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# LOGAN

## 龙光集团

### Logan Group Company Limited

### 龍光集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3380)**

## CONTINUING CONNECTED TRANSACTIONS

### THE 2022 CCT AGREEMENTS

On 30 December 2022, the Group entered into the 2022 Master Project Development Management Agreement, the 2022 Master Property Management Service Agreement and the 2022 Master Lease Agreement to renew the existing arrangements between the Group, on one hand, and Logan Foundation and Logan Property Management, on the other hand.

### LISTING RULES IMPLICATIONS

The transactions contemplated under the 2022 CCT Agreements constitute continuing connected transactions 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 each of the 2022 CCT Agreements are more than 0.1% but less than 5%, the transactions under each of the 2022 CCT Agreements are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## THE 2022 CCT AGREEMENTS

On 30 December 2022, the Group entered into the 2022 Master Project Development Management Agreement, the 2022 Master Property Management Service Agreement and the 2022 Master Lease Agreement to renew the existing arrangements between the Group, on one hand, and Logan Foundation and Logan Property Management, on the other hand.

### (1) 2022 Master Project Development Management Agreement

Reference is made to the announcement of the Company dated 30 December 2019 in relation to, among others, the 2019 Master Pre-delivery Property Service Agreement. The 2019 Master Pre-delivery Property Service Agreement will expire on 31 December 2022.

On 30 December 2022, Shenzhen Logan, a wholly-owned subsidiary of the Company, entered into the 2022 Master Project Development Management Agreement with Logan Foundation to renew the terms of the 2019 Master Pre-delivery Property Service Agreement.

The principal terms of the 2022 Master Project Development Management Agreement are set out below:

Subject: Shenzhen Logan and its subsidiaries will provide the following services at development stages of the property projects of Logan Foundation and its subsidiaries in the PRC:

- (a) construction services, including but not limited to, foundation engineering, purchase of construction materials, decoration, fitting, electricity installation, construction of structural facilities, cleaning work upon completion of construction, onsite management and construction raw material procurement and other related services; and
- (b) design and architectural services, including but not limited to, building and structure design, planning design, architecture design, external façade design and overall planning design for the project,

(collectively, the “**Project Development Management Service**”).

**Term:** The 2022 Master Project Development Management Agreement has a fixed term commencing from 1 January 2023 and ending on 31 December 2025 (both days inclusive).

**Pricing:** As a general principle, the price and terms of the individual service agreement in respect of the Project Development Management Service 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 more favourable than those offered to independent third parties.

Subject to the general principle disclosed above, the service fee shall be determined with reference to (a) the expected total construction area of the property projects to which the Project Development Management Service is required; (b) the locations of the development projects of Logan Foundation; (c) the costs for provision of the related Project Development Management Service by Shenzhen Logan (including the salaries and benefits, costs incurred for the use of facilities and disbursements to third parties); and (d) the prevailing market price for the similar services 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 Project Development Management Service will be settled by cash at credit terms to be agreed by the parties in accordance with market practice and shall not be on terms more favourable than those offered to independent third parties.

The 2022 Master Project Development Management Agreement is the framework agreement which provides the mechanism for the operation of the continuing connected transactions contemplated thereunder. Individual agreements may be entered for the transactions contemplated under the 2022 Master Project Development Management Agreement.

### *Annual Caps*

The annual cap amounts for the Project Development Management Service for each of the three financial years ending 31 December 2025 are set out below:

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Annual cap	320,000	320,000	320,000

### *Historical transaction amount*

The historical transaction amounts under the 2019 Master Pre-delivery Property Service Agreement are set out below:

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Annual cap	300,000	350,000	350,000
Actual transaction amount	290,099	204,240	130,939 <sup>(Note)</sup>

*Note:* For the eleven months ended 30 November 2022.

### *Basis of annual caps*

The above annual caps were determined with reference to (i) the expected amount of service fees payable to Shenzhen Logan for the provision of Project Development Management Service taking into account (a) the anticipated demand of Project Development Management Service required by Logan Foundation during the term of the 2022 Master Project Development Management Agreement taking into account of the number of property development projects of Logan Foundation in the PRC and the expected GFA to be completed for each year during the term of the 2022 Master Project Development Management Agreement, including at least one project with anticipated service demand in value of approximately RMB200,000,000, to be required by the Group in 2023; (b) the estimated costs (including labour and construction raw materials) required by the Group; and (c) the prevailing service fees charged by other independent service providers; and (ii) the historical transaction amount taking into account the expected recovery of the real estate sector in PRC from 2023.

## (2) 2022 Master Property Management Service Agreement

Reference is made to the announcement of the Company dated 30 December 2019 in relation to, among others, the 2019 Master Property Management Service Agreement. The 2019 Master Property Management Service Agreement will expire on 31 December 2022.

On 30 December 2022, Shenzhen Logan, a wholly-owned subsidiary of the Company, entered into the 2022 Master Property Management Service Agreement with Logan Property Management to renew the terms of the 2019 Master Property Management Service Agreement.

The principal terms of the 2022 Master Property Management Service Agreement are set out below:

**Subject:** Logan Property Management and its subsidiaries will provide, the following services for the property projects of Shenzhen Logan and its subsidiaries:

- (a) property management services, including management, maintenance, security, environmental, cleaning and sanitation services; and
- (b) property management related services, including but not limited to the consultation services at the pre-delivery stage of property development, display units and property sales management services, marketing services and property completion surveying services,

(collectively, the “**Property Management Service**”).

**Term:** The 2022 Master Property Management Service Agreement has a fixed term commencing from 1 January 2023 and ending on 31 December 2025 (both days inclusive).

**Pricing:** As a general principle, the price and terms of the individual service agreement in respect of the Property Management Service 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 offered to the Group from independent third parties.

Subject to the general principle disclosed above, the service fee shall be (a) determined with reference to the anticipated actual cost to be incurred by Logan Property Management (including labour costs, material costs and administrative costs) in the provision of the services plus a reasonable profit margin which will be determined by the profit margin adopted by independent third party suppliers of similar services and similar type of projects in the market; and (b) shall not be higher than the fees designated by the relevant regulatory authorities (if applicable).

**Payment:** Payment for the Property Management Service will be settled by cash at credit terms to be agreed by the parties in accordance with market practice and shall be no less favourable than those available to the Group from independent third parties.

The 2022 Master Property Management Service Agreement is the framework agreement which provides the mechanism for the operation of the continuing connected transactions contemplated thereunder. Individual agreements may be entered for the transactions contemplated under the 2022 Master Property Management Service Agreement.

### ***Annual Caps***

The annual cap amounts for the Property Management Service for each of the three financial years ending 31 December 2025 are set out below:

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Annual cap	320,000	320,000	320,000

### ***Historical transaction amount***

The historical transaction amounts under the 2019 Master Property Management Service Agreement are set out below:

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Annual cap	250,000	350,000	400,000
Actual transaction amount	243,626	336,883	335,440 <sup>(Note)</sup>

*Note:* For the eleven months ended 30 November 2022.

### ***Basis of annual caps***

The above annual caps were determined with reference to (i) the expected demand of Property Management Services of the Group having regards to the expected GFA requiring property management services, the contracted sales of the Group and the expected land bank during the term of the 2022 Master Property Management Services Agreement; (ii) the prevailing market rate of similar property management services; and (iii) the historical transaction amounts.

### **(3) 2022 Master Lease Agreement**

As disclosed in Note 5(d) “Operating Segment Information” of the Company’s 2021 financial statements, the Group’s property operation segment leases out office units, commercial centers, retail shops and hotels to generate rental income and to possibly gain from the appreciation in the properties’ values in the long term.

On 30 December 2022, Shenzhen Logan, a wholly-owned subsidiary of the Company, entered into the 2022 Master Lease Agreement with Logan Foundation to renew such existing arrangement.

The principal terms of the 2022 Master Lease Agreement are set out below:

**Subject:** Shenzhen Logan and its subsidiaries, as lessor, will lease properties held by them in the PRC to Logan Foundation and its subsidiaries, as lessee.

**Usage:** The relevant properties are mixed-use properties held by the Group.

The Group is expected to lease, as lessor, to Logan Foundation and its subsidiaries, as lessee, (i) the GFA designated for running hotel use under the relevant land grants for their hotel business; and (ii) office spaces for their self-use.

**Term:** The 2022 Master Lease Agreement has a fixed term commencing from 1 January 2023 and ending on 31 December 2025 (both days inclusive).

**Pricing:** As a general principle, the rent and terms of the individual leases 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 more favourable than those offered to independent third parties.

Subject to the general principle disclosed above, the rent shall be determined with reference to (i) the leasable area, location and neighborhood profile of the property; (ii) the prevailing market rent per square metre of premises similar in nature located in the vicinity; and (iii) in the case of office space, the rent per square metre charged by the Group to independent third party tenants of the Group within the same mixed-use property.

Payment: The rent will be settled by cash on a monthly basis.

The 2022 Master Lease Agreement is the framework agreement which provides the mechanism for the operation of the continuing connected transactions contemplated thereunder. Individual tenancy agreements may be entered for the transactions contemplated under the 2022 Master Lease Agreement.

### *Annual Caps*

The annual cap amounts for the rental income for each of the three financial years ending 31 December 2025 are set out below:

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Annual cap	120,000	120,000	120,000

### *Historical transaction amount*

The historical transaction amounts are set out below:

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Transaction amount	30,973	32,531	30,357 <sup>(Note)</sup>

*Note:* For the eleven months ended 30 November 2022.

### ***Basis of annual caps***

The above annual caps were determined with reference to (i) the expected space that Logan Foundation has indicated to the Group that it would rent for hotel business and office use during the term of the 2022 Master Lease Agreement. Under the existing arrangement, Logan Foundation has leased two mixed use complexes for its hotel business located in Nanning and Huizhou from the Group; and (ii) the prevailing market rent of the premises that are expected to be leased by Logan Foundation and its subsidiaries.

#### **(4) Information on the parties**

##### ***(i) The Group and Shenzhen Logan***

The Group is principally engaged in property development, property operation, development management and urban redevelopment business in China.

Shenzhen Logan is a wholly-owned subsidiary of the Company and mainly engages in investment holding, with subsidiaries principally engaged in property development and the provision of construction services.

##### ***(ii) Logan Foundation and Logan Property Management***

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

Logan Property Management is a company established in the PRC principally engaged in property management in the PRC.

#### **(5) Reasons and benefits for entering into the 2022 CCT Agreements**

The transactions contemplated under each of the 2022 CCT Agreements are in the ordinary and usual course of business of the Group.

***(1) The 2022 Master Project Development Management Agreement***

The businesses of the members of the Group comprise of various areas relating to property development in the PRC, including property development, design, construction, fitting and decoration. The provision of Project Development Management Service forms part of the core business of the Group and the provision of Project Development Management Service for Logan Foundation has been on-going for years with good solid track record.

***(2) The 2022 Master Property Management Service Agreement***

Logan Property Management has solid and extensive experience in the property management field in the PRC, the Board believes that it is beneficial to the business of the Group to engage Logan Property Management to provide Property Management Services in terms of efficiency and reliability in the provision of such services.

***(3) The 2022 Master Lease Agreement***

The leasing out of offices is one of the business segments of the Group. The rent of offices to Logan Foundation and its subsidiaries will continue to generate rental income to the Group.

The area subject to the 2022 Master Lease agreement must be used for hotel business under the relevant land grants. While the hotel business is not a principal business segment of the Group, it is a core business segment of Logan Foundation. The Group considers that Logan Foundation's expertise and long term success in running hotels will enhance the overall image of the Group's mixed-use complexes, which in turn will be beneficial to the rental value of the other areas (including offices and retail shops) of the mixed-use complex held by the Group.

Each of the 2022 CCT Agreements has been 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 excluding Mr. Kei) consider that the terms of the 2022 CCT Agreements are fair and reasonable, normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole.

**(6) Listing Rules implications**

As at the date of this announcement, Logan Foundation is held as to 47% by Mr. Kei.

Logan Property Management is wholly-owned by Ms. Kei Perenna Hoi Ting, who is the daughter of Mr. Kei.

As such, each of Logan Foundation and Logan Property Management is a connected person of the Company. Accordingly, the transactions contemplated under the 2022 CCT Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Mr. Kei is considered to have a material interest in the transactions contemplated under the 2022 CCT Agreements and therefore has abstained from voting on the board resolutions approving the entering into of the 2022 CCT Agreements.

As one or more of the applicable percentage ratios (other than the profits ratio) for the annual cap amount under each of the 2022 CCT Agreements are more than 0.1% but less than 5%, the transactions under each of the 2022 CCT Agreements are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

**(7) Internal control**

Subject to the general pricing principles disclosed in the paragraph "Pricing" of each 2022 CCT Agreements above, the pricing policy will be supervised and monitored by the relevant personnel and management of the Group in charge to ensure that each of the 2022 CCT Agreements is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole.

- (1) The Board and the senior management will conduct regular checks on a quarterly basis to review and assess whether the transactions contemplated under each of the 2022 CCT agreements are conducted in accordance with the terms of the 2022 CCT Agreements and assess whether there is a risk of exceeding the annual caps.
- (2) With respect to the 2022 Master Project Development Management Agreement, the transaction price shall be negotiated by reference to the relevant guidance prices prescribed by the government (if applicable), prices for similar services between the Group and independent third parties and those charged by competitors of comparable scale for similar transactions with their independent third parties to ensure that the terms offered by the Group are no more favorable than those offered to independent third parties. The relevant personnel and management of the Group will also obtain updates on the market price on a monthly basis for the purpose of considering if the price charged is in accordance with the aforesaid pricing policy.
- (3) With respect to the 2022 Master Property Management Service Agreement, the Group shall obtain at least two quotations of similar services provided by independent third parties and review regularly to ensure that the terms offered by Logan Property Management are no less favorable than those offered by other independent third parties.

- (4) With respect to the 2022 Master Lease Agreement, the rental price will be set with reference to the prevailing market rent of premises similar in nature located in the vicinity. To this connection, the market research department will conduct market research on the reference price by compiling a table of recent transactions of similar properties located in the vicinity prior to entering into each lease agreement. The market department will report its findings to the leasing department. In addition to the pricing, prior to entering into each tenancy agreement, the Group will ensure that the relevant terms of the tenancy agreements (including for example representations and warranties) are no more favourable than those offered by the Group to independent tenants of the Group's other investment properties.
- (5) The independent non-executive Directors would continue to review the transactions contemplated under the 2022 CCT Agreements and the auditors of the Company 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 2022 CCT Agreements 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.

## **DEFINITIONS**

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

“2019 CCT Agreements”	the 2019 Master Pre-delivery Property Service Agreement and the 2019 Master Property Management Service Agreement
“2019 Master Pre-delivery Property Service Agreement”	the agreement dated 30 December 2019 entered into between Shenzhen Logan and Logan Foundation in relation to the provision of Pre-delivery Property Service by Shenzhen Logan to Logan Foundation
“2019 Master Property Management Service Agreement”	the agreement dated 30 December 2019 entered into between Shenzhen Logan and Logan Property Management in relation to the provision of Property Management Service by Logan Property Management to Shenzhen Logan
“2022 CCT Agreements”	the 2022 Master Project Development Management Agreement, the 2022 Master Property Management Service Agreement and the 2022 Master Lease Agreement
“2022 Master Lease Agreement”	the agreement dated 30 December 2022 entered into between Shenzhen Logan and Logan Foundation in relation to the leasing of properties held by the Group to Logan Foundation

“2022 Master Project Development Management Agreement”	the agreement dated 30 December 2022 entered into between Shenzhen Logan and Logan Foundation in relation to the provision of Project Development Management Service by Shenzhen Logan to Logan Foundation
“2022 Master Property Management Service Agreement”	the agreement dated 30 December 2022 entered into between Shenzhen Logan and Logan Property Management in relation to the provision of Property Management Service by Logan Property Management to Shenzhen Logan
“Board”	the board of Directors
“Company”	Logan Group 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.* (龍光交通集團有限公司), a company established in the PRC with limited liability
“Logan Property Management”	Guangdong Logan Group Property Management Co., Ltd* (廣東龍光集團物業管理有限公司), a company established in the PRC with limited liability
“Mr. Kei”	Mr. Kei Hoi Pang, an executive Director and the chairman of the Board
“PRC”	the People’s Republic of China
“Project Development Management Service”	has the meaning ascribed under the paragraph headed “2022 Master Project Development Management Agreement” of this announcement
“Property Management Service”	has the meaning ascribed under the paragraph headed “2022 Master Property Management 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 Group Company Limited**  
**Kei Hoi Pang**  
*Chairman*

Hong Kong, 30 December 2022

*As at the date of this announcement, the executive directors of the Company are Mr. Kei Hoi Pang, Mr. Lai Zhuobin, Mr. Xiao Xu, Mr. Zhong Huihong and Ms. Huang Xiangling; and the independent non-executive directors of the Company are Mr. Zhang Huaqiao, Ms. Liu Ka Ying, Rebecca and Mr. Cai Suisheng.*