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華潤置地有限公司 China Resources Land Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1109)

CONNECTED TRANSACTION — ACQUISITION OF A PROPERTY MANAGEMENT COMPANY

The Board is pleased to announce that on 26 August 2020, CRL Wuhan, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with CRCL for the sale and purchase of the Sale Equity, representing the entire registered capital of the Target Company, for a consideration of RMB47,122,100 (equivalent to approximately HK\$52,774,219), subject to the terms and conditions as set out in the Agreement.

As at the date of this announcement, CRCL is a controlling Shareholder of the Company, CRCL is therefore a connected person of the Company. CRL Wuhan is an indirect wholly-owned subsidiary of the Company and thus the Acquisition constitutes a connected transaction of the Company. As one of the applicable percentage ratios in respect of the Acquisition exceeds 0.1% but is less than 5%, the Acquisition is only subject to the reporting and announcement requirements under the Listing Rules, and is exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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THE ACQUISITION

Principal terms of the Agreement are summarised as follows:

Date: 26 August 2020

Parties: (1) CRCL as vendor, and (2) CRL Wuhan as purchaser

Subject matter

Pursuant to the Agreement, CRCL conditionally agrees to sell, and CRL Wuhan conditionally agrees to purchase, the Sale Equity, representing the entire registered capital of RMB3,000,000 of the Target Company, which is fully paid up as at the date of the Agreement.

Consideration

Consideration for the Acquisition is RMB47,122,100 (equivalent to approximately HK\$52,774,219) which shall be payable by CRL Wuhan to CRCL within 3 months from the date of the Agreement, provided that all conditions precedent provided in the Agreement are satisfied or waived by the Company. The consideration shall be financed by internal resources of the Group.

The consideration was determined after arm's length negotiations between the Company and CRCL with reference to, among others, the appraised market value of the entire equity interests of the Target Company of approximately RMB50,665,000 (equivalent to approximately HK\$56,742,076) pursuant to the business valuation (the "**Valuation**") carried out by Colliers International, an independent and qualified valuer engaged by the Company, under the income approach as at 30 June 2020, and the general market conditions.

As advised by CRCL, the Target Company was transferred to CRCL from a state-owned enterprise (the "**Previous Holdco**") at nil consideration pursuant to the Interim Measures for the Administration of Gratuitous Transfer of State-owned Property Rights of Enterprises (《企業國有產權無償劃轉管理暫行辦法》) and the relevant laws and regulations.

Conditions precedent

Completion and payment of the consideration are subject to the satisfaction or waiver of certain conditions precedent, including but not limited to:

- (i) both Parties having obtained necessary corporate authorisations and/or shareholders' approval in relation to transfer of the Sale Equity, in accordance with applicable laws and constitutions of the Parties and the Target Company;
- (ii) CRCL and the Target Company having obtained all necessary third party approval and consent (if applicable) in relation to transfer of the Sale Equity, and the signing and performance of the Agreement not having caused violations or breaches, by CRCL or the Target Company, of any applicable laws or any agreements signed by CRCL or the Target Company; and
- (iii) all necessary permissions, authorisations, confirmations, consents, approvals, filings, registrations and announcements in compliance with the rules and regulations imposed by all governmental or regulatory authorities (including but not limited to the SASAC) in connection with transfer of the Sale Equity required to be obtained or completed having been obtained or completed.

Completion

Completion shall take place on the second Business Day after the date on which all the conditions precedent provided under the Agreement are fulfilled or waived.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be included in the consolidated financial statements of the Group.

Tax

CRCL will bear the income tax arising from transfer of the Sale Equity. Other taxes resulted from transfer of the Sale Equity will be borne by the Parties in accordance with the applicable laws.

INFORMATION ABOUT THE PARTIES AND THE TARGET COMPANY

The Group

The Company is incorporated in the Cayman Islands with limited liability and its shares are listed on the Stock Exchange. As at the date of this announcement, approximately 59.55% of the shares issued by the Company are indirectly held by CRH which in turn is ultimately owned by CRCL, a state-owned enterprise in the PRC under the supervision of the SASAC.

The Group is principally engaged in development of properties for sale, property investments and management, hotel operations and the provision of construction, decoration services and other property development related services in the PRC.

CRL Wuhan, an indirect wholly-owned subsidiary of the Company, is a company incorporated in the PRC with limited liability and is principally engaged in the business of housing rental and property management mainly in the Hubei province of the PRC.

CRCL

CRCL is a company incorporated in the PRC with limited liability and is a state-owned enterprise under the supervision of the SASAC. It is the holding company of CRH and is a conglomerate which holds a variety of businesses in Hong Kong and the PRC including but not limited to consumer products, healthcare, energy services, urban construction and operation, technology and finance.

The Target Company

The Target Company, a wholly-owned subsidiary of CRCL, is a company incorporated in the PRC with limited liability. It was incorporated in October 2017 with a registered capital of RMB3,000,000.

It principally engages in the business of housing rental and provision of property management services such as gardening, housing and facilities repair and maintenance, cleaning for various properties including residential and industrial properties mainly in the Hubei province of the PRC. It established a branch in Xiangyang and Wuhan, the PRC respectively.

Apart from the principal business of housing rental and property management, the Target Company also operated kindergartens which were disposed by the Target Company in July 2020.

Set out below are certain financial information of the Target Company (prepared in accordance with the generally accepted accounting principles of the PRC) for the year ended 31 December 2018 and the year ended 31 December 2019 respectively:

	For the year ended 31 December 2018	For the year ended 31 December 2019
	<i>Approximately RMB'000</i>	<i>Approximately RMB'000</i>
Profit before tax	4,632	7,332
Profit after tax	2,904	5,091

As at 31 December 2019, the audited net book value of the Target Company was approximately RMB44,485,000.

The Target Company is entitled to subsidies in the total amount of RMB100,910,000 since January 2018 from the Previous Holdco as an interim measure to primarily support the operation of the business of the Target Company and to maintain the social and medical insurances and/or other benefits of the employees which may be affected because of the transfer of equity interest to CRCL, and such arrangement continued and is still ongoing after the transfer of the Target Company from the Previous Holdco to CRCL and will come to an end in December 2022. The subsidies include operating subsidy, staff medical benefits subsidy and salary compensation subsidy to certain eligible staff. As at 30 June 2020, the Target Company had received approximately RMB60,546,000, representing approximately 60% of the total subsidies and the remaining subsidies was approximately RMB40,364,000. It is expected that the Acquisition will not affect the continual entitlement to the remainder of the subsidies of the Target Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal business activities of the Group are property investment, development and management in the PRC.

According to the 2019 annual report of the Company, it is the Group's vision to "become the most trustworthy asset manager in China" and the Group's property management business had been focusing on quality properties. The Target Company operates housing rental and property management business mainly in Hubei province of the PRC where cities and towns with immense potential for growth are located. The Directors believe that the Acquisition represents an attractive investment opportunity for the Group to strengthen the market share and competitiveness of the property management business of the Company by further expanding the geographical reach and scale of property management business of the Group in the Hubei province of the PRC in the long-run.

The Board (including the independent non-executive Directors) is of the view that terms of the Agreement and the Acquisition are determined after arm's length negotiations between the Company and CRCL, which are fair and reasonable, and the entering into of the Agreement and the Acquisition is conducted in the ordinary and usual course of business of the Company, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

None of the Directors have any material interest in the Acquisition and none of them abstained from voting on the relevant board resolutions.

PROFIT FORECAST REQUIREMENTS UNDER THE LISTING RULES

Given the Valuation was based on the income approach, which involves the use of discounted cash flows method, the valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. Accordingly, the requirements under Rules 14.60A and 14.62 of the Listing Rules apply.

For the purpose of complying with Rules 14.60A and 14.62 of the Listing Rules, the details of the principal assumptions upon which the Valuation was based are as follows:

General Assumptions

- The Target Company is capable of being freely traded and the Target Company will obtain or renew all relevant legal approvals, business certificates, or licenses required to operate its business;
- The Target Company conforms with all required laws and regulations, and the current laws and regulations affecting the Target Company will have no material change;
- The current financial, economic, taxation, technological, political and general market conditions which prevail in the region in which the Target Company operates will have no material change;
- Inflation, interest rates, and tax rates will have no material change from the rates prevailing as at 30 June 2020;
- The market conditions under which the Target Company operates, which are material to revenue and costs of the businesses, will have no material change;
- Competent management, key personnel and technical staff of the Target Company will be retained to support the ongoing operation of the Target Company; and
- The information regarding the Target Company provided by the management of the Target Company is true, accurate, complete, updated and appropriate for the purposes of the Valuation.

Specific Assumptions

- the business in relation to kindergarten, as a discontinued business, is excluded from the Valuation;
- the remaining operating subsidy which is expected to be received by the Target Company from the Previous Holdco till December 2022, will be received from the Previous Holdco according to the forecast provided by the management of the Target Company;
- additional staff medical benefits is expected to be incurred by the Target Company after the Target Company receives all the staff medical benefits subsidy from the Previous Holdco;
- additional staff cost to be incurred by the Target Company will be immaterial after the Target Company receives all the staff compensation subsidy from the Previous Holdco;
- the Target Company would hold the properties which were recognised as fixed assets on its balance sheet as at 30 June 2020 till the end of their useful life and has no intention to dispose the properties before the end of relevant land lease expiring date;
- sufficient repairment and maintenance expense has been considered during the forecast periods and no additional capital expenditure would be required for the existing properties which were recognised as fixed assets on the balance sheet of the Target Company as at 30 June 2020; and
- the management of the Target Company had assessed the impact of the current COVID-19 outbreak on the financial projection from 1 July 2020 to 31 December 2025 based on their best estimation and reasonable basis.

Confirmations

Ernst & Young has been engaged by the Company to review the calculations of the discounted future cash flows upon which the Valuation was based on.

The Board has reviewed and considered the Valuation including the principal assumptions upon which the Valuation was based. The Board has also considered the report from Ernst & Young. On the basis of the foregoing, the Board is of the opinion that the Valuation has been made after due and careful enquiry.

A letter from the Board and a report from Ernst & Young are included in the appendices to this announcement for the purpose of Rules 14.60A and 14.62 of the Listing Rules.

Experts and Consents

The qualifications of Colliers International and Ernst & Young are as follows:

Name	Qualifications
Colliers International	Professional valuer
Ernst & Young	Certified Public Accountants

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, each of Colliers International and Ernst & Young is a third party independent of the Group and is not a connected person of the Group. As at the date of this announcement, neither of Colliers International and Ernst & Young has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

Each of Colliers International and Ernst & Young has given and has not withdrawn its written consent to the publication of this announcement with inclusion of its opinion and advice and all references to its name in the form and context in which it appears in this announcement.

IMPLICATION UNDER THE LISTING RULES

As at the date of this announcement, CRCL is a controlling Shareholder of the Company, CRCL is therefore a connected person of the Company. CRL Wuhan is an indirect wholly-owned subsidiary of the Company and thus the Acquisition constitutes a connected transaction of the Company. As one of the applicable percentage ratios in respect of the Acquisition exceeds 0.1% but is less than 5%, the Acquisition is only subject to the reporting and announcement requirements under the Listing Rules, and is exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Equity
“Agreement”	the agreement dated 26 August 2020 entered into between CRL Wuhan and CRCL in relation to the sale and purchase of the Sale Equity
“Board”	the board of Directors of the Company
“Business Day”	unless agreed otherwise, a day (excluding a Saturday, a Sunday and a public holiday) which banks in the PRC and Hong Kong are generally open for business

“Colliers International”	Colliers International (Hong Kong) Limited, an independent and qualified valuer appointed by the Company
“Company”	China Resources Land Limited, a company incorporated in the Cayman Islands with limited liability whose issued shares are listed on the main board of the Stock Exchange (stock code: 1109)
“Completion”	completion of the sale and purchase of the Sale Equity in accordance with the Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“CRCL”	China Resources Company Limited* (中國華潤有限公司), a company incorporated in the PRC with limited liability
“CRH”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability, which is ultimately owned by CRCL
“CRL Wuhan”	China Resources Land (Wuhan) Property Management Company Limited* (華潤置地(武漢)物業管理有限公司), a company incorporate in the PRC with limited liability
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“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
“Parties”	the parties to the Agreement i.e. CRL Wuhan and CRCL
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Previous Holdco”	has the meaning ascribed to it under the sub-paragraph headed “THE ACQUISITION — Consideration”
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity”	the entire registered capital of the Target Company, which is fully paid up and owned by CRCL as at the date of the Agreement

“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Shareholders”	persons whose names appear on the register of members as registered holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Hubei Runlian Property Management Company Limited* (湖北潤聯物業管理有限公司), a company incorporated in the PRC with limited liability
“Valuation”	the valuation prepared by Colliers International as referred to under the sub-paragraph titled “THE ACQUISITION — Consideration”

* *for identification purposes only*

For illustration purposes, amounts in RMB have been translated into HK\$ at the rate of HK\$1=RMB0.8929

By Order of the Board
China Resources Land Limited
LI Xin
President

PRC, 26 August 2020

As at the date of this announcement, the non-executive Directors are Mr. Wang Xiangming, Mr. Yan Biao, Mr. Chen Ying, Mr. Wang Yan and Mr. Chen Rong; the executive Directors are Mr. Li Xin, Mr. Zhang Dawei, Mr. Xie Ji, Mr. Shen Tongdong and Mr. Wu Bingqi; and the independent non-executive Directors are Mr. Ho Hin Ngai, Bosco, Mr. Andrew Y. Yan, Mr. Wan Kam To, Peter, Mr. Zhong Wei and Mr. Sun Zhe.

APPENDIX I — LETTER FROM THE BOARD

26 August 2020

Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square
8 Connaught Place
Central, Hong Kong

Dear Sirs,

RE: CONNECTED TRANSACTION — ACQUISITION OF A PROPERTY MANAGEMENT COMPANY

We refer to the announcement of China Resources Land Limited (the “**Company**”) dated 26 August 2020 (the “**Announcement**”) relating to the captioned matters. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless otherwise defined.

We refer to the valuation report dated 21 August 2020 issued by Colliers International (the “**Valuer**”) regarding appraisal of the market value of the Target Company as at 30 June 2020 based on the discounted future cash flows (the “**Valuation Report**”), which constitutes a profit forecast under Rule 14.61 of the Listing Rules.

We have discussed with the Valuer about different aspects including the bases and assumptions based upon which the Valuation Report has been prepared, and reviewed the Valuation Report for which the Valuer is responsible. We have also considered the report from Ernst & Young regarding whether the Valuation, so far as the calculations are concerned, have been properly compiled with the bases and assumptions as set out in the Valuation Report. We have noted that the Valuation in the Valuation Report is mathematically accurate and is presented on a basis consistent in all material aspects with the accounting policies currently adopted by the Company.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, the Board of the Company is of the opinion that the Valuation Report prepared by the Valuer has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of the Board
China Resources Land Limited
LI Xin
President

APPENDIX II — REPORT OF ERNST & YOUNG

The following is the text extracted from a report received from Ernst & Young, for the purpose of incorporation in this announcement.

26 August 2020

The Board of Directors
China Resources Land Limited
46/F, China Resources Building
26 Harbour Road
Wanchai
Hong Kong, China

Dear Sirs,

China Resources Land Limited (“the Company”)

Independent Assurance Report on the Calculations of Discounted Future Cash Flows in connection with the Business Valuation of 湖北潤聯物業管理有限公司 (translated as “Hubei Runlian Property Management Company Limited” and hereinafter referred to as “Hubei Runlian”)

We refer to the discounted future cash flows on which the valuation (the “**Valuation**”) included in the valuation report dated 21 August 2020 prepared by Colliers International (Hong Kong) Limited (“**Colliers International**”) in respect of the appraisal of the market value of Hubei Runlian as at 30 June 2020 is based. The Valuation, based on the discounted future cash flows, is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ responsibilities

The discounted future cash flows have been prepared by the directors of the Company (the “**Directors**”) in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation (the “**Bases and Assumptions**”). The Directors are solely responsible for the preparation of the discounted future cash flows in accordance with the Bases and Assumptions. Their responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to report on the calculations of the discounted future cash flows based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows, in accordance with the Bases and Assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

The discounted future cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in accordance with the Bases and Assumptions adopted by the Directors as set out in the Valuation.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong