GUANGDONG LAND HOLDINGS LIMITED
粵海置地控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 0124)

Announcement

Continuing Connected Transactions

BACKGROUND

Reference is made to the circular of the Company dated 18 May 2018 in respect of the Acquisition and the announcement of the Company dated 13 July 2018 informing the Shareholders that the Acquisition has been completed. Following Completion, certain transactions between Guangdong Property Development (being the target company under the Acquisition and currently an indirect wholly-owned subsidiary of the Company) and Yuehai Property Management (being an associate of the vendors of the Acquisition) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to the Zhuguanglu Property Management Agreement between Guangdong Property Development and Yuehai Property Management, Yuehai Property Management shall provide certain property management services in respect of the Zhuguanglu Properties to Guangdong Property Development.

Pursuant to the Sales Centre Property Services Agreement between Guangdong Property Development and Yuehai Property Management, Yuehai Property Management shall provide certain property services in respect of the sales venue of the Zhuguanglu Project to Guangdong Property Development.

LISTING RULES IMPLICATIONS

After Completion, Guangdong Property Development has become an indirect wholly-owned subsidiary of the Company. Yuehai Property Management, being an indirect non-wholly owned subsidiary of Guangdong Holdings, the ultimate controlling shareholder of the Company, is an associate of Guangdong Holdings and, hence, a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Continuing Connected Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one of the relevant percentage ratios calculated in accordance with the Listing Rules in respect of the Continuing Connected Transactions (on an aggregate basis) exceeds 0.1% but all of the percentage ratios do not exceed 5%, the Continuing Connected Transactions and the relevant caps will be subject to the reporting and announcement and the annual review requirements under Chapter 14A of the Listing Rules, but are exempt from the independent shareholders' approval under the Listing Rules.

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Reference is made to the circular of the Company dated 18 May 2018 in respect of the Acquisition and the announcement of the Company dated 13 July 2018 informing the Shareholders that the Acquisition has been completed. Following Completion, certain transactions between Guangdong Property Development (being the target company under the Acquisition and currently an indirect wholly-owned subsidiary of the Company) and Yuehai Property Management (being an associate of the vendors of the Acquisition) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

THE CONTINUING CONNECTED TRANSACTIONS

A summary of the salient terms of the agreements in respect of the Continuing Connected Transactions is set out below.

(i) The Zhuguanglu Property Management Agreement

Date: 26 October 2016

Parties: (1) Guangdong Property Development; and

(2) Yuehai Property Management

Term: 1 September 2016 to 31 August 2019, upon the expiry of which the Group will consider whether to extend the term on the basis of the then circumstances and needs of the Group and in compliance with the relevant rules and regulations

Subject matter

Pursuant to the Zhuguanglu Property Management Agreement, Yuehai Property Management shall provide certain property management services (including property management, centralized air-conditioning, payment of water and electricity charges in respect of the commercial and shopping units, restaurant sewage treatment and other miscellaneous services) in respect of the commercial shopping area, a sky garden, residential buildings, public facilities, a central garden, and the underground levels including car-parking spaces and equipment rooms, etc. in the Zhuanglu Properties.

The services fees ("**Zhuguanglu Service Fees**") for the abovementioned services shall be paid by Guangdong Property Development to Yuehai Property Management on a monthly basis and shall be calculated at the following monthly rates on a pro rata basis:

(1) RMB2.80 per sq. m. in respect of the management of residential properties;

(2) RMB45.50 per sq. m. in respect of the management of commercial and shopping units;

(3) RMB180.00 per car-parking space in respect of the management of underground car-parking spaces; and

(4) RMB4.50 per tonne of restaurant's monthly water for domestic use in respect of restaurant sewage treatment.

As regard the payment of water and electricity charges in respect of the commercial and shopping units, electricity shall be charged at 1.1 times the electricity fee as stipulated by the PRC Government and water shall be charged at 1.05 times the water fee as stipulated by the PRC Government, taking into account the relevant wear and tear in the provision of such utilities by Yuehai Property Management.

In respect of the Zhuguanglu Properties which are (i) residential properties for sale, the relevant Zhuguanglu Service Fees shall be borne by the relevant buyers upon delivery of such properties; and (ii) commercial properties for lease, the relevant Zhuguanglu Service Fees may be borne by Guangdong Property Development or the tenants of such properties depending on the terms of the lease.

Annual caps

As the actual provision of such property management services have not yet commenced as at the date of this announcement and, accordingly, no historical transaction amount is available.

The Board, having considered the (1) gross floor area of the residential properties; (2) the gross floor area of the commercial and shopping units; (3) the number of car-parking spaces; (4) the sales and leasing plans for the Zhuguanglu Properties of Guangdong Property Development; (5) the consumption level of electricity and water of residential units in Guangzhou with reference to that of other property projects; (6) the estimated sewage treatment fees by reference to the designated area for restaurants and sewage treatment fees incurred in other property projects; and (7) the prevailing market rates of similar services, has set the annual caps in respect of the said services under the Zhuguanglu Property Management Agreement as follows:

	For the year ending 31 December	
	2018	**2019**
	RMB	*RMB*
Annual cap	800,000 (*Note 1*)	7,040,000 (*Note 2*)
	(Equivalent to approximately HK$938,000)	(Equivalent to approximately HK$8,258,000)

Note 1:

This covers the period from Completion to 31 December 2018.

Note 2:

This covers the period from 1 January 2019 to 31 August 2019.

Reasons and benefits of the entering into the Zhuguanglu Property Management Agreement

Yuehai Property Management is a national Grade-A property management company, and has ample experience in property management and a high-quality and professional working team. It has received many national, provincial and municipal honours as the best property managers for the properties it has managed. In order to better manage the Zhuguanglu Properties, Guangdong Property Development has decided to work with Yuehai Property Management at this stage.

The Zhuguanglu Service Fees were determined after arm's length negotiations between Guangdong Property Development and Yuehai Property Management, which was chosen to provide the services by Guangdong Property Development through public tender process, taking into account, inter alia, (i) the tender amounts for the management of residential properties, commercial and shopping units and car-parking spaces for the Zhuguanglu Properties; (ii) the performance of the bidders in other property management projects then undertaken by such bidders (taking into account the gross floor area of the residential and commercial properties under such projects, the level of honours received by the bidders, and whether the relevant properties were owned by multiple owners); and (iii) the proposals for organising the on-site management services, etc. The Directors are of the view that the abovementioned method and procedure can ensure that the transactions under the Zhuguanglu Property Management Agreement are conducted on normal commercial terms and not prejudicial to the interests of Company and its minority Shareholders.

The Board (including the independent non-executive Directors) considers that the terms and conditions of the Zhuguanglu Property Management Agreement and the annual caps are fair and reasonable and on normal commercial terms or better to the Group, and the transactions under the Zhuguanglu Property Management Agreement are in the usual and ordinary course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

Mr. HUANG Xiaofeng, Ms. ZHAO Chunxiao, Mr. LI Wai Keung, Mr. WU Mingchang and Mr. ZENG Yi, being Directors, are also directors of Guangdong Holdings and/or its subsidiaries. All of the abovementioned Directors present at the relevant Board meeting abstained from voting on the Board resolutions in respect of the Zhuguanglu Property Management Agreement and the annual caps. Save the abovementioned Directors, no Directors had a material interest in the transactions under the Zhuguanglu Property Management Agreement or abstained from the voting on the said Board resolutions.

(ii) Sales Centre Property Services Agreement

Date: 1 February 2018

Parties: (1) Guangdong Property Development; and

(2) Yuehai Property Management

Term: 1 February 2018 to 31 January 2019, upon the expiry of which the Group will consider whether to extend the term on the basis of the then circumstances and needs of the Group

Subject matter

Pursuant to the Sales Centre Property Services Agreement, Yuehai Property Management shall provide certain property management and support services to Guangdong Property Development in respect of the sales venue (including sales centre and sample units, etc.) of the Zhuguanglu Project, including daily customer entertaining, facility maintenance, security and order maintenance, cleaning, greening, pest control, and other property management and support services relating to preliminary works of the Zhuguanglu Properties.

The relevant service fees ("**Sales Centre Service Fees**") pursuant to the Sales Centre Property Services Agreement shall be calculated on the basis of the salary of the labour providing such services and shall be settled on a monthly basis.

Historical transaction amounts

The table below summarises the actual transaction amounts of the services under the Sales Centre Property Services Agreement for the two years ended 31 December 2017 and the six months ended 30 June 2018 *(Note)*:

	For the year ended 31 December		**For the six months ended 30 June**
	2016	**2017**	**2018**
	RMB	*RMB*	*RMB*
Actual transaction amount	Nil	1,969,700 (Equivalent to approximately HK$2,310,000)	1,306,647 (Equivalent to approximately HK$1,533,000)

Note:

The transactions for the period prior to 1 February 2018 were covered by the agreement entered into between Guangdong Property Development and Yuehai Property Management on terms similar to the Sales Centre Property Services Agreement.

Annual caps in respect of the Sales Centre Property Services Agreement

The Board, having considered (1) historical transaction amounts; (2) the number of staff required to provide the services under the Sales Centre Property Services Agreement (taking into account services of the staff required); (3) the fixed salary, floating salary, overtime charges, benefits, subsidies, union fees, etc. of such staff; and (4) the one-off payment for various supplies including staff uniforms and toolboxes, etc., has set the annual caps in respect of services under the Sales Centre Property Services Agreement as follows:

	For the year ending 31 December	
	2018	**2019**
	RMB	*RMB*
Annual cap	1,898,700 (*Note 1)*	287,700 (*Note 2)*
	(Equivalent to approximately HK$2,227,000)	(Equivalent to approximately HK$337,000)

Note 1:

This covers the period from Completion to 31 December 2018.

Note 2:

This covers the period from 1 January 2019 to 31 January 2019.

Reasons and benefits of entering into the Sales Centre Property Services Agreement

As Yuehai Property Management is a national Grade-A property management company with ample experience in property management and a high-quality and professional working team as mentioned above, in order to better manage the abovementioned sale venue, Guangdong Property Development has decided to work with Yuehai Property Management at this stage.

The Sales Centre Service Fees were determined after arm's length negotiations between Guangdong Property Development and Yuehai Property Management according to the following methodology and procedure. Guangdong Property Development conducted market research and obtained price quotation in respect of the salary of the relevant staff providing property services in the region. After comparison of the salary of the relevant staff of not less than three comparable property services providers in the market, and taking into account factors including brand recognition effect, quality of services and efficiency in cooperation with the sales department, etc., Guangdong Property Development then underwent a price negotiation process with Yuehai Property Management in accordance with the relevant internal policy. The engagement has been approved by the management of Guangdong Property Development after the terms of services having been approved by its administrative department, tender and procurement department, financial department, commercial operation department, sales management department and risk management department. The Directors are of the view that the abovementioned method and procedure can ensure that the transaction under the Sales Centre Property Services Agreement is conducted on normal commercial terms and not prejudicial to the interests of Company and its minority Shareholders.

The Board (including the independent non-executive Directors) considers that the terms and conditions of the Sales Centre Property Services Agreement and the annual caps are fair and reasonable and on normal commercial terms or better to the Group, and the transactions under the Sales Centre Property Services Agreement are in the usual and ordinary course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

Mr. HUANG Xiaofeng, Ms. ZHAO Chunxiao, Mr. LI Wai Keung, Mr. WU Mingchang and Mr. ZENG Yi, being Directors, are also directors of Guangdong Holdings and/or its subsidiaries. All of the abovementioned Directors present at the relevant Board meeting abstained from voting on the Board resolutions in respect of the Sales Centre Property Services Agreement and the annual caps. Save the abovementioned Directors, no Directors had a material interest in the transactions under the Sales Centre Property Services Agreement or abstained from the voting on the said Board resolutions.

INFORMATION ON THE GROUP

The Group is principally engaged in property development and investment.

INFORMATION ON YUEHAI PROPERTY MANAGEMENT

The Company understands that Yuehai Property Management is principally engaged in property management.

LISTING RULES IMPLICATIONS

After Completion, Guangdong Property Development has become an indirect wholly-owned subsidiary of the Company. Yuehai Property Management, being an indirect non-wholly owned subsidiary of Guangdong Holdings, the ultimate controlling shareholder of the Company, is an associate of Guangdong Holdings and, hence, a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Continuing Connected Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one of the relevant percentage ratios calculated in accordance with the Listing Rules in respect of the Continuing Connected Transactions (on an aggregate basis) exceeds 0.1% but all of the percentage ratios do not exceed 5%, the Continuing Connected Transactions and the relevant caps will be subject to the reporting and announcement and the annual review requirements under Chapter 14A of the Listing Rules, but are exempt from the independent shareholders' approval under the Listing Rules.

DEFINITIONS

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

"Acquisition"	the acquisition of the entire equity interest in Guangdong Property Development by 粵海置地發展（深圳）有限公司 (Guangdong Land Development (Shenzhen) Limited) (a company established in the PRC and an indirect wholly-owned subsidiary of the Company) from 廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.) and 廣東粵港投資置業有限公司 (Guangdong Yuegang Investment Property Co., Ltd.) pursuant to the Agreement;
"Agreement"	the agreement dated 27 April 2018 entered into between 粵海置地發展（深圳）有限公司 (Guangdong Land Development (Shenzhen) Limited) as purchaser and 廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.) and 廣東粵港投資置業有限公司 (Guangdong Yuegang Investment Property Co., Ltd.) as vendors, in respect of the Acquisition;
"associates"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;

"Company"	Guangdong Land Holdings Limited (粵海置地控股有限公司), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange;
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Agreement and completion of the registration procedures with the relevant administration for industry and commerce department in the PRC in respect of the transfer of equity interest of Guangdong Property Development under Acquisition;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Continuing Connected Transactions"	the transactions contemplated under the Zhuguanglu Property Management Agreement and the Sales Centre Property Management Agreement;
"Director(s)	the director(s) of the Company;
"Group"	the Company and its subsidiaries;
"Guangdong Holdings"	廣東粵海控股集團有限公司 (Guangdong Holdings Limited), the ultimate controlling shareholder and a connected person of the Company;
"Guangdong Property Development"	廣東粵海房地產開發有限公司 (Guangdong Yuehai Property Development Co., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
"PRC"	the People's Republic of China and, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sales Centre Property Services Agreement"	粵海珠光路項目銷售中心物業服務協議 (Yuehai Zhuguanglu Project Sales Centre Property Services Agreement) entered into between Guangdong Property Development and Yuehai Property Management dated 1 February 2018;

"Sales Centre Service Fees"	has the meaning ascribed to it under the section headed "The Continuing Connected Transactions – (ii) Sales Centre Property Services Agreement" in this announcement;
"Shareholder(s)"	the shareholder(s) of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Yuehai Property Management"	粵海物業管理有限公司 (Yuehai Property Management Co., Ltd.), a company established in the PRC with limited liability and a connected person of the Company;
"Zhuguanglu Project"	the construction and development of the Zhuguanglu Properties undertaken by Guangdong Property Development;
"Zhuguanglu Properties"	the residential and commercial properties located at 43-79 Zhuguang Road, Yuexiu District（越秀區珠光路 43-79 號）in Guangzhou, the PRC;
"Zhuguanglu Property Management Agreement"	粵海珠光雅舍小區前期物業管理服務合同 (Yuehai Zhuguang Yashe District Preliminary Property Management Services Agreement) entered into between Guangdong Property Development and Yuehai Property Management dated 26 October 2016;
"Zhuguanglu Service Fees"	has the meaning ascribed to it under the section headed "The Continuing Connected Transactions – (i) The Zhuguanglu Property Management Agreement" in this announcement; and
"%"	per cent.

For the purpose of this announcement, unless otherwise specified, conversion of Renminbi, the lawful currency of the PRC, into Hong Kong dollars, the lawful currency of Hong Kong, is based on the approximate exchange rate of HK$1 to RMB0.8525.

By Order of the Board
Guangdong Land Holdings Limited
HUANG Xiaofeng
Chairman

Hong Kong, 18 July 2018

As at the date of this announcement, the Board comprises one Non-Executive Director, namely Mr. HUANG Xiaofeng; four Executive Directors, namely Ms. ZHAO Chunxiao, Mr. LI Wai Keung, Mr. WU Mingchang and Mr. ZENG Yi; and three Independent Non-Executive Directors, namely Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr.Vincent Marshall LEE Kwan Ho.