for the actual service fee incurred for that year. After the invoice has been agreed, the Target Company shall pay the relevant service fee to China South International in RMB in cash.

(III) SUPPORTING SERVICES AGREEMENT

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

- Date:** 25 February 2021 (as amended on 21 December 2022)
- Parties:** (i) China South International; and
(ii) the Target Company.
- Remaining term (after completion of the Subscription):** For the period from the date of Completion of the Subscription to 31 December 2025
- Subject matter:** Supporting consultancy services in relation to, among others, human resources administrative management, finance management, legal management and risk management related to the projects of the Target Company.
- Service fee:** The service fee shall be the aggregate of (i) direct and indirect costs actually incurred by China South International for the provision of the services (including internal costs and external disbursements) and (ii) a margin of 10.45%.
- The service fee shall include but not limited to remuneration for management and consultancy services, site visit costs, production costs, plan presentation costs, follow-up service costs, travel costs, communication costs, other costs incurred from the provision of consultancy services for the projects of the Target Company, profit, tax and other costs required to achieve the purpose of the Supporting Services Agreement.

The service fee has been determined by the parties after arm's length negotiations with reference to (i) the historical cost incurred by China South International for providing the services; (ii) the expected extent of improvement to the Target Company's business with the services provided by China South International; (iii) the value of knowledge and technology embedded in the services provided by China South International; and (iv) the prevailing market rates for the comparable services. In particular, the rate has been compared against rates charged by real estate industry peers for similar contracts involving supporting services. 17 contracts were examined, among which the lower quartile rate was 9.28%, the upper quartile rate was 14.47%, and the median rate was 10.41%. The rate 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 (if any).

During the remaining term of the Supporting Services Agreement, the Company will as an internal control measure, make reference to the fees and terms in relation to the provision of supporting consultancy 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 China South International to the Target Company to ensure that the fees payable by the Target Company to China South International 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 (if any), and are based on normal commercial terms and fair and reasonable.

Payment:

Shortly after the end of each calendar year, China South International shall issue an invoice to the Target Company for the actual service fee incurred for that year. After the invoice has been agreed, the Target Company shall pay the relevant service fee to China South International in RMB in cash.

Historical transaction amounts and annual caps

The following table sets out the amounts of historical transactions for the Continuing Transactions:

	For the three months ended 31 March 2021 RMB'000	For the year ended 31 March 2022 RMB'000	For the six months ended 30 September 2022 RMB'000
Construction Project Management Services	3,291	6,530	2,510
Marketing Management and Brand Licensing Services	4,145	11,533	6,000
Supporting Services	3,254	29,712	13,050

The following table sets out the annual caps for the Continuing Transactions:

	For the year ending 31 March 2023, 2024, 2025 RMB'000	For the nine months from 1 April 2025 to 31 December 2025 RMB'000
Construction Project Management Services	45,864	34,398
Marketing Management and Brand Licensing Services	93,413	70,059
Supporting Services	23,100	17,325

The annual caps for the Continuing Transactions have been determined with reference to a number of factors, including, among other things:

- (i) the historical transaction amounts charged by the Group for provision of Construction Project Management Services, Marketing Management and Brand Licensing Services and Supporting Services;
- (ii) the number, size and type of projects which are expected to be delivered by the Target Company in the coming years;
- (iii) the services (and the scope thereof) which are expected to be required by the Target Company;

- (iv) potential new sales and new project expenditure of the Target Company (which both correlate to the service fees payable);
- (v) the expected staff costs and administrative and daily operational costs of China South International for providing the services;
- (vi) potential inflation and currency exchange fluctuation; and
- (vii) a reasonable buffer for unexpected increase in service fees.

The annual caps for the Continuing Transactions are higher than the historical amounts because, among other things:

- (i) the number of construction projects delivered by the Target Company within the three months ended 31 March 2021, the year ended 31 March 2022 and the six months ended 30 September 2022 were relatively low due to the pandemic and market conditions. However, it is anticipated that this number will increase in the coming years;
- (ii) an increase in the number of construction projects owned and delivered by the Target Company is expected to lead to an increase in the services (and the scope thereof) required by the Target Company, and also an increase in sales and project expenditure of the Target Company (which both correlate to the service fees payable); and
- (iii) it is expected that staff costs and administrative and daily operational costs of China South International for providing the services will increase in the coming years due to the increased demand in labour and the relevant support services in the sector as market conditions improve.

Given the above, the Directors, including independent non-executive Directors, save for Mr. Li Wenxiong, Mr. Wan Hongtao and Mr. Qin Wenzhong, who are Directors nominated by SZCDG and Ms. Shen Lifeng who is also an external independent director of SZCDG, are of the view that the proposed annual caps for the Continuing Transactions are fair and reasonable.

Internal control procedures for the Group's continuing connected transactions

In order to ensure that the transactions contemplated under the Continuing Transactions 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 Continuing Transactions Agreements, 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 Continuing Transactions Agreements, in particular, the fairness of the pricing policies under each Continuing Transactions Agreement, the management of the Company also reviews the pricing policies of the Continuing Transactions Agreements annually. In addition, various other internal departments of the Company monitor the implementation of the Continuing Transactions Agreements from time to time, and the finance department is responsible for monitoring the transaction amounts of the continuing connected transactions contemplated under the Continuing Transactions Agreements to ensure that the annual caps under the Continuing Transactions Agreements are complied with;
- (b) when considering the fees for construction project management services, marketing management services and supporting consultancy services to be provided to the Target Group 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) between the Group and Independent Third Parties, to make sure that the pricing and terms offered by Target Group 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 transactions under the Continuing Transactions Agreements and provide annual confirmation to ensure that the Continuing Transactions are conducted in accordance with the terms of the Continuing Transactions Agreements (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 Continuing Transactions Agreements, 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 Directors consider that the Continuing Transactions will be able to ensure that the Target Company achieves its sales and project targets in accordance with established targets. China South International can provide professional and standardized services for the Target Company's asset sales, engineering management services and other office functional departments, which is conducive to the Target Company's timely access to relevant services to ensure daily operation and management. This will be beneficial to both the Target Company and the Company, as the Company will retain a 30.65% equity interest in the Target Company.

The Directors, including independent non-executive Directors, save for Mr. Li Wenxiong, Mr. Wan Hongtao and Mr. Qin Wenzhong, who are Directors nominated by SZCDG and Ms. Shen Lifeng who is also an external independent director of SZCDG, are of the view that the Continuing Transactions Agreements (including the annual caps thereunder) and the transactions 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

Upon Completion of the Subscription, the Target Company will cease to be a subsidiary of the Company and become a subsidiary of the Subscriber, which is an associate of a connected person of the Company. Accordingly, the Continuing Transactions between China South International and the Target Group will become continuing connected transactions 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 Continuing Transactions exceed 0.1% but are all below 5%, the Continuing Transactions 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.

In accordance with Rule 14A.60(1)(b) of the Listing Rules, the Company will comply with all connected transaction requirements under Chapter 14A of the Listing Rules when any of the Continuing Transactions Agreements (as amended by the supplemental agreements) is renewed or its terms are varied.

Save for Mr. Li Wenxiong, Mr. Wan Hongtao and Mr. Qin Wenzhong (the Directors nominated by SZCDG) and Ms. Shen Lifeng (an external independent director of 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 Continuing Transactions.

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, Harbin, Zhengzhou, Hefei and Chongqing. Government service centres, science and education industries, sports industries, and e-commerce industries have been introduced in certain projects. The logistics branch of the Group has subsidiaries in 16 core cities in the PRC and has built more than 1 million square metres of standardized and modernized e-commerce logistics industrial parks that are already in operation. 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, Harbin, Zhengzhou, Hefei and Chongqing.

China South International

China South International is principally engaged in development and operation of integrated logistics and trade centres, and is a wholly-owned subsidiary of the Company.

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.

The Target Company

The Target Company is principally engaged in development and operation of integrated logistics and trade centres.

The Target Company is involved in the Group’s projects in Xi’an (i.e., China South City Xi’an) but is not involved in any of the Group’s other seven projects across mainland China. The development of China South City Xi’an is well underway with a gross floor area of approximately 2.41 million square metres completed, and planned construction of a gross floor area of approximately 760,000 square metres underway. The Target Company is located at the trade and logistics park in Xi’an. As a local key project, the Xi’an international trade and logistics park is an open economic pilot zone and a core area for modern service industry, aiming to become the largest international transit hub and logistics distribution centre along the silk road economic belt and an important strategic platform for the “Belt and Road” initiative. China South City Xi’an is in operation, and covers industries including hardware materials and machinery products, curtains and fabrics, textile and clothing, leather and fur, automobile and motorcycle parts, building and decoration materials, 1668 New Times Square, outlets, cross-border e-commerce, Central Asia and ASEAN product exhibition centre, etc., on its trade centre premises, of which the commercial complex, 1668 New Times Square, was included in Shaanxi Provincial Key Project in 2019 and 2020.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 18 December 2022 in relation to, among other things, the Subscription and the Put Option
“associates”	has the same meaning ascribed thereto under the Listing Rules

“Board”	the board of Directors
“China South International”	China South International Industrial Materials City (Shenzhen) Co., Ltd. (華南國際工業原料城(深圳)有限公司), a company established in the PRC and a wholly-owned subsidiary of 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
“Completion”	completion of the Subscription in accordance with the Investment Agreement
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Construction Project Management Agreement”	the agreement dated 25 February 2021 and entered into between China South International and the Target Company in relation to the provision of construction project management and consultancy services by China South International to the Target Company (as amended on 21 December 2022)
“Construction Project Management Services”	the provision of construction project management and consultancy services by China South International to the Target Company pursuant to the Construction Project Management Agreement
“Continuing Transactions”	the transactions contemplated under the Continuing Transactions Agreements, namely the provision of Construction Project Management Services, the Marketing Management and Brand Licensing Services and the Supporting Services
“Continuing Transactions Agreements”	the Construction Project Management Agreement, the Marketing Management and Brand Licensing Agreement and the Supporting Services Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangdong Shenji Huayuan”	Guangdong Shenji Huayuan Equity Investment Limited Partnership* (廣東深基華園股權投資合夥企業(有限合夥)), a limited partnership established in the PRC in which Shenzhen Infrastructure Investment is a general partner and, through its direct wholly-owned subsidiary Shenzhen Shenji Pengcheng, is interested as to 100% of the equity interest as a limited partner

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholder(s)”	Shareholders other than SZCDG
“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
“Investment Agreement”	the investment agreement dated 16 December 2022 and entered into among the Seller, China South International, the Subscriber and the Target Company in relation to the Subscription
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Marketing Management and Brand Licensing Agreement”	the agreement dated 25 February 2021 and entered into between China South International and the Target Company in relation to the provision of marketing management and consultancy services and brand licensing services by China South International to the Target Company (as amended on 21 December 2022)
“Marketing Management and Brand Licensing Services”	the provision of marketing management and consultancy services and brand licensing services by China South International to the Target Company pursuant to the Marketing Management and Brand Licensing Agreement
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the legal currency of the PRC
“Seller”	China South City Group Co., Ltd. (華南城集團有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	the registered holder(s) of the Share(s)
“Shenzhen Infrastructure Investment”	Shenzhen Infrastructure Investment Fund Management Co., Ltd.* (深圳市基礎設施投資基金管理有限責任公司), a company established in the PRC and a direct non-wholly owned subsidiary of SZCDG

“Shenzhen Shenji Pengcheng”	Shenzhen Shenji Pengcheng Investment Development Co., Ltd.* (深圳市深基鵬程投資發展有限公司), a company established in the PRC and a direct wholly-owned subsidiary of Shenzhen Infrastructure Investment
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Shenzhen Shenji No.1 Industrial Park Investment and Operation Co., Ltd.* (深圳市深基壹號產業園區投資運營有限公司), a company established in the PRC and a direct non-wholly owned subsidiary of Guangdong Shenji Huayuan
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Investment Agreement
“Subscription Shares”	2,262,938,726 new shares in the Target Company, which shall be subscribed by the Subscriber, and issued by the Target Company, pursuant to the Investment Agreement
“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”	has the same meaning ascribed thereto under the Listing Rules
“Supporting Services Agreement”	the agreement dated 25 February 2021 and entered into between China South International and the Target Company in relation to the provision of supporting consultancy services by China South International to the Target Company (as amended on 21 December 2022)
“Supporting Services”	the provision of supporting consultancy services by China South International to the Target Company pursuant to the Supporting Services Agreement
“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
“Target Company”	Xi’an China South City Co., Ltd. (西安華南城有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company before the Completion of the Subscription

“Target Group” the Target Company, its subsidiaries and branches

“%” per cent.

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

Hong Kong, 16 January 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. Cheng Tai Po and Ms. Shen Lifeng; 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 and Ms. Helen Zee.

* *For identification purposes only*