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## **MODERN LAND (CHINA) CO., LIMITED**

**當代置業(中國)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1107)**

### **DISCLOSEABLE TRANSACTION**

#### **THE DISPOSAL**

The Board announces that on 4 June 2022, the Vendor (an indirect wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Purchaser (an Independent Third Party) and the Target Company, whereby the Vendor conditionally agreed to sell, and the Purchaser agreed to purchase, all of the equity interests of the Target Company at the Consideration of RMB49,473,800.

#### **LISTING RULES IMPLICATIONS**

As the highest of the applicable percentage ratios set out in the Listing Rules in respect of the Disposal under the Equity Transfer Agreement is more than 5% but less than 25%, the Disposal under the Equity Transfer Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

#### **INTRODUCTION**

The Board announces that on 4 June 2022, the Vendor (an indirect wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Purchaser (an Independent Third Party) and the Target Company, whereby the Vendor conditionally agreed to sell, and the Purchaser agreed to purchase, all of the equity interests of the Target Company at the Consideration of RMB49,473,800.

## THE EQUITY TRANSFER AGREEMENT

The salient terms of the Equity Transfer Agreement are set out as follows:

### Date

4 June 2022

### Parties

- (1) the Vendor (an indirect wholly-owned subsidiary of the Company);
- (2) the Purchaser (an Independent Third party); and
- (3) the Target Company (an indirect wholly-owned subsidiary of the Company).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

### Subject assets to be acquired

The entire equity interests of the Target Company.

### Consideration and payment

The Consideration payable by the Purchaser for the entire equity interests of the Target Company is RMB49,473,800 which is payable in readily available funds by transferring it into the bank account designated by the Vendor in the following manners:

- (a) Within 5 working days from the date of the Equity Transfer Agreement, the Purchaser shall pay the Vendor RMB10 million as deposit. Such deposit shall be converted into the first instalment of the Consideration following completion or performance of certain tasks by the Vendor and/or the Purchaser set out in the Equity Transfer Agreement, including but not limited to completion of the Disposal and registration of the change of equity holders at the administration for industry and commerce, within 15 working days from the date of the Equity Transfer Agreement.
- (b) Within 5 working days after the Vendor has completed the change of the construction entities of the three projects under management to the Target Company and the Target Company has completed the payment of the taxes payable for the year ended 31 December 2021, which should be completed within 30 working days from the date of the Equity Transfer Agreement, the Purchaser shall pay the Vendor the second instalment of the Consideration of RMB14,736,900 (the "**Second Instalment**").
  - i If the Vendor fails to complete the change of the construction entities of the three projects under management to the Target Company within 30 working days from the date of the Equity Transfer Agreement, the Purchaser has the right to deduct from the Second Instalment an amount equal to 70% of the net cash flow from such projects.

- ii If the Target Company is subsequently required to pay additional taxes, such payment shall be borne by the Vendor, and the Purchaser shall have the right to deduct the same amount from the Second Instalment.
  - iii Any tax refund shall be entitled by the Vendor and the amount of the Second Instalment will be adjusted accordingly.
- (c) Within 21 months from 31 March 2022, the Target Company should achieve the assessment target of net cash flow of not less than RMB70,676,800. Within 5 working days after the assessment target is achieved, the Purchaser shall pay the Vendor the third instalment of the Consideration of RMB24,736,900 (the “**Third Instalment**”). Otherwise, the Third Instalment shall be adjusted as follows (unless otherwise agreed between the parties):
- i If 70% of the agreed cumulative net cash flow target of the Target Company has not been reached, the Purchaser shall not pay the Third Instalment; or
  - ii If 70% of the agreed cumulative net cash flow target of the Target Company has been reached but has not reached 100% of the agreed cumulative net cash flow target of the Target Company, the Purchaser shall pay 50% of the Third Instalment; or
  - iii If the net cash flow of the Target Company is more than 100% of the agreed cumulative net cash flow target of the Target Company, the Purchaser shall pay 100% of the Third Instalment.

When making payment of each instalment of the Consideration to the Vendor, the Purchaser has the right to deduct therefrom the debts, expenses, liquidated damages, compensation, etc. that is payable by the Vendor. If the amount of any instalment of the Consideration is not sufficient to offset the amount to be deducted, the Purchaser has the right to deduct the shortfall from the next instalment of the Consideration.

### **Basis of determining the Consideration**

The Consideration was determined after arm’s length negotiations between the Vendor and the Purchaser based on the amount of the net cash flow to be generated from the existing projects under the Target Group’s management for the remaining term of the relevant management agreements, applied with 30% discount for risk allowances.

The Vendor and the Purchaser agreed that the Target Company will waive the Vendor and its associates other accounts receivable of RMB62,268,018.98 and the Vendor will waive the Target Company and its associates other accounts payable of RMB20,317,380.90.

## **Other possible adjustments to the Consideration**

In addition to the possible adjustments to the Consideration as specified in the paragraphs under “Consideration and payment” above, if any of the following circumstances has occurred as at the date of Completion, the Purchaser has the right to deduct from the relevant instalment of the Consideration:

- (1) the debt amount set out in the Target Company’s balance sheet is lower than the actual debt amount;
- (2) the asset amount set out in the Target Company’s balance sheet is higher than the actual asset amount;
- (3) there are other debts, contingent debts, or contingent liabilities not disclosed in the Target Company’s balance sheet; and/or
- (4) other circumstances under which the Consideration should be deducted as stipulated in the Equity Transfer Agreement have occurred.

## **Completion**

Completion is expected to take place within 5 working days from the date of the Equity Transfer Agreement.

## **INFORMATION ABOUT THE PARTIES TO THE EQUITY TRANSFER AGREEMENT**

### **The Company and the Vendor**

The Company was incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The Group is a property developer focused on the development on green, energy-saving and eco-friendly residences in the PRC. The Vendor was established in the PRC with limited liability and is indirectly wholly-owned by the Company.

### **The Purchaser**

The Purchaser was established in the PRC as a limited liability company. It is principally engaged in real estate development, construction project management, enterprise planning, enterprise management consulting and provision of real estate information consulting services. The equity interest of the Purchaser is owned as to 80% by Beijing Jinyuan Hongda Real Estate Co., Ltd. and as to 20% by Beijing Nongpu Investment Holding Co., Ltd.. The ultimate beneficial owners of the Purchaser include Mr. Huang Tao, Mr. Huang Shiying and Mr. Liu Jingwen, who are PRC residents and merchants.

To the best knowledge, information and belief of the Board and after making all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

## INFORMATION ABOUT THE TARGET GROUP

The Target Company was established in the PRC on 18 April 2016 as a limited liability company. The Target Company has two branch companies including Beijing Modern Green Building Technology Group Co., Ltd. Xi'an Branch and Beijing Contemporary Green Building Engineering Project Management Group Co., Ltd. Hebei Branch. In addition, the Target Company has made investments in 10 companies (including 8 consolidated subsidiaries and 2 unconsolidated companies). The Target Group is principally engaged in construction project management, engineering consulting, and engineering technology consulting. The entire equity interest of the Target Company is wholly-owned by the Vendor.

Set out below is the unaudited consolidated financial information of the Target Group for the two financial years ended 31 December 2021:

	<b>For the year ended 31 December 2021 (RMB'000) (unaudited)</b>	<b>For the year ended 31 December 2020 (RMB'000) (unaudited)</b>
Profit/(Loss) before taxation and extraordinary items	(21,367)	5,300
Profit/(Loss) after taxation and extraordinary items	(21,406)	4,449

The unaudited consolidated net assets of the Target Group as at 31 March 2022 was approximately RMB89,725,000. The unaudited consolidated total assets and the unaudited consolidated total liabilities of the Target Group as at 31 March 2022 were approximately RMB158,439,000 and RMB68,714,000, respectively.

Each of the Target Company and its subsidiaries will cease to be a subsidiary of the Company and their financial results will no longer be consolidated into the financial results of the Group after completion of the Disposal.

## REASONS FOR AND BENEFIT OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

After taking into account the Consideration for the Disposal which reflects the net cash flow to be generated by the Target Group from the projects under its management for the remaining term of the management agreements and that the Group will be able to collect cash proceeds and improve cash flow, thus increasing cash for operating funds, the Board is of the view that the Disposal is on normal commercial terms after arm's length negotiations among the parties, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## FINANCIAL IMPACT OF THE DISPOSAL

It is expected that the Company would recognize an unaudited accounting gain ranged from approximately RMB67.0 million to RMB91.7 million.

As mentioned in the paragraph under “Basis of determining the Consideration” above, the Target Company will waive the Group’s other accounts receivable of approximately RMB62.268 million, and the Group will waive the Target Company’s other accounts payable of approximately RMB20.317 million, resulting in a gain on waiver of debts of approximately RMB41.951 million. In addition, the net book value of the liabilities of the Target Company was approximately RMB0.275 million and in accordance with the terms of the Equity Transfer Agreement, the consideration receivable by the Group is approximately RMB24.737 million to RMB49.474 million, and the gain on transfer of equity interest is between approximately RMB25.012 million to RMB49.749 million. Accordingly, the total gain of the Company in respect of the Disposal ranged from approximately RMB67.0 million to RMB91.7 million.

The actual gain from the Disposal may differ from the above amounts and are subject to review and final audit by the Company’s auditors.

## **USE OF PROCEEDS**

The Directors expect that the net proceeds from the Disposal of RMB49,473,800 will be used as operating funds of the Group.

## **LISTING RULES IMPLICATIONS**

As the highest of the applicable percentage ratios set out in the Listing Rules in respect of the Disposal under the Equity Transfer Agreement is more than 5% but less than 25%, the Disposal under the Equity Transfer Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

## **DEFINITIONS**

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

“Board”	the board of Directors
“Company”	Modern Land (China) Co., Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal
“Consideration”	total consideration to be paid by the Purchaser under the Equity Transfer Agreement for the Equity Transfer
“Director(s)”	director(s) of the Company

“Disposal”	the disposal of the entire equity interests in the Target Company upon completion of the Equity Transfer Agreement
“Equity Transfer”	the transfer of the entire equity interests in the Target Company from the Vendor to the Purchaser under the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 4 June 2022 among the Vendor, the Purchaser and the Target Company
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	independent party(ies) not connected with the Company or its directors, chief executive, substantial shareholders or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	Tengyun Zhuke Real Estate Co., Ltd., a company established in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Beijing Modern Green Construction Project Management Group Co., Ltd., a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Target Group”	the Target Company and its subsidiaries and branch companies

“Vendor” Green Wisdom Investment (Beijing) Co., Ltd., a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“%” per cent.

*In this announcement, the English names of the PRC entities are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*

By order of the Board  
**Modern Land (China) Co., Limited**  
**Zhang Peng**  
*President and Executive Director*

Hong Kong, 4 June 2022

*As at the date of this announcement, the Board comprises ten Directors, namely executive Directors: Mr. Zhang Lei, Mr. Zhang Peng and Mr. Chen Yin; non-executive Directors: Mr. Fan Qingguo, Mr. Tang Lunfei and Mr. Zeng Qiang; and independent non-executive Directors: Mr. Cui Jian, Mr. Hui Chun Ho, Eric, Mr. Gao Zhikai and Mr. Liu Jiaping.*