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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 JOINT VENTURE FOR PROPERTY DEVELOPMENT IN DONGGUAN, PRC**

### **THE SUPPLEMENTAL COOPERATION AGREEMENT**

On 30 May 2023 (after trading hours), Runtou Consulting (an indirect wholly-owned subsidiary of the Company) entered into the Supplemental Cooperation Agreement with GLS Industrial, Zhixin Property, the JV Company, Jingqi Investment and Kaidong Group in relation to the Proposed Transaction and the management of the JV Company thereafter. The JV Company is a non-wholly owned subsidiary of the Company incorporated in August 2021 pursuant to the Cooperation Agreement for the purpose of the development of the Project, where it would be responsible for the demolition of the buildings of the Land, and then applying to the Dongguan government for land modification, involving re-registration of the Land for residential, office and commercial uses with the relevant authority of the Dongguan government.

As at the date of this announcement, the JV Company is owned as to 51% by Runtou Consulting, 29% by GLS Industrial and 20% by Zhixin Property. The Proposed Transaction will not lead to reduction of control or the interest held by Runtou Consulting in the JV Company. Immediately after Completion, the JV Company will become a joint venture formed between Runtou Consulting and Jingqi Investment as to 51% and 49%, respectively.

### **LISTING RULE 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 and Jingqi Investment is an associate of CR Asset. Each of CR Asset and Jingqi Investment 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.

## **BACKGROUND**

On 30 May 2023 (after trading hours), Runtou Consulting (an indirect wholly-owned subsidiary of the Company) entered into the Supplemental Cooperation Agreement with GLS Industrial, Zhixin Property, the JV Company, Jingqi Investment and Kaidong Group in relation to the Proposed Transaction and the management of the JV Company thereafter.

The JV Company is a non-wholly owned subsidiary of the Company incorporated in August 2021 pursuant to the Cooperation Agreement for the purpose of the development of the Project, where it would be responsible for the demolition of the buildings of the Land, and then applying to the Dongguan government for land modification, involving re-registration of the Land for residential, office and commercial uses with the relevant authority of the Dongguan government. As at the date of this announcement, the JV Company is owned as to 51% by Runtou Consulting, 29% by GLS Industrial and 20% by Zhixin Property. Save as disclosed in this announcement, GLS Industrial and Zhixin Property have been and are, as at the date of this announcement, connected persons of the Company only by virtue of being the substantial shareholders in the JV Company, and will become independent third parties upon Completion. The Cooperation Agreement entered into on 10 August 2021 did not constitute a notifiable transaction of the Company nor a connected transaction of the Company at the time of its entering thereof.

The Proposed Transaction will not lead to reduction of control or the interest held by Runtou Consulting in the JV Company. Immediately after Completion, the JV Company will become a joint venture formed between Runtou Consulting and Jingqi Investment as to 51% and 49%, respectively. The JV Company will continue to be a non wholly-owned subsidiary of the Company and the financial information of which will continue to be included in the consolidated financial statements of the Group.

## **THE JV COMPANY AND THE SUPPLEMENTAL COOPERATION AGREEMENT**

Information of the JV Company and the principal terms of the Supplemental Cooperation Agreement are set out below:

<b>Date of the Cooperation Agreement:</b>	10 August 2021
<b>Parties to the Cooperation Agreement:</b>	(1) Runtou Consulting (2) GLS Industrial (3) Zhixin Property
<b>Date of the Supplemental Cooperation Agreement</b>	30 May 2023 (after trading hours)

**Parties to the Supplemental Cooperation Agreement:**

- (1) Runtou Consulting
- (2) GLS Industrial
- (3) Zhixin Property
- (4) The JV Company
- (5) Jingqi Investment
- (6) Kaidong Group

**Registered capital of the JV Company and form of capital contribution:**

As at the date of the announcement, the registered capital of the JV Company is RMB1,040 million, of which RMB20.4 million, RMB11.6 million and RMB8 million were paid by Runtou Consulting, GLS Industrial and Zhixin Property, respectively. The obligation to settle the unpaid registered capital of the JV Company will be assumed by Runtou Consulting and Jingqi Investment in accordance with the Supplemental Cooperation Agreement upon Completion.

Pursuant to the Supplemental Cooperation Agreement, the registered capital of the JV Company shall be increased to RMB3,000 million, of which Runtou Consulting and Jingqi Investment agreed to subscribe for RMB1,530 million and RMB1,470 million, respectively, representing 51% and 49% of the registered capital of the JV Company, respectively. The schedule of capital contribution to the JV Company is as follows:

- (1) The initial capital contribution to the JV Company amounts to RMB1,050 million in total, of which Runtou Consulting and Jingqi Investment shall contribute capital on a *pro rata* basis pursuant to the Supplemental Cooperation Agreement within 10 days of the listing of the Project on the website of Dongguan City Public Resources Exchange (東莞市公共資源交易網), respectively.
- (2) The subsequent capital contribution to the remaining balance of the unpaid registered capital of the JV Company shall be paid *pro rata* from time to time as shall be determined by the general manager of the JV Company according to progress of the Project.

The amount of the capital contributions of the JV Company was determined after arm's length negotiations between Runtou Consulting and Jingqi Investment with reference to the funding requirements for the development of the Project. The capital contribution by Runtou Consulting was and will continue to be funded by the internal resources of the Group and/or external financing.

**Purpose of formation of the JV Company:**

Pursuant to the Cooperation Agreement, the JV Company was established in October 2021 under the laws of the PRC for the development of the Project, where it would be responsible for the demolition of the buildings of the Land, and then applying to the Dongguan government for land modification, involving re-registration of the Land for residential, office and commercial uses with the relevant authority of the Dongguan government.

**Conditions precedent and Completion:**

Pursuant to the Supplemental Cooperation Agreement, Completion is subject to satisfaction of certain conditions precedent, including, (i) GLS Industrial, Kaidong Group and their ultimate beneficial owners having executed an undertaking in favour of Runtou Consulting undertaking joint and several liability in respect of the Project (“**Undertakings**”); (ii) Zhixin Property and its ultimate beneficial owner having executed the Undertakings in favour of Runtou Consulting; (iii) the shareholder of Zhixin Property having transferred its 100% equity interest in Zhixin Property to GLS Industrial and having completing all business registration procedures; and (iv) all necessary authorisations, approvals and contents required for the execution and performance of the Supplemental Cooperation Agreement having been obtained.

**Composition of the board of directors and the supervisory committee of the JV Company:**

The board of directors of the JV Company comprises of five members, of which Runtou Consulting is entitled to nominate three directors, and each of GLS Industrial and Zhixin Property is entitled to nominate one director. One of the directors nominated by Runtou Consulting shall be the chairman of the board of the JV Company. Pursuant to the Supplemental Cooperation Arrangement, Jingqi Investment shall be entitled to nominate two directors to replace the existing directors nominated by GLS Industrial and Zhixin Property.

The supervisory committee of the JV Company comprises of three members, of which Runtou Consulting, and each of GLS Industrial and Zhixin Property is entitled to nominate one supervisor. Pursuant to the Supplemental Cooperation Arrangement, Jingqi Investment shall be entitled to nominate two supervisors to replace the existing supervisors nominated by GLS Industrial and Zhixin Property.

Runtou Consulting is entitled to nominate and has nominated a general manager who is responsible for the day-to-day management of the operation of the JV Company and the Project.

**Financing of the JV Company:**

Pursuant to the Supplemental Cooperation Agreement:

- (1) where guarantee is required for purpose of obtaining facilities from commercial banks for development of the Land, the JV Company should first use its own assets as guarantee, and where such guarantee is insufficient, Runtou Consulting and Jingqi Investment shall collectively provide guarantee on a *pro rata* basis (the pledge guarantee to be provided by Jingqi Investment shall be in respect of its equity interest in held in the JV Company); and
- (2) where commercial banks require the shareholders of the JV Company to provide guarantee, Kaidong Group and Jingqi Investment (only where commercial banks deem the provision of guarantee by Kaidong Group insufficient) shall provide such guarantee.

**Profit distribution:**

The profits after tax of the JV Company may be distributed to the shareholders of the JV Company on a *pro rata* basis in accordance with their respective interests in the JV Company. The profits distribution plan is subject to approval at the shareholders' meeting of the JV Company.

**Restrictions on transfer:**

Unless and until the fulfilment of the following condition precedents (the “**Lock Up Period**”), no shareholders of the JV Company 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) the percentage of properties sold on the Land has reached 95%;
- (2) certification has been obtained for the delivery of the Project; and
- (3) the commercial complex to be developed in relation to the Project has been in operation for three years.

Upon the expiration of the Lock Up Period, any shareholder of the JV Company may elect to transfer all their respective equity interests in the JV Company to other shareholders or third parties.

### **REASONS FOR AND BENEFITS OF THE FORMATION OF THE JV COMPANY**

As GLS Industrial and Zhixin Property intend to transfer their entire respective interests in the JV Company to Jingqi Investment, the Board is of the view that it is necessary for the Company to enter into the Supplemental Cooperation Agreement to re-establish the framework for future operation and governance of the JV Company in light of the Proposed Transaction. The Board is also of the view that the entering of the Supplemental Cooperation Agreement can enhance certainty in terms of the rights and obligations of Runtou Consulting and the other parties to the Supplemental Cooperation Agreement and the operation and governance of the JV Company as a result of the Proposed Transaction but did not lead to reduction of control or the interest held by the Group in the JV Company. Furthermore, the Board also believes that having CR Asset as a joint venture partner can enhance its financing capability, which is beneficial to the future operation of the JV Company and development of the Project.

The Directors (including the independent non-executive Directors) are of the view that the Supplemental 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 Supplemental Cooperation Agreement and none of them shall abstain from voting on the board resolutions approving the Proposed Transaction contemplated under the Supplemental 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.

### **Runtou Consulting**

Runtou Consulting, 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 investment, business information and business management consulting.

### **GLS Industrial**

GLS Industrial is a company incorporated in the PRC with limited liability and is principally engaged in the business of domestic trade, supply chain management and enterprise management consulting. As of the date of this announcement, GLS Industrial is ultimately beneficially owned by Fang Wuquan (方武權).

### **Zhixin Property**

Zhixin Property is a company incorporated in the PRC with limited liability and is principally engaged in the business of property leasing, property management and commercial leasing. As of the date of this announcement, Zhixin Property is ultimately beneficially owned by Xie Canhui (謝燦輝).

### **Jingqi Investment**

Jingqi Investment is a company incorporated in the PRC with limited liability and is principally engaged in the business of property management and real estate consulting. The ultimate beneficial shareholder of Jingqi Investment is CRI, which via several investment arms indirectly holds Jingqi Investment as to approximately 34.41% 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 JV Company

The JV Company is a company incorporated in the PRC with limited liability and is principally engaged in the business of property development and construction. As at the date of this announcement, the JV Company is a non-wholly owned subsidiary of the Group and held as to 51% by Runtou Consulting, 29% by GLS Industrial and 20% by Zhixin Property. Following Completion, the JV Company shall be ultimately beneficially owned as to 51% and 49% by the Company and CR Asset, respectively.

Set out below is the financial information of the JV Company for the years ended 31 December 2021 and 2022:

	For the year ended	
	31 December	
	2022	2021 <sup>(note)</sup>
	RMB	RMB
	(audited)	(audited)
Profit/(Loss) before taxation	132,961.68	34,081.95
Profit/(Loss) after taxation	114,730.02	33,229.90

*Note:* From the date of incorporation of the JV Company on 29 October 2021 to 31 December 2021.

Based on the audited financial statements of the JV Company for the year ended 31 December 2022, the net assets of the JV Company was RMB40,147,959.92 as at 31 December 2022.

The JV Company does not have any subsidiary as at the date of 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 and Jingqi Investment is an associate of CR Asset. Each of CR Asset and Jingqi Investment 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 and the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the transfer of 29% and 20% equity interest in the JV Company to Jingqi Investment by GLS Industrial and Zhixing Property, respectively in accordance with the terms of the Supplemental Cooperation Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Cooperation Agreement”	the cooperation agreement dated 10 August 2021 entered into by and among Runtou Consulting, GLS Industrial and Zhixin Property (as amended and supplemented by the Supplemental Cooperation Agreement)
“CR Asset”	China Resources Asset Management Limited* (華潤資產管理有限公司), 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 incorporated in the PRC with limited liability and a state-owned enterprise under the supervision of SASAC, is the ultimate holding company of the Company
“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
“GLS Industrial”	Shenzhen Guanglisheng Industrial Co., Ltd.* (深圳市廣利升實業有限公司), a company incorporated in the PRC with limited liability
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Jingqi Investment”	Shenzhen Jingqi Investment Co., Ltd.* (深圳市景祈投資有限公司), a company incorporated in the PRC with limited liability
“JV Company”	Dongguan Dongrun Real Estate Co., Ltd.* (東莞市東潤房地產有限公司), a company incorporated in the PRC with limited liability
“Kaidong Group”	Shenzhen Kaidong Group Co., Ltd.* (深圳市凱東集團有限公司), a company incorporated in the PRC with limited liability
“Land”	the land plot of approximately 296,000 square meters located at the intersection of Dongguan Avenue and Hongfu Road at Dongcheng Street of Dongguan City, the PRC (東莞市東城街道東莞大道與鴻福路交匯處)
“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 and Macau Special Administrative Region and Taiwan
“Project”	the demolition of buildings of the Land and property development project in connection with the Land for residential, office and commercial uses subject to land modification re-registration with the relevant authority of the Dongguan government
“Proposed Transaction”	the entering into of the Supplemental Cooperation Agreement and the proposed transactions contemplated thereunder
“RMB”	Renminbi, the lawful currency of the PRC
“Runtou Consulting”	Shenzhen Runtou Consulting Co., Ltd.* (深圳市潤投諮詢有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Supplemental Cooperation Agreement”	the supplemental agreement to the Cooperation Agreement dated 30 May 2023 entered into between Runtou Consulting, GLS Industrial, Zhixin Property, the JV Company, Jingqi Investment and Kaidong Group to amend and supplement the Cooperation Agreement
“Zhixin Property”	Dongguan Zhixin Property Investment Co., Ltd.* (東莞市智鑫物業投資有限公司), a company incorporated in the PRC with limited liability
“%”	per cent

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

PRC, 30 May 2023

*As at the date of this announcement, the executive Directors 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 Hing Ngai, Bosco, Mr. Andrew Y. Yan, Mr. Wan Kam To, Peter, Mr. Zhong Wei and Mr. Sun Zhe.*

\* *for identification purpose only*