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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 TRANSACTIONS

As part of the business development and operation enhancement of the Company, on 27 January 2015, Logan Construction, Guangdong Modern Construction and Shantou Logan Property entered into the Construction Service Agreement, the Design Service Agreement and the Management Service Agreement with Shantou Weida, respectively. Each of the Construction Service Agreement, the Design Service Agreement and the Management Service Agreement has a term commencing from the date of the respective agreements and ending on 31 December 2017.

As Shantou Weida is indirectly controlled by Mr. Yao Yaojia, being a brother-in-law of Mr. Kei Hoipang, an executive Director and the chairman of the Company, and an uncle of Ms. Kei Perenna Hoi Ting, a non-executive Director, and a brother-in-law of Mr. Ji Jiande, an executive Director, each of Mr. Yao Yaojia and Shantou Weida is a connected person of the Company for the purpose of the Listing Rules. Accordingly, transactions under the Construction Service Agreement, the Design Service Agreement and the Management Service Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the Percentage Ratios for the annual cap amount under the Construction Service Agreement, the Design Service Agreement and the Management Service Agreement are more than 0.1% but less than 5%, the transactions under the Construction Service Agreement, the Design Service Agreement and the Management Service Agreement will only be 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

As part of the business development and operation enhancement of the Company, various members of the Group entered into the following agreements with Shantou Weida:

- A. on 27 January 2015, Logan Construction entered into the Construction Service Agreement with Shantou Weida pursuant to which Logan Construction has agreed to provide construction services to Shantou Weida for a term commencing from the date of the Construction Service Agreement and ending on 31 December 2017 (both days inclusive);
- B. on 27 January 2015, Guangdong Modern Construction entered into the Design Service Agreement with Shantou Weida pursuant to which Guangdong Modern Construction has agreed to provide design services to Shantou Weida for a term commencing from the date of the Design Service Agreement and ending on 31 December 2017 (both days inclusive); and
- C. on 27 January 2015, Shantou Logan Property entered into the Management Service Agreement with Shantou Weida pursuant to which Shantou Logan Property has agreed to provide management services to Shantou Weida for a term commencing from the date of the Management Service Agreement and ending on 31 December 2017 (both days inclusive).

Details of the Construction Service Agreement, the Design Service Agreement and the Management Service Agreement are set out below:

A. CONSTRUCTION SERVICE AGREEMENT

Date:	27 January 2015
Parties:	(a) Logan Construction (b) Shantou Weida
Subject:	Pursuant to the Construction Service Agreement, both parties agreed that Logan Construction shall provide 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 (the “ Construction Services ”) to Shantou Weida.
Term:	The Construction Service Agreement has a term commencing from the date of the Construction Service Agreement and ending on 31 December 2017 (both days inclusive).

Pricing: As a general principle, the price and terms of the individual services agreement in respect of the Construction Services 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 favourable than those available to or from independent third parties. Subject to the general principle disclosed above, the service fee for the Construction Services payable by Shantou Weida to Logan Construction shall be determined based on: (a) the actual construction area under the projects of Shantou Weida to which the Construction Services is required; (b) the estimated construction price for the Construction Services with reference to the latest relevant labour price, construction and raw material price regularly published by the Bureau of Housing and Urban-Rural Development of Guangdong Province (廣東住房和城鄉建設廳), a division which supervises and monitors the construction market of the Guangdong Province; and (c) quotation of similar services provided by other third party contractors for other projects of the Group.

Payment: Progress payments for the Construction Services 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 Construction Service Agreement is a 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 or separate purchase orders may be entered into between Logan Construction and Shantou Weida for the transactions contemplated under the Construction Service Agreement.

Annual Caps and Basis of Determination

Pursuant to the Construction Service Agreement, it is proposed that the cap amounts for the Construction Services to be provided by Logan Construction for each of the financial years ending 31 December 2015, 2016 and 2017 is expected not to exceed the following:

	2015	2016	2017
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Provision of Construction Services by Logan Construction to Shantou Weida	273,000,000	312,000,000	195,000,000

The above annual cap amounts for the Construction Services were determined by reference to: (a) the total expected transaction amount and expected demand for the Construction Services required taking into account of the construction schedules of the projects undertaken by Shantou Weida for the three years ending 31 December 2017; and

(b) the anticipated market price of the labour price, construction materials and other raw materials expected to be required for the Construction Services taking into account of the reference price obtained through regular price research conducted by the Company.

B. DESIGN SERVICE AGREEMENT

Date: 27 January 2015

Parties: (a) Guangdong Modern Construction
(b) Shantou Weida

Subject: Pursuant to the Design Service Agreement, both parties agreed that Guangdong Modern Construction will provide design services, including building and structure design, planning design, architecture design, external façade design and overall planning design for the project (the “**Design Services**”) to Shantou Weida.

Term: The Design Service Agreement has a term commencing from the date of the Design Service Agreement and ending on 31 December 2017 (both days inclusive).

Pricing: As a general principle, the price and terms of the individual services agreement in respect of the Design Services 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 favourable than those available to or from independent third parties. Subject to the general principle disclosed above, the service fee for the Design Services payable by Shantou Weida to Guangdong Modern Construction shall be determined, based on an arm’s length basis, with reference to: (a) the total construction area under the projects of Shantou Weida to which the Design Services is required; and (b) 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 Company.

Payment: Payment for the Design Services 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 Design Service Agreement is a 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 or separate purchase orders may be entered into between Guangdong Modern Construction and Shantou Weida for the transactions contemplated under the Design Service Agreement.

Annual Caps and Basis of Determination

Pursuant to the Design Service Agreement, it is proposed that the cap amounts for the Design Services to be provided by Guangdong Modern Construction for each of the financial years ending 31 December 2015, 2016 and 2017 is expected not to exceed the following:

	2015	2016	2017
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Provision of Design Services by Guangdong Modern Construction to Shantou Weida	8,100,000	3,375,000	2,025,000

The above annual caps amounts for the Design Service were determined by reference to (a) the unit price per square metre; and (b) the expected total design area for each year of which such Design Service is required for the projects undertaken by Shantou Weida for the three years ending 31 December 2017.

C. MANAGEMENT SERVICE AGREEMENT

Date: 27 January 2015

Parties: (a) Shantou Logan Property
(b) Shantou Weida

Subject: Pursuant to the Management Service Agreement, both parties agreed that Shantou Logan Property will provide 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 (the “**Management Services**”) to Shantou Weida.

Term: The Management Service Agreement has a term commencing from the date of the Management Service Agreement and ending on 31 December 2017 (both days inclusive).

Pricing: As a general principle, the price and terms of the individual services agreement in respect of the Management Services 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 favourable than those available to or from independent third parties. Subject to the general principle disclosed above, the service fee for the Management Service payable by Shantou Weida to Shantou Logan Property shall be determined, based on arm's length negotiations between the parties, with reference to (a) the total construction area of the project of Shantou Weida to which the Management Services is required; (b) the costs for provision of the related Management Services by Shantou Logan Property (including the salaries and benefits, costs incurred for the use of facilities and disbursements to third parties etc.); and (c) 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 Company.

Payment: Payment for the Management Services 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 Management Service Agreement is a 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 or separate purchase orders may be entered into between Shantou Logan Property and Shantou Weida for the transactions contemplated under the Management Service Agreement.

Annual Caps and Basis of Determination

Pursuant to the Management Service Agreement, it is proposed that the cap amounts for the Management Services for each of the financial years ending 31 December 2015, 2016 and 2017 is expected not to exceed the following:

	2015	2016	2017
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Provision of Management Services by Shantou Logan Property to Shantou Weida	2,625,000	3,000,000	1,875,000

The above annual caps for the Management Services were determined by reference to: (a) the expected costs for provision of the related management services by Shantou Logan Property (including the salaries and benefits, costs incurred for the use of facilities and disbursements to third parties, etc.) taking into account of the construction schedules of the projects undertaken by Shantou Weida; and (b) the unit price per square metre as agreed from time to time and the expected area to be completed by Shantou Weida for the three years ending 31 December 2017.

REASONS AND BENEFITS FOR ENTERING INTO THE CONSTRUCTION SERVICE AGREEMENT, THE DESIGN SERVICE AGREEMENT AND THE MANAGEMENT SERVICE AGREEMENT

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. Logan Construction is a non wholly-owned subsidiary of the Company and mainly engages in providing construction and related services for its projects. Guangdong Modern Construction is a wholly-owned subsidiary of the Company and mainly engages in providing design services for its projects. Shantou Logan Property is a wholly-owned subsidiary of the Company and mainly engages in project management for properties development in the PRC. Shantou Weida is a company principally engaged in property development, sale, leasing and property management businesses in the PRC.

The transactions contemplated under each of the Construction Service Agreement, the Design Service Agreement and Management Service Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group. Further, each of the Construction Service Agreement, the Design Service Agreement and Management 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 each of the Construction Service Agreement, the Design Service Agreement and Management Service Agreement are fair and reasonable and the entering into of each of the Construction Service Agreement, the Design Service Agreement and Management 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 Shantou Weida is indirectly controlled by Mr. Yao Yaojia, being a brother-in-law of Mr. Kei Hoipang, an executive Director and the chairman of the Company, and an uncle of Ms. Kei Perenna Hoi Ting, a non-executive Director, and a brother-in-law of Mr. Ji Jiande, an executive Director, each of Mr. Yao Yaojia and Shantou Weida is a connected person of the Company for the purpose of the Listing Rules. Accordingly, transactions under each of the Construction Service Agreement, the Design Service Agreement and the Management Service Agreement constitutes continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As the Percentage Ratios for the annual cap amount under the Construction Service Agreement, the Design Service Agreement and the Management Service Agreement are more than 0.1% but less than 5%, the transactions under the Construction Service Agreement, the Design Service Agreement and the Management Service Agreement will only be 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 each of the Construction Service Agreement, the Design Service Agreement and the Management 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 relevant personnel and management of the Group will conduct regular checks to review and assess whether the transactions contemplated under the Construction Service Agreement, the Design Service Agreement and the Management Service Agreement are conducted in accordance with the terms of each of the Construction Service Agreement, the Design Service Agreement and the Management Service Agreement and will also regularly update the market price 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 Construction Service Agreement, the Design Service Agreement and the Management 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 Construction Service Agreement, the Design Service Agreement and the Management 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, Mr. Yao Yaojia is indirectly holding 75% shares in Shantou Weida and the remaining 25% is held by an independent third party. Furthermore, Mr. Yao is connected with Mr. Kei Hoipang, Ms. Kei Perenna Hoi Ting and Mr. Ji Jiande, each of whom is a Director. Accordingly, each of Mr. Kei Hoipang, Ms. Kei Perenna Hoi Ting and Mr. Ji Jiande is considered having a material interest in the transactions contemplated under the Construction Service Agreement, the Design Service Agreement and Management Service Agreement and therefore has abstained from attending the board meeting and/or voting on the board resolutions approving the entering into of the Construction Service Agreement, the Design Service Agreement and Management 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, an exempted company incorporated in the Cayman Islands with limited liability and the issued 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
“Construction Service Agreement”	the agreement dated 27 January 2015 entered into between Logan Construction and Shantou Weida in relation to the provision of construction service by Logan Construction to Shantou Weida
“Design Service Agreement”	the agreement dated 27 January 2015 entered into between Guangdong Modern Construction and Shantou Weida in relation to the provision of design service by Guangdong Modern Construction to Shantou Weida
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Guangdong Modern Construction”	Guangdong Modern Construction Design and Consultant Company Co., Ltd. (廣東現代建築設計與顧問有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Logan Construction”	Logan Construction Co., Ltd. (龍光工程建設有限公司), a company established in the PRC and a non wholly-owned subsidiary of the Company
“Management Service Agreement”	the agreement dated 27 January 2015 entered into between Shantou Logan Property and Shantou Weida in relation to the provision of management service by Shantou Logan Property to Shantou Weida
“Percentage Ratios”	the percentage ratios (other than the profits ratio) as stipulated under Rule 14.07 of the Listing Rules
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Shantou Logan Property”	Shantou Logan Property Co., Ltd. (汕頭市龍光房地產有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company

“Shantou Weida”	Shantou Weida Property Co., Ltd. (汕頭市偉達房地產有限公司), a limited liability company established in the PRC and as at the date of this announcement is owned as to 75% by Pak San Bay (Hong Kong) Investments Co., Ltd. which is in turn indirectly wholly owned by Mr. Yao Yaojia and as to 25% by Great Paramount Capital (Hong Kong) Limited
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 27 January 2015

As at the date of this announcement, the executive Directors are Mr. Kei Hoipang, 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.