

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



華潤置地有限公司
China Resources Land Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1109)

CONNECTED TRANSACTIONS
IN RELATION TO THE LEASE AGREEMENTS

On 19 November 2020, CRSZ (as lessee) entered into (i) the CR Financial Tower Lease Agreement; and (ii) the China Resources Tower Lease Agreement with Lessor 1 and Lessor 2, respectively, for a term of 5 years commenced from 18 December 2018 to 17 December 2023, for operating the Properties as shopping mall.

As at the date of this announcement, approximately 59.55% of the shares issued by the Company are indirectly held by CRH. CRH is the controlling shareholder of the Company and therefore a connected person of the Company. As the Lessors are the indirect wholly-owned subsidiaries of CRH, the entering into of the Lease Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

In accordance with HKFRS 16 “Leases”, the Company will recognise the value of the right-of-use assets on its consolidated statement of financial position in connection with the lease of the Properties under the Lease Agreements. Accordingly, the transactions under the Lease Agreements will be regarded as acquisitions of right-of-use assets by CRSZ which will constitute one-off connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest percentage ratios (as defined under the Listing Rules) calculated based on the value of the right-of-use assets to be recognised by the Group in connection with the Lease Agreements exceeds 0.1% but is less than 5%, the transactions contemplated under the Lease Agreements are only subject to reporting and announcement requirements but are exempt from the independent shareholders’ approval requirements pursuant to Chapter 14A of the Listing Rules.

THE LEASE AGREEMENTS

On 19 November 2020, CRSZ (as lessee) entered into (i) the CR Financial Tower Lease Agreement; and (ii) the China Resources Tower Lease Agreement with Lessor 1 and Lessor 2, respectively, for a term of 5 years commenced from 18 December 2018 to 17 December 2023, for operating the Properties as shopping mall.

1. The CR Financial Tower Lease Agreement

Principal terms of the CR Financial Tower Lease Agreement are summarised as follows:

Date	:	19 November 2020
Parties	:	(1) Lessor 1, an indirect wholly-owned subsidiary of CRH, as lessor; and (2) CRSZ, a wholly-owned subsidiary of the Company, as lessee
Premises	:	Commercial podium (comprising basement 1 to level 4) of the CR Financial Tower, Nanshan District, Shenzhen, PRC
Gross Floor Area	:	Aggregate gross floor area of 20,000 square metres
Use	:	Shopping mall
Term	:	Five years from 18 December 2018 to 17 December 2023
Rent	:	The rent (exclusive of management fees and utilities expenses) payable by CRSZ will comprise of: (i) a monthly rent of RMB56 per square meter in the aggregate sum of RMB1,120,000 (both are tax inclusive) for the first three years of the lease term (i.e. from 18 December 2018 to 17 December 2021); (ii) a monthly rent of RMB72 per square meter in the aggregate sum of RMB1,440,000 (both are tax inclusive) for the 4th year of the lease term (i.e. from 18 December 2022 to 17 December 2023); and

(iii) a monthly rent of RMB73.45 per square meter in the aggregate sum of RMB1,469,000 (both are tax inclusive) for the 5th year of the lease term (i.e. from 18 December 2022 to 17 December 2023).

Save for the rent incurred for the period commenced from 18 December 2018 to 31 October 2020 which is payable within 30 days after the signing of the CR Financial Tower Lease Agreement, the monthly rent shall be payable by CRSZ to Lessor 1 on the tenth day of each calendar month.

Management fees : CRSZ may engage a property management company during the term for providing property management services including security, cleaning, gardening and repairing and maintenance of facilities for the premises. CRSZ will be solely responsible for the relevant management fees.

Other fees : Water, electricity, telephone and other utilities expenses in connection with the premises shall be payable by CRSZ based on its actual usage.

Option to renew : Upon expiration of the term, CRSZ has an option to renew the tenancy for a further term of 15 years provided that CRSZ shall give not less than 180 days prior notice in writing to Lessor 1 before expiration of the term.

The parties will then negotiate for the terms and rent for the renewal of the lease agreement.

2. The China Resources Tower Lease Agreement

Principal terms of the China Resources Tower Lease Agreement are summarised as follows:

- Date : 19 November 2020
- Parties : (1) Lessor 2, an indirect wholly-owned subsidiary of CRH, as lessor; and
(2) CRSZ, a wholly-owned subsidiary of the Company, as lessee
- Premises : Parts of basement 1, basement mezzanine and lever 1 of China Resources Tower, Nanshan District, Shenzhen, PRC
- Gross Floor Area : Aggregate gross floor area of 4,300 square metres
- Use : Shopping mall
- Term : Five years from 18 December 2018 to 17 December 2023
- Rent : The rent (exclusive of management fees and utilities expenses) payable by CRSZ will comprise of:
- (i) a monthly rent of RMB56 per square meter in the aggregate sum of RMB240,800 (both are tax inclusive) for the first three years of the lease term (i.e. from 18 December 2018 to 17 December 2021);
 - (ii) a monthly rent of RMB72 per square meter in the aggregate sum of RMB309,600 (both are tax inclusive) for the 4th year of the lease term (i.e. from 18 December 2022 to 17 December 2023); and
 - (iii) a monthly rent of RMB73.45 per square meter in the aggregate sum of RMB315,835 for the 5th year of the lease term (i.e. from 18 December 2022 to 17 December 2023).

Save for the rent incurred for the period commenced from 18 December 2018 to 31 October 2020 which is payable within 30 days after the signing of the China Resources Tower Lease Agreement, the monthly rent shall be payable by CRSZ to Lessor 2 on the tenth day of each calendar month.

- Management fees : CRSZ may engage a property management company during the term for providing property management services including security, cleaning, gardening and repairing and maintenance of facilities for the premises. CRSZ will be solely responsible for the relevant management fees.
- Other fees : Water, electricity, telephone and other utilities expenses in connection with the premises shall be payable by CRSZ based on its actual usage.
- Option to renew : Upon expiration of the term, CRSZ has an option to renew the tenancy for a further term of 15 years provided that CRSZ shall give not less than 180 days prior notice in writing to Lessor 2 before expiration of the term.

The parties will then negotiate for the terms and rent for the renewal of the lease agreement.

The terms of each of the Lease Agreements were agreed by the parties after arm's length negotiations and are on normal commercial terms. The monthly rent was agreed by the parties having considered, among others, the gross floor area of the Properties and a specific cost per square metre taking into consideration the rent payable by other tenants of the Properties, the location of the Properties and the prevailing market rent of other premises within proximity with conditions comparable to those of the Properties. The rental payments will be settled out of the internal financial resources of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENTS

The principal business activities of the Group are property investment, development and management in the PRC. In particular, as one of the major forerunners in China's shopping malls, the Group operated and managed various shopping malls in different provinces in the PRC.

The shopping mall of the Shenzhen Bay MixC Project (深圳灣萬象城項目) (the “**Shopping Mall**”) of the Company (which is located in proximity to the CR Financial Tower and the China Resources Tower) only has a construction area of approximately 60,000 square metres. The Board considers that such relatively small construction area inevitably poses certain limitations for the development and subsequent operations of the Shopping Mall. Both the CR Financial Tower and the China Resources Tower are strategically located in the central district of prime location at Nanshan District, Shenzhen, the PRC. The Board believes that the commercial podium of the CR Financial Tower and the underground office facilities of the China Resources Tower play an irreplaceable role to increase the flow of people and diversify the customer base in the Premises and the surrounding areas near the Shopping Mall. CRSZ had been authorised by the Lessors to occupy and operate the Properties since April 2018. No rent has been paid by the CRSZ to the Lessors prior to the entering of the Lease Agreements. In contemplation of the entering into of the Lease Agreements, the parties have decided to formalise the arrangement since April 2018 and hence the lease term of the Lease Agreements is taken to have commenced from December 2018. As CRSZ is free to sub-let part but not the whole Properties (including but not limited to shops and advertising space) to any independent third parties at the discretion of CRSZ pursuant to the Lease Agreements, the Directors believe that the entering into of the Lease Agreements represents an attractive investment opportunity for the Group to acquire a property interest in the Properties at a competitive rent for operation of shopping mall or to sub-let the Properties for higher return, as well as to improve overall cost efficiency in the provision of management services of the Premises and the Shopping Mall which are within proximity.

The Board (including the independent non-executive Directors) is of the view that terms of the Lease Agreements were determined after arm's length negotiations between the Company and each of the Lessors, which are fair and reasonable, and the entering into of the Lease Agreements 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 Lease Agreements and none of them abstained from voting on the relevant board resolutions.

INFORMATION ABOUT THE PARTIES

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.

CRSZ, 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 property development, property leasing, hotel management and operation of sports stadium.

The Lessors

Each of the Lessors is a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of CRH. Each of the Lessors are principally engaged in the business of investment holding. Lessor 1 is the investor and developer of CR Financial Tower where Lessor 2 is the investor and developer of the China Resources Tower.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, approximately 59.55% of the shares issued by the Company are indirectly held by CRH. CRH is the controlling shareholder of the Company and therefore a connected person of the Company. As the Lessors are the indirect wholly-owned subsidiaries of CRH, the entering into of the Lease Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

In accordance with HKFRS 16 “Leases”, the Company will recognise the value of the right-of-use assets on its consolidated statement of financial position in connection with the lease of the Properties under the Lease Agreements. Accordingly, the transactions under the Lease Agreements will be regarded as acquisitions of right-of-use assets by CRSZ which will constitute one-off connected transactions for the Company under Chapter 14A of the Listing Rules.

The aggregate unaudited value of the right-of-use assets to be recognised by the Company under the Lease Agreements amounts to approximately RMB256,963,000 (comprising approximately RMB211,492,000 under The CR Financial Tower Lease Agreement, and approximately RMB45,471,000 under The China Resources Tower Lease Agreement), which is the present value of the total rent payable during the term of the Lease Agreements (and including the option period) in accordance with HKFRS 16. Discount rate of 4.9% is applied to compute the present value of total rent payable under the Lease Agreements. Shareholders should note that the above figure is unaudited and may be subject to adjustment in the future.

As the highest percentage ratios (as defined under the Listing Rules) calculated based on the value of the right-of-use assets to be recognised by the Group in connected with the Lease Agreements exceeds 0.1% but is less than 5%, the transactions contemplated under the Lease Agreements are only subject to reporting and announcement requirements but are exempt from the independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“China Resources Tower”	China Resources Tower (中國華潤大廈) at Nanshan District, Shenzhen, PRC
“China Resources Tower Lease Agreement”	the lease agreement entered into between Lessor 2 and CRSZ in relation to the lease of parts of basement 1, basement mezzanine and lever 1 of China Resources Tower on 19 November 2020
“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)
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	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

“CR Financial Tower”	China Resources Financial Tower* (華潤金融大廈) at Nanshan District, Shenzhen, PRC
“CR Financial Tower Lease Agreement”	the lease agreement entered into between Lessor 1 and CRSZ in relation to the lease of the commercial podium (comprising basement 1 and level 1 to level 4) of the CR Financial Tower on 19 November 2020
“CRH”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability, which is ultimately owned by CRCL
“CRSZ”	China Resources Land (Shenzhen) Development Company Limited* (華潤置地(深圳)發展有限公司), a company incorporated in the PRC with limited liability, which is indirectly wholly-owned by the Company
“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
“Lease Agreements”	the CR Financial Tower Lease Agreement and the China Resources Tower Lease Agreement
“Lessor 1”	China Resources Vanguard (Shenzhen) Development Company Limited* (華潤萬家(深圳)發展有限公司), a company incorporated in the PRC with limited liability, which is indirectly wholly-owned by CRH
“Lessor 2”	China Resources Shenzhen Bay Development Company Limited* (華潤深圳灣發展有限公司), a company incorporated in the PRC with limited liability, which is indirectly wholly-owned by CRH
“Lessors”	Lessor 1 and Lessor 2

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Properties”	collectively, (i) the commercial podium (comprising basement 1 and level 1 to level 4) of the CR Financial Tower; and (ii) parts of basement 1, basement mezzanine and lever 1 of China Resources Tower, which are the premises to be leased under each of the CR Financial Tower Lease Agreement and the China Resources Tower Lease Agreement respectively
“RMB”	Renminbi, the lawful currency of the PRC
“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 of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

* *for identification purposes only*

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

PRC, 19 November 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.