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Logan Property Holdings Company Limited

龍光地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3380)

CONTINUING CONNECTED TRANSACTION MASTER PRE-DELIVERY PROPERTY SERVICE AGREEMENT

MASTER PRE-DELIVERY PROPERTY SERVICE AGREEMENT

On 13 June 2017, Shenzhen Logan, a wholly-owned subsidiary of the Company, entered into the Master Pre-delivery Property Service Agreement with Logan Foundation pursuant to which Shenzhen Logan has agreed to provide, and procure its subsidiaries to provide, Pre-delivery Property Service to Logan Foundation and its subsidiaries at the pre-delivery stages for a term commencing from the date of the Master Pre-delivery Property Service Agreement and ending on 31 December 2019 (both days inclusive).

LISTING RULES IMPLICATION

As at the date of this announcement, Logan Foundation is effectively held as to 47% by Mr. Kei and 16.5% by Mr. Ji Jiande. Mr. Kei is an executive Director and the chairman of the Company, and Mr. Ji Jiande is an executive Director and the brother of Mr. Kei. Logan Foundation is hence a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Master Pre-delivery Property Service Agreement constitutes continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) for the annual cap amount under the Master Pre-delivery Property Service Agreement are more than 0.1% but less than 5%, the transactions under the Master Pre-delivery Property Service Agreement is subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

On 13 June 2017, Shenzhen Logan, a wholly-owned subsidiary of the Company, entered into the Master Pre-delivery Property Service Agreement with Logan Foundation pursuant to which Shenzhen Logan has agreed to provide, and procure its subsidiaries to provide, pre-delivery property service to Logan Foundation and its subsidiaries at the pre-delivery stages for a term commencing from the date of the Master Pre-delivery Property Service Agreement and ending on 31 December 2019 (both days inclusive).

Details of the Master Pre-delivery Property Service Agreement are set out below:

MASTER PRE-DELIVERY PROPERTY SERVICE AGREEMENT

- Date: 13 June 2017
- Parties: (a) Shenzhen Logan, a wholly-owned subsidiary of the Company; and
(b) Logan Foundation.
- Subject: Pursuant to the Master Pre-delivery Property Service Agreement, the parties agreed that Shenzhen Logan will provide, and procure its subsidiaries to provide, the following pre-delivery property service at the pre-delivery stages of the property projects of Logan Foundation and its subsidiaries in the PRC, including but not limited to:
- (a) construction services, including but not limited to, foundation engineering, fitting, electricity installation, construction of structural facilities, cleaning work upon completion of construction, coordination service during the delivery process, onsite management and construction raw material procurement) and other related services;
 - (b) design services, including but not limited to, building and structure design, planning design, architecture design, external façade design and overall planning design for the project; and
 - (c) management services, including but not limited to, managing the day-to-day operations, to be responsible for, among others, the project development, sales and management of the projects, and to assign personnel of the operation and other related services,
- (collectively, the “**Pre-delivery Property Service**”).

Term: The Master Pre-delivery Property Service Agreement has a fixed term commencing from the date of the Master Pre-delivery Property Service Agreement and ending on 31 December 2019 (both days inclusive).

Pricing: As a general principle, the price and terms of the individual service agreement in respect of the Pre-delivery Property Service to be provided pursuant to the Master Pre-delivery Property Service Agreement will be determined in the ordinary course of business, on normal commercial terms, negotiated on arm's length basis and at prices and on terms no less favorable than those available to independent third parties to the Group. Subject to the general principle disclosed above, the service fee payable by Logan Foundation to Shenzhen Logan for the Pre-delivery Property Service shall be determined with reference to (a) the expected total construction area of the projects of Logan Foundation to which the Pre-delivery Property Service is required; (b) the locations of the development projects of Logan Foundation; (c) the costs for provision of the related Pre-delivery Property Service by Shenzhen Logan (including the salaries and benefits, costs incurred for the use of facilities and disbursements to third parties etc.); and (d) the prevailing market price for the similar service with similar size and type of projects to be provided to third parties obtained through the regular price research conducted by the Group.

Payment: Payment for the Pre-delivery Property Service will be settled by cash at credit terms to be agreed by the parties in accordance with market practice and shall not be less favourable than those available from or offered to independent third parties.

The Master Pre-delivery Property Service Agreement is the framework agreement which provides the mechanism for the operation of the continuing connected transactions contemplated thereunder. It is envisaged that from time to time and as required, separate agreements may be entered into between Shenzhen Logan and/or its subsidiaries and Logan Foundation and/or its subsidiaries for the transactions contemplated under the Master Pre-delivery Property Service Agreement.

Annual Caps and Basis of Determination

Pursuant to the Master Pre-delivery Property Service Agreement, it is proposed that the cap amounts for the Pre-delivery Property Service for each of the three financial years ending 31 December 2017, 2018 and 2019 is expected not to exceed the following:

	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>
Provision of Pre-delivery Property Service by Shenzhen Logan and its subsidiaries to Logan Foundation and its subsidiaries	500,000	500,000	500,000

The above annual caps for the Pre-delivery Property Service were determined by reference to: (i) the historical transaction amounts payable by Logan Foundation to the Group for the three financial years ended 31 December 2016 and the four-month period from 1 January 2017 and ended 30 April 2017; and (ii) the expected amount of service fees payable to Shenzhen Logan for the provision of Pre-delivery Property Service with reference to (a) the anticipated increases in demand of Pre-delivery Property Service required by Logan Foundation during the term of the Master Pre-delivery Property Service Agreement taking into account of the number of property development projects of Logan Foundation in the PRC and the expected area to be completed for each year during the term of the Master Pre-delivery Property Service Agreement; and (b) the unit price per square meter as agreed from time to time.

Shenzhen Logan and its subsidiaries had been providing pre-delivery property service to property projects of Logan Foundation and its subsidiaries, and the historical transaction amounts for the pre-delivery property service provided by Shenzhen Logan and its subsidiaries for each of the three financial years ended 31 December 2016 and the four-month period from 1 January 2017 and ended 30 April 2017 are as follows:

	For the year ended 31 December 2014 <i>RMB'000</i>	For the year ended 31 December 2015 <i>RMB'000</i>	For the year ended 31 December 2016 <i>RMB'000</i>	For the four months ended 30 April 2017 <i>RMB'000</i>
Actual historical transaction amount	93,001	Nil <i>(Note)</i>	Nil <i>(Note)</i>	1,711

Note: No pre-delivery property service was provided by Shenzhen Logan and its subsidiaries to Logan Foundation and its subsidiaries for the two financial years ended 31 December 2015 and 2016.

REASONS AND BENEFITS FOR ENTERING INTO THE MASTER PRE-DELIVERY PROPERTY SERVICE AGREEMENT

Logan Foundation is a company established in the PRC principally engaged in hotel and commercial property development in the PRC.

The Group is principally engaged in property development, property investment and property construction in the PRC. The businesses of the members of the Company comprise of various areas relating to property development in the PRC, including property development, design, construction, fitting and decoration. Shenzhen Logan is a wholly-owned subsidiary of the Company and mainly engages in investment holding and provision of consultancy services. The transactions contemplated under each of the Master Pre-delivery Property Service Agreement are in the ordinary and usual course of business of the Group. Further, the Master Pre-delivery Property Service Agreement is agreed on an arm's length basis, on normal commercial terms and comparable with terms available to or from independent third parties. Accordingly, the Directors (including the independent non-executive Directors) consider that the terms of the Master Pre-delivery Property Service Agreement are fair and reasonable and the entering into of the Master Pre-delivery Property Service Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group and is in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATION

As at the date of this announcement, Logan Foundation is effectively held as to 47% by Mr. Kei and 16.5% by Mr. Ji Jiande. Mr. Kei is an executive Director and the chairman of the Company, and Mr. Ji Jiande is an executive Director and the brother of Mr. Kei. Logan Foundation is hence a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Master Pre-delivery Property Service Agreement constitutes continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) for the annual cap amount under the Master Pre-delivery Property Service Agreement are more than 0.1% but less than 5%, the transactions under the Master Pre-delivery Property Service Agreement is subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTERNAL CONTROL

Subject to the general principle disclosed above, the pricing policy will be supervised and monitored by the relevant personnel and management of the Group in charge to ensure that the Master Pre-delivery Property Service Agreement is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole. The Board and the senior management will conduct regular checks on a quarterly basis to review and assess whether the transactions contemplated under the Master Pre-delivery Property Service Agreement are conducted in accordance with the terms of the Master Pre-delivery Property Service Agreement, with reference to the terms of similar transactions with independent third parties. The relevant personnel and management of the Group will also update the market price on an annual basis for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy. The independent non-executive Directors would continue to review the transactions contemplated under the Master Pre-delivery Property Service Agreement and its auditors would also conduct an annual review on the pricing terms and annual caps thereof.

Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under the Master Pre-delivery Property Service Agreement have been and will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

GENERAL

The Group is principally engaged in property development, property investment and property construction in the PRC.

As at the date of this announcement, Logan Foundation is effectively held as to 47% by Mr. Kei and 16.5% by Mr. Ji Jiande. Furthermore, Ms. Kei Perenna Hoi Ting, a non-executive Director, being the daughter and niece of Mr. Kei and Mr. Ji Jiande is considered to be connected with Mr. Kei and Mr. Ji Jiande. Accordingly, each of Mr. Kei, Ms. Kei Perenna Hoi Ting and Mr. Ji Jiande is considered having a material interest in the transactions contemplated under the Master Pre-delivery Property Service Agreement and therefore has abstained from attending the board meeting and/or voting on the board resolutions approving the entering into of the Master Pre-delivery Property Service Agreement and the transactions contemplated thereunder.

DEFINITIONS

Unless otherwise stated, the terms in this announcement have the following meanings:

“associate”	has the same meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	Logan Property Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Logan Foundation”	Logan Foundation Group Co., Ltd.* (龍光基業集團有限公司), formerly known as Guangdong Logan (Group) Co., Ltd.* (廣東龍光(集團)有限公司), a company established in the PRC and effectively owned as to 47% by Mr. Kei and 16.5% by Mr. Ji Jiande as at the date of this announcement
“Master Pre-delivery Property Service Agreement”	the agreement dated 13 June 2017 entered into between Shenzhen Logan and Logan Foundation in relation to the provision of Pre-delivery Property Service by Shenzhen Logan to Logan Foundation
“Mr. Kei”	Mr. Kei Hoipang, an executive Director and the chairman of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Pre-delivery property Service”	as defined under the paragraph headed “Master Pre-delivery Property Service Agreement” of this announcement

“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary shares with a par value of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shenzhen Logan”	Shenzhen Logan Holdings Co., Ltd. (深圳市龍光控股有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By Order of the Board
Logan Property Holdings Company Limited
Kei Hoi Pang
Chairman

Hong Kong, 13 June 2017

As at the date of this announcement, the executive Directors are Mr. Kei Hoi Pang, Mr. Ji Jiande, Mr. Xiao Xu and Mr. Lai Zhuobin; the non-executive Director is Ms. Kei Perenna Hoi Ting; and the independent non-executive Directors are Mr. Zhang Huaqiao, Ms. Liu Ka Ying, Rebecca and Mr. Cai Suisheng.

* *For identification purpose only*