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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 FORMATION OF A JOINT VENTURE FOR PROPERTY DEVELOPMENT IN WUHAN CITY, PRC

THE COOPERATION AGREEMENT

On 4 April 2023 (after trading hours), Wuhan Runzhi (an indirect wholly-owned subsidiary of the Company), Zhuhai Hengqin Runhong, WG Real Estate Development and the JV Company entered into the Cooperation Agreement for the purposes of formation of a joint venture and to develop the Land. Pursuant to the Cooperation Agreement, (i) Wuhan Runzhi has conditionally agreed to purchase and WG Real Estate Development has conditionally agreed to sell 51% equity interest in the JV Company and 51% of the Creditor's Rights for a consideration of RMB289,991,247.1 and (ii) Zhuhai Hengqin Runhong has conditionally agreed to purchase and WG Real Estate Development has conditionally agreed to sell 9% equity interest in the JV Company and 9% of the Creditor's Rights for a consideration of RMB51,174,926.0. Upon Completion, (i) the JV Company shall be ultimately beneficially owned as to 51%, 40% and 9% by the Company, WG Real Estate Development and CR Asset, respectively; and (ii) the JV Company will become a subsidiary of the Company and its financial results will be consolidated into the financial results of the Group.

The Land is located on the northwest side of Jianshe Avenue and the east side of Huiji Second Road, Jiang'an District, Wuhan City, Hubei Province, the PRC (中國湖北武漢市江岸區建設大道西北側, 惠濟二路東側) with a total site area of approximately 21,949.97 square meters, and the JV Company intends to redevelop the Land consisting of private residential properties and commercial properties.

LISTING RULES IMPLICATIONS

As at the date of this announcement, (i) CRI is a controlling shareholder of the Company, interested in approximately 59.55% of the total issued share capital of the Company; and (ii) the entire registered capital of CR Asset is held by CRI. Each of CR Asset and Zhuhai Hengqin Runhong is therefore a connected person of the Company under the Listing Rules. Accordingly, the Proposed Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable size test percentage ratios in respect of the Proposed Transaction exceed 0.1% but are less than 5%, the Proposed Transaction is only subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On 4 April 2023 (after trading hours), Wuhan Runzhi (an indirect wholly-owned subsidiary of the Company), Zhuhai Hengqin Runhong, WG Real Estate Development and the JV Company entered into the Cooperation Agreement for the purposes of formation of a joint venture and to develop the Land. Pursuant to the Cooperation Agreement, (i) Wuhan Runzhi has conditionally agreed to purchase and WG Real Estate Development has conditionally agreed to sell 51% equity interest in the JV Company and 51% of the Creditor's Rights for a consideration of RMB289,991,247.1 and (ii) Zhuhai Hengqin Runhong has conditionally agreed to purchase and WG Real Estate Development has conditionally agreed to sell 9% equity interest in the JV Company and 9% of the Creditor's Rights for a consideration of RMB51,174,926.0. Upon Completion, (i) the JV Company shall be ultimately beneficially owned as to 51%, 40% and 9% by the Company, WG Real Estate Development and CR Asset, respectively; and (ii) the JV Company will become a subsidiary of the Company and its financial results will be consolidated into the financial results of the Group.

As at the date of this announcement, WG Real Estate Development is the registered owner of the Land. Pursuant to the Cooperation Agreement, the Land will be registered under the JV Company prior to Completion, whereupon the JV Company intends to redevelop the Land consisting of private residential properties and commercial properties.

THE COOPERATION AGREEMENT

The principal terms of the Cooperation Agreement are set out as follows:

- Date of the Cooperation Agreement:** 4 April 2023 (after trading hours)
- Parties to the Cooperation Agreement:**
- (1) Wuhan Runzhi (an indirect wholly-owned subsidiary of the Company);
 - (2) Zhuhai Hengqin Runhong;
 - (3) WG Real Estate Development; and
 - (4) the JV Company.
- Subject matter:** Subject to the terms and conditions of the Cooperation Agreement:
- (1) Wuhan Runzhi has conditionally agreed to purchase, and WG Real Estate Development has conditionally agreed to sell, 51% of the equity interest in the JV Company and 51% of the Creditor's Rights (the **“Wuhan Runzhi Contribution”**);
 - (2) Zhuhai Hengqin Runhong has conditionally agreed to purchase, and WG Real Estate Development has conditionally agreed to sell, 9% of the equity interest in the JV Company and 9% of the Creditor's Rights (the **“Zhuhai Hengqin Runhong Contribution”**); and
 - (3) Upon Completion, for the purposes of payment of relocation compensation pursuant to terms and conditions therein the Relocation Compensation Agreement, Wuhan Runzhi, Zhuhai Hengqin Runhong and WG Real Estate Development shall advance shareholders' loan to the JV Company on a pro rata basis to their shareholdings in the JV Company. Please refer to the section headed **“The Relocation Compensation Agreement”** in this announcement for more details.

As the JV Company is a newly established company since March 2023, no financial information or past performance of the JV Company is available for disclosure in this announcement. The principal assets of the JV Company shall be the Land upon Completion pursuant to the Cooperation Agreement.

Financing of the JV Company:

According to the Cooperation Agreement, the registered capital of the JV Company is RMB560 million, which shall be contributed in full by WG Real Estate Development prior to Completion.

The Wuhan Runzhi Contribution to the JV Company is RMB289,991,247.1, of which RMB285,600,000 will be for the 51% equity interest in the JV Company and RMB4,391,247.1 will be for the 51% of the Creditor's Rights.

The Wuhan Runzhi Consideration was determined after arm's length negotiation among the parties to the Cooperation Agreement with reference to the registered capital of and the parties' respective interests in the JV Company. The funding of the Wuhan Runzhi Contribution was financed by internal resources of the Group.

The Zhuhai Hengqin Runhong Contribution is RMB51,174,926.0, of which RMB50,400,000 will be for the 9% equity interest in the JV Company and RMB774,926.0 will be for the 9% of the Creditor's Rights.

Conditions precedent and Completion:

Pursuant to the Cooperation Agreement, Completion is subject to satisfaction (and if applicable, waiver) of certain conditions precedent, including, (i) WG Real Estate Development having procured the due execution of the Relocation Compensation Agreement; (ii) the JV Company having been registered as the holder of the land use rights of the Land; (iii) WG Real Estate Development having paid up the registered capital of the JV Company amounting to RMB560 million; (iv) the Completion being subject to the price evaluation filing of state-owned assets of the Land by the SASAC; (v) issuing grant notes of P(2021) Plot No. 147 and P(2022) Plot No. 020 in the name of the JV Company; (vi) full payment of transfer price and contract tax and stamp duty of the Land; and (vii) Wuhan Runzhi and Zhuhai Hengqin Runhong having signed supplemental agreement in respect of the issues identified in the subsequent due diligence investigation.

Upon Completion, the JV Company will become a subsidiary of the Company and its financial results will be consolidated into the financial results of the Group.

Composition of the board of directors of the JV Company and other matters:

The board of directors of the JV Company shall comprise of five members, of which Wuhan Runzhi is entitled to nominate three directors, and WG Real Estate Development is entitled to nominate two directors. The chairman of the board of directors of the JV Company shall be nominated by WG Real Estate Development and appointed by the board of directors of the JV Company.

The JV Company shall have one general manager who is appointed by the board of directors of the JV Company according to the nomination recommendation of Wuhan Runzhi. The general manager shall be responsible for the daily operation and management of the JV Company in regards to the development and construction of the Project.

The JV Company shall have one finance director, which is to be nominated by Wuhan Runzhi, and one finance manager, who is to be nominated by WG Real Estate Development. The approval of payments and financial matters will require the joint signatures of both the finance director and finance manager.

Restrictions on transfer:

Unless and until the fulfilment of the following condition precedents (the “**Lock Up Period**”), Wuhan Runzhi and Zhuhai Hengqin Runhong are prohibited from transferring, pledging or entrusting its equity interest, creditor’s rights and shareholder’s rights in the JV Company to any third parties:

- (1) in respect of Zhuhai Hengqin Runhong, when the percentage of residential properties sold on the Land has reached 95%; and
- (2) in respect of Wuhan Runzhi, when (a) the percentage of residential properties sold on the Land has reached 95%; and (b) the delivery of the Project.

The parties to the Cooperation Agreement have undertaken not to violate the lock-up restrictions directly or indirectly, including not to dispose of their respective equity interests in the JV Company and creditor’s rights to the JV Company by any means (including assignment, pledge, escrow, nominee holding and agreed control etc).

Upon the expiration of the Lock Up Period, Wuhan Runzhi and/or Zhuhai Hengqin Runhong to transfer all their respective equity interests in the JV Company to other shareholders or third parties.

Future financing:

Upon Completion, Wuhan Runzhi, Zhuhai Hengqin Runhong and WG Real Estate Development shall advance shareholders' loan to the JV Company at an annual interest rate of 4.75% on a pro rata basis to their shareholdings in the JV Company, for the purposes of paying the relocation compensation pursuant to the terms and conditions of the Relocation Compensation Agreement.

THE RELOCATION COMPENSATION AGREEMENT

Pursuant to the terms and conditions of the Cooperation Agreement, Completion is subject to satisfaction of certain conditions precedent, including, WG Real Estate Development having procured the due execution of the Relocation Compensation Agreement.

The principal terms of the Relocation Compensation Agreement are set out as follows:

Parties to the Relocation Compensation Agreement:

- (1) Huaqiao Villagers' Committee;
- (2) WG Real Estate Development; and
- (3) the JV Company.

Scope of compensation:

The scope of relocation compensation in relation to the Land covers:

- (1) the land use rights of the Land; and
- (2) all compensation fees for the property owners, tenants, and operating partners affected by the demolition and relocation.

Relocation compensation:

According to the Relocation Compensation Agreement, the relocation compensation amount to be paid by the JV Company to Huaqiao Villagers' Committee for the demolition of the Land shall not exceed RMB1,774,817,433.6.

The relocation compensation amount is subject to adjustments based on the total saleable area of the Land in accordance with the construction project planning permit to be obtained. The pre-determined relocation compensation amount is determined based on arm's length negotiations between the parties to the Relocation Compensation Agreement, with reference to the estimated market value of the Land.

Save for the monetary compensation fees above, the JV Company would not need to pay any other monetary compensation fees to Huaqiao Villagers' Committee.

Terms of payment:

The JV Company intends to fund the relocation compensation amount with the shareholders' loan from Wuhan Runzhi, Zhuhai Hengqin Runhong and WG Real Estate Development.

Upon Completion, the JV Company shall receive the shareholders' loan from Wuhan Runzhi, Zhuhai Hengqin Runhong and WG Real Estate Development in seven instalments. Upon receiving each instalment of the shareholders' loan, the JV Company shall pay the respective relocation compensation amount within three days of receiving the shareholders' loan instalment to the designated account of Huaqiao Villagers' Committee.

INFORMATION ON THE LAND

The Land is located on the northwest side of Jianshe Avenue and the east side of Huiji Second Road, Jiang'an District, Wuhan City, Hubei Province, the PRC (中國湖北武漢市江岸區建設大道西北側, 惠濟二路東側) with a total site area of approximately 21,949.97 square meters.

REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTION

Property development and investment are among the principal activities of the Group. The Group intends to invest in the JV Company and to develop the Land consisting of private residential properties and commercial properties. The Land is situated in the second ring of Jiangan area of Wuhan City, PRC, and is strategically located in the core area of Wuhan City. The redevelopment will have a sizeable scale after demolition and reconstruction, which is likely to become a complex project with regional influence. The formation of the JV Company with CR Asset and WG Real Estate Development will result in the sharing of development cost and all future profits derived from the Land, thereby sharing both the risks and benefits thereof. The Company considers that the Group's cash flow position will benefit from a lower capital requirement to develop the Land, and the redevelopment of the Land will further enhance the profitability of the Company.

The Directors (including the independent non-executive Directors) are of the view that the Cooperation Agreement and the transactions contemplated thereunder are fair and reasonable on normal commercial terms or better, is in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Group. To the best knowledge, information and belief of the Board having made all reasonable enquiries, as at the date of this announcement, none of the Directors have any material interest in the Cooperation Agreement and none of them shall abstain from voting on the board resolutions approving the Proposed Transaction contemplated under the Cooperation Agreement.

INFORMATION ABOUT THE PARTIES

The Group

The Company is incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange. As at the date of this announcement, approximately 59.55% of the shares issued by the Company are indirectly held by CRI which in turn is ultimately owned by CRCL, a state-owned enterprise in the PRC under the supervision of SASAC. The Group is principally engaged in the development and sales of developed properties, property investments and management, hotel operations and the provision of construction, decoration and other property development related services in the PRC.

Wuhan Runzhi

Wuhan Runzhi, an indirect wholly-owned subsidiary of the Company, is a company incorporated in the PRC with limited liability and is principally engaged in the development and sales of real estate, real estate lease, property management, real estate information consulting, sales and marketing, renovation and design in the PRC.

Zhuhai Hengqin Runhong

Zhuhai Hengqin Runhong is a limited partnership enterprise established in the PRC with limited liability with a registered capital of RMB10 million, and is principally engaged in equity investments and investment consulting. Zhuhai Hengqin Runhong is indirectly wholly-owned by CRI through CR Asset as at the date of this announcement. CR Asset provides a range of asset management services in the areas of asset acquisition, investment, financing, fund management and advisory services in the PRC. CR Asset is principally engaged in equity and debt investments. As of 31 December 2022, the size of its asset under management is approximately RMB54 billion.

The key management of Zhuhai Hengqin Runhong comprises of Mr. Ou Xiaowu (歐小武), whose biographies are set out below.

Mr. Ou Xiaowu

Mr. Ou Xiaowu is currently the committee member of the party committee, deputy general manager of CR Asset and has been designated by CR Asset to supervise the activities of Zhuhai Hengqin Runhong. He has more than 20 years of experience in managing non-performing assets industry. He joined CR Asset in 2015, and held various roles including the director, and the general manager of the investment and development department. He led a plan for a bankruptcy restructuring project in Shenzhen with a size of RMB5 billion, which was passed and implemented. He has a master's degree in business administration (MBA) from Hefei University of Technology (合肥工業大學).

Shenzhen Shanxin

Shenzhen Shanxin is a limited partnership enterprise established in the PRC with limited liability with a registered capital of RMB900 million, and is principally engaged in equity investments and investment consulting. Shenzhen Shanxin is indirectly wholly-owned by CRI through CR Asset as at the date of this announcement.

WG Real Estate Development

WG Real Estate Development is a company incorporated in the PRC with limited liability and is wholly owned by Wuhan Huaqiao Group. Its ultimate beneficial owner is Huaqiao Villagers' Committee. WG Real Estate Development is principally engaged in the development of real estate and sale of commercial real estate.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, WG Real Estate Development and its ultimate beneficial owner are third parties independent of and not connected with the Company and/or any of its connected persons.

The JV Company

The JV Company is a company incorporated in the PRC with limited liability. As at the date of this announcement, it is wholly-owned by WG Real Estate Development. Following Completion, the JV Company shall be ultimately beneficially owned as to 51%, 40% and 9% by the Company, WG Real Estate Development and CR Asset, respectively. The JV Company is principally engaged in development and operations of real estate, residential interior design and engineering construction works. As the JV Company is a newly established company since March 2023, no financial information or past performance of the JV Company is available for disclosure in this announcement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, (i) CRI is a controlling shareholder of the Company, interested in approximately 59.55% of the total issued share capital of the Company; and (ii) the entire registered capital of CR Asset is held by CRI. Each of CR Asset and Zhuhai Hengqin Runhong is therefore a connected person of the Company under the Listing Rules. Accordingly, the Proposed Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable size test percentage ratios in respect of the Proposed Transaction exceed 0.1% but are less than 5%, the Proposed Transaction is only subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Company”	China Resources Land Limited (華潤置地有限公司), a company incorporated in the Cayman Islands with limited liability whose issued shares are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the respective transfers of equity interest in the JV Company and Creditor’s Rights by WG Real Estate Development to Wuhan Runzhi and Zhuhai Hengqin Runhong in accordance with the terms of the Cooperation Agreement
“connected person(s)” or “connected transaction(s)”	has the meaning ascribed thereto in the Listing Rules
“Cooperation Agreement”	the cooperation agreement dated 4 April 2023 entered into by and among Wuhan Runzhi, Zhuhai Hengqin Runhong, WG Real Estate Development and the JV Company
“CR Asset”	China Resources Asset Management Limited, a company incorporated in the PRC with limited liability, and a wholly-owned subsidiary of CRCL
“CRCL”	China Resources Company Limited* (中國華潤有限公司), a company established in the PRC with limited liability and is a state-owned enterprise under the supervision of the SASAC, is the ultimate holding company of the Company
“Creditor’s Rights”	WG Real Estate Development’s ancillary rights, titles and benefits in relation to the account receivables accrued on the loan by WG Real Estate Development to the JV Company, the carrying book value being expected and estimated to be RMB8,610,288.4
“CRI”	China Resources Inc. (華潤股份有限公司), a joint stock company incorporated in the PRC with limited liability, which is an intermediate holding company of the Company
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Huaqiao Villagers’ Committee”	Huaqiao Villagers’ Committee of Houhu Township People’s Government, Jiang’an District, Wuhan City* (武漢市江岸區後湖鄉人民政府花橋村民委員會); it consists of more than 700 members as beneficial owners
“JV Company”	Wuhan Gelvshi Property Development Co., Ltd.* (武漢格律詩地產開發有限公司), a company established under the laws of the PRC with limited liability
“Land”	three parcels of land, namely, Parcel A2, K2 Phase Two of P(2012) Plot No. 264 (City Village Plot) (P(2012) 264號地塊(城中村地塊)K2二期的A2地塊), P(2021) Plot No. 147 (P(2021) 147號地塊) and P(2022) Plot No. 020 (P(2022) 020號地塊)
“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, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Project”	the construction and redevelopment of the Land
“Proposed Transaction”	the entering into of the Cooperation Agreement and the proposed transactions contemplated thereunder
“Relocation Compensation Agreement”	the Relocation Compensation Agreement to be entered into, pursuant to terms and conditions under the Cooperation Agreement, between Huaqiao Villagers’ Committee, WG Real Estate Development and the JV Company
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council
“Shenzhen Shanxin”	Shenzhen Shanxin No. 3 Investment Enterprise (Limited Partnership)* (深圳市善鑫叁號投資企業(有限合夥)), a limited partnership established in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“WG Real Estate Development”	Wuhan Gelvshi Real Estate Development Co., Ltd.* (武漢格律詩房地產開發有限公司), a company established in the PRC with limited liability

“Wuhan Huaqiao Group”	Wuhan Huaqiao Group Co., Ltd* (武漢花橋集團有限責任公司), a company established in the PRC with limited liability
“Wuhan Runzhi”	Wuhan Runzhi Property Development Co., Ltd.* (武漢潤置房地產開發有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Wuhan Runzhi Contribution”	the initial contribution in the amount of RMB289,991,247.1 payable by Wuhan Runzhi to the JV Company at Completion
“Zhuhai Hengqin Runhong”	Zhuhai Hengqin Runhong No. 3 Investment Enterprise (Limited Partnership)* (珠海橫琴潤弘叁號投資企業(有限合夥)), a limited partnership established in the PRC with limited liability
“Zhuhai Hengqin Runhong Contribution”	the initial contribution in the amount of RMB51,174,926.0 payable by Zhuhai Hengqin Runhong to the JV Company at Completion
“%”	per cent

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

PRC, 4 April 2023

As at the date of this announcement, the executive directors of the Company are Mr. Li Xin, Mr. Wu Bingqi, Mr. Zhang Dawei, Mr. Xie Ji and Mr. Guo Shiqing; the non-executive directors of the Company are Mr. Liu Xiaoyong, Mr. Dou Jian and Ms. Cheng Hong; and the independent non-executive directors of the Company are Mr. Ho Hin Ngai, Bosco, Mr. Andrew Y. Yan, Mr. Wan Kam To, Peter, Mr. Zhong Wei and Mr. Sun Zhe.

* for identification purpose only