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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)

**SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO THE ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022
AND
HISTORICAL NOTIFIABLE TRANSACTIONS
IN RELATION TO DISPOSAL OF SUBSIDIARIES**

Reference is made to the annual results announcement of Modern Land (China) Co., Limited (the “**Company**”, with its subsidiaries, collectively, the “**Group**”) for the year ended 31 December 2022 published on 13 September 2023 (the “**2022 Annual Results Announcement**”). Unless otherwise defined, terms used herein shall bear the same meaning as defined in the 2022 Annual Results Announcement.

In addition to the information provided in the 2022 Annual Results Announcement, the Board wishes to provide the Shareholders and potential investors of the Company with further details in relation to certain historical notifiable transactions in relation to disposal of subsidiaries.

HISTORICAL NOTIFIABLE TRANSACTIONS IN RELATION TO DISPOSAL OF SUBSIDIARIES

As disclosed in the Financial Review of the Management Discussion and Analysis section of the 2022 Annual Results Announcement, the Company recorded a net loss on disposal of subsidiaries of approximately RMB929.2 million for the year ended 31 December 2022. The Board would like to supplement that such net loss was due to disposal of 11 subsidiaries, among which, five of them constituted notifiable transactions of the Company. Three out of the said five disposals have been disclosed by the Company by way of announcements dated 8 April 2022 and 6 June 2022 respectively. However, considering the urgency to address the Group’s liquidity issue in 2022, the Company did not comply with the compliance requirements under the Listing Rules for the following two transactions at the material time.

(1) DISPOSAL OF HUNAN YUANJING NENGDONG

Background

The Group (through Modern Land (Hunan)) commenced a land development project in Changsha (the “**Changsha Project**”) since 2020. Due to operational difficulties, Modern Land (Hunan) and Hunan Yuanjing Nengdong were unable to continue to fulfill their responsibilities in a timely manner to promote the development and construction of the Changsha Project. As a result, Modern Land (Hunan) agreed to (i) convert a shareholder’s loan in the amount of approximately RMB212,076,000 (owed by Hunan Yuanjing Nengdong to Modern Land (Hunan)) (the “**Shareholder’s Loan**”) into the capital reserves of Hunan Yuanjing Nengdong, to cover the contingent losses for the Changsha Project; and (ii) transfer its equity interests in Hunan Yuanjing Nengdong to Hunan Zhengkai Xingfu, in accordance with the terms of the Equity Transfer Agreement A.

On 25 January 2022, Modern Land (Hunan) (an indirect wholly owned subsidiary of the Company), Hunan Zhengkai Xingfu and Hunan Yuanjing Nengdong entered into the Equity Transfer Agreement A, pursuant to which Modern Land (Hunan) agreed to sell, and Hunan Zhengkai Xingfu agreed to purchase, the entire equity interests of Hunan Yuanjing Nengdong for a consideration of RMB15,000,000.

The Equity Transfer Agreement A

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

Date

25 January 2022

Parties

- (i) Modern Land (Hunan) (as vendor)
- (ii) Hunan Zhengkai Xingfu (as purchaser)
- (iii) Hunan Yuanjing Nengdong (as subject company)

To the best of the Directors’ knowledge, information and belief after having made all reasonable enquiry, Hunan Zhengkai Xingfu and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Assets disposed of

The entire equity interests of Hunan Yuanjing Nengdong.

Consideration and payment term

The consideration for the HYN Disposal is RMB15,000,000. Pursuant to the Equity Transfer Agreement A, the parties agreed to open a co-managed account within two days upon the date of the Equity Transfer Agreement A. Hunan Zhengkai Xingfu shall transfer RMB15 million to the co-managed account upon successful opening of the account. Upon completion of the registration of the equity transfer, Hunan Zhengkai Xingfu shall unconditionally transfer the consideration from the co-managed account to an account designated by Modern Land (Hunan).

As at the date of this announcement, the consideration has been fully settled in cash.

Basis for determining the consideration

The consideration for the HYN Disposal of RMB15,000,000 was reached based on arm's length negotiation between Modern Land (Hunan) and Hunan Zhengkai Xingfu by reference to, among other things, (i) the financial position of Hunan Yuanjing Nengdong; and (ii) the information set out under the paragraph headed "Reasons for and benefits of the HYN Disposal" below.

Pursuant to the Equity Transfer Agreement A, it was agreed that the Shareholder's Loan shall be added into the capital reserves of Hunan Yuanjing Nengdong, to cover the contingent losses for the Changsha Project. Since the date of the Equity Transfer Agreement A, Modern Land (Hunan) was no longer a creditor of Hunan Yuanjing Nengdong.

Completion

Prior to completion of the HYN Disposal, Hunan Yuanjing Nengdong was an indirect wholly-owned subsidiary of the Company and its financial results was consolidated into the financial statements of the Group. As at the date of this announcement, the HYN Disposal has been completed. After completion, the Company no longer owned any equity interest in Hunan Yuanjing Nengdong.

Information on the parties to the Equity Transfer Agreement A

Information on the Group and Modern Land (Hunan)

The Company is an investment holding company. The Group is principally engaged in real estate development, property investment, hotel operation, real estate agency services and other services. Modern Land (Hunan) is principally engaged in real estate development.

Information on Hunan Zhengkai Xingfu

Hunan Zhengkai Xingfu is a limited liability company established under the laws of the PRC and is principally engaged in new material technology promotion services, energy-saving technology promotion services, environmental protection technology promotion services and real estate development and management.

Based on public information and to the best of the Directors' knowledge, information and belief by having made all reasonable enquiries, Hunan Zhengkai Xingfu was owned by Lu Kai (陸愷).

Information on Hunan Yuanjing Nengdong

Hunan Yuanjing Nengdong is a limited liability company established in the PRC with a registered capital of RMB10 million. It is principally engaged in business management consulting services, real estate consulting services, real estate information consulting and real estate leasing operations.

Set out below is the unaudited consolidated financial information of Hunan Yuanjing Nengdong for the years ended 31 December 2020 and 31 December 2021, respectively:

	For the year ended	
	31 December	
	2020	2021
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(unaudited)
Net loss before taxation	12.74	27.33
Net loss after taxation	12.74	21.08

As at 25 January 2022, the unaudited net asset value of Hunan Yuanjing Nengdong to the Group amounted to approximately RMB244.04 million, mainly representing the amount of the Shareholder's Loan.

Reasons for and benefits of the HYN Disposal

It has always been the Company's business strategy to make appropriate business decisions and adjustments according to the market conditions to create greater value for the Group and the Shareholders. Having considered the market demand, the liquidity of the Group and the potential return of the Changsha Project, the Company was of the view that it would be difficult to achieve the expected return due to the sluggish economic environment, in particular the property market development. The HYN Disposal provided a good opportunity for the Group to focus on its other projects, further enhance the financial position of the Group and better utilise the Group's financial resources.

Taking into account the aforesaid, the Directors consider the terms of the Equity Transfer Agreement A are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Financial impact of the HYN Disposal and use of proceeds

The Company recognised an audited accounting loss of approximately RMB229.04 million after the HYN Disposal, being the difference between the audited net book value of the Group's investments to the Changsha Project and the amount of the consideration.

The net proceeds from the HYN Disposal of RMB15 million were utilized in full for repayment of existing debts of the Group and as operating funds of the Group.

Listing Rules implications

As one or more of the applicable percentage ratios of the HYN Disposal exceed(s) 5% but none of them exceeds 25%, the HYN Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement.

(2) DISPOSAL OF QINGDAO MODERN ZHANLAN

Background

The Group (through Qingdao Modern Zhanlan) and Beijing Dengling Tonghui cooperated in a joint land development project in Qingdao (the “**Qingdao Project**”) since 2019. In light of the operational and financial crisis of the Qingdao Project, the Group decided to withdraw from the Qingdao Project completely in April 2022.

Immediately prior to the QMZ Disposal, (i) Qingdao Modern Ruixiang, the project company for the Qingdao Project, was held by Qingdao Modern Tonghe and Qingdao Dongche Xiaozhenruixiang as to 67% and 33%, respectively; (ii) Qingdao Modern Tonghe was held by Qingdao Modern Zhanlan and Beijing Dengling Tonghui as to 51% and 49%, respectively. Qingdao Modern Zhanlan was a wholly-owned subsidiary of Qingdao Lihong.

On 1 April 2022, Qingdao Lihong (a subsidiary of the Company), Qingdao Dongche Xiaozhenxinan, Qingdao Modern Zhanlan, Qingdao Modern Tonghe and Qingdao Modern Ruixiang entered into the Equity Transfer Agreement B, pursuant to which Qingdao Lihong agreed to sell, and Qingdao Dongche Xiaozhenxinan agreed to purchase, the entire equity interests of Qingdao Modern Zhanlan for a consideration of RMB1.

The Equity Transfer Agreement B

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

Date

1 April 2022

Parties

- (i) Qingdao Lihong (as vendor)
- (ii) Qingdao Dongche Xiaozhenxinan (as purchaser)
- (iii) Qingdao Modern Zhanlan (as subject company)
- (iv) Qingdao Modern Tonghe (as joint venture company)
- (v) Qingdao Modern Ruixiang (as project company)

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiry, Qingdao Dongche Xiaozhenxinan and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Subject assets

The entire equity interests of Qingdao Modern Zhanlan.

Consideration and payment term

The consideration for the QMZ Disposal is RMB1. As at the date of this announcement, the consideration has been fully settled in cash.

According to the Equity Transfer Agreement B, the parties confirmed that the Group had a capital investment of approximately RMB28.42 million in Qingdao Modern Zhanlan yet to be recovered (the "**Investment Amount**"). As such, the Group authorised Qingdao Lihong to receive such amount on its behalf in the following manner:

- (i) After completion, Qingdao Modern Ruixiang shall, transfer 200 car parking spaces (the "**Parking Spaces**") as developed and constructed under the Qingdao Project, to Qingdao Lihong. Based on RMB50,000 per car parking space, it amounted to RMB10 million;
- (ii) If Qingdao Modern Ruixiang suffers loss and the loss amount is greater than RMB83.16 million, the Investment Amount will become zero. Qingdao Modern Ruixiang will not repay the Investment Amount to Qingdao Lihong and Qingdao Lihong shall return all the Parking Spaces (or RMB10 million in cash) to Qingdao Modern Ruixiang;

- (iii) If Qingdao Modern Ruixiang suffers loss and the loss amount is less than RMB83.16 million, Qingdao Lihong shall compensate the loss at a rate of 34.17% of the loss amount. Qingdao Modern Ruixiang shall deduct the loss compensation amount of Qingdao Lihong from the Investment Amount before repaying the remaining of the Investment Amount to Qingdao Lihong; and
- (iv) If Qingdao Modern Ruixiang makes profits after tax, after deducting all statutory provident funds and reserving normal operating funds for Qingdao Modern Ruixiang, and there is still a decent cashflow, Qingdao Modern Ruixiang shall repay the Investment Amount to Qingdao Lihong at a rate of 34.17% of the profit amount, up to the maximum amount of the Investment Amount (i.e. approximately RMB28.42 million).

Basis for determining the consideration

The consideration was reached based on arm's length negotiation between Qingdao Lihong and Qingdao Dongche Xiaozhenxinan by reference to, among other things, (i) the financial position of the Qingdao Modern Group; and (ii) the information set out under the section headed "Reasons for and benefits of the QMZ Disposal" below.

Completion

Prior to completion of the QMZ Disposal, Qingdao Modern Zhanlan was an indirect non wholly-owned subsidiary of the Company and its financial results was consolidated into the financial statements of the Group. As at the date of this announcement, the QMZ Disposal has been completed. After completion, the Company no longer owned any equity interest in Qingdao Modern Zhanlan.

Information on the parties to the Equity Transfer Agreement B

Information on the Group and Qingdao Lihong

The Company is an investment holding company. The Group is principally engaged in real estate development, property investment, hotel operation, real estate agency services and other services. Qingdao Lihong is principally engaged in business management and information consulting services.

Information on Qingdao Dongche Xiaozhenxinan

Qingdao Dongche Xiaozhenxinan is a limited liability company established under the laws of the PRC and is principally engaged in renovation and construction of old cities and urban villages, construction of affordable housing and resettlement housing, land consolidation and development and real estate development and management.

Based on public information and to the best of the Directors' knowledge, information and belief by having made all reasonable enquiries, the ultimate sole beneficial owner of Qingdao Dongche Xiaozhenxinan is Qingdao City Chengyang District State-owned Assets Development Centre* (青島市城陽區國有資產發展中心), a PRC state-owned public institution (事業單位).

Information on Qingdao Modern Group

Qingdao Modern Zhanlan is a limited liability company established in the PRC with a registered capital of approximately RMB19.61 million. It is principally engaged in business management consulting and information consulting services.

Qingdao Modern Tonghe is a limited liability company established in the PRC with a registered capital of RMB10 million. It is principally engaged in real estate development and sales, real estate information consulting and corporate information consulting.

Qingdao Modern Ruixiang is a limited liability company established in the PRC with a registered capital of RMB10 million. It is principally engaged in real estate development and sales, real estate information consulting and corporate information consulting.

Set out below is the unaudited consolidated financial information of Qingdao Modern Group for the years ended 31 December 2020 and 31 December 2021, respectively:

	For the year ended	
	31 December	
	2020	2021
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(unaudited)
Net loss before taxation	17.05	27.54
Net loss after taxation	13.83	22.73

As at 1 April 2022, the unaudited net asset value of Qingdao Modern Group to the Group amounted to approximately RMB30.17 million, mainly representing the Investment Amount.

Reasons for and benefits of the QMZ Disposal

It has always been the Company's business strategy to make appropriate business decisions and adjustments according to the market conditions to create greater value for the Group and the Shareholders. Having considered the market demand, the liquidity of the Group and the potential return of the Qingdao Project, the Company was of the view that it would be difficult to achieve the expected return due to the sluggish economic environment, in particular the property market development. The QMZ Disposal provided a good opportunity for the Group to focus on its other projects, further enhance the financial position of the Group and better utilise the Group's financial resources.

Taking into account the aforesaid, the Directors (including the independent non-executive Directors) consider the terms of the Equity Transfer Agreement B are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Financial impact of the QMZ Disposal and use of proceeds

The Company recognised an audited accounting loss of approximately RMB72 million after the QMZ Disposal, being the difference between the audited net book value of investments to the Qingdao Project and the amount of the consideration, together with an impairment of receivables of approximately RMB41.83 million from the Qingdao Modern Group.

The net proceeds from the QMZ Disposal of RMB1 were fully utilized as operating funds of the Group.

Listing Rules implications

As one or more of the applicable percentage ratios of the QMZ Disposal exceed(s) 5% but none of them exceeds 25%, the QMZ Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement.

DEFINITIONS

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

“Beijing Dengling Tonghui”	Beijing Dengling Tonghui Technology Innovation Co., Ltd.* (北京瞪羚通匯科技創新有限公司), a limited liability company established under the laws of the PRC
“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 (Stock Code: 1107)
“connected person(s)”	has the meaning attributed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement A”	the equity transfer agreement dated 25 January 2022 entered into between Modern Land (Hunan) (as vendor), Hunan Zhengkai Xingfu (as purchaser) and Hunan Yuanjing Nengdong (as subject company) in relation to the HYN Disposal

“Equity Transfer Agreement B”	the equity transfer agreement dated 1 April 2022 entered into between Qingdao Lihong (as vendor), Qingdao Dongche Xiaozhenxinan (as purchaser), Qingdao Modern Zhanlan (as subject company), Qingdao Modern Tonghe (as joint venture company) and Qingdao Modern Ruixiang (as project company) in relation to the QMZ Disposal
“Group”	the Company and its subsidiaries
“Hunan Yuanjing Nengdong”	Hunan Yuanjing Nengdong Enterprise Management Co., Ltd.* (湖南遠景能動企業管理有限公司), a limited liability company established under the laws of the PRC
“Hunan Zhengkai Xingfu”	Hunan Zhengkai Xingfu Technology Co., Ltd.* (湖南正愷幸福科技有限公司), a limited liability company established under the laws of the PRC
“HYN Disposal”	the disposal of the entire equity interests in Hunan Yuanjing Nengdong pursuant to the Equity Transfer Agreement A
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Modern Land (Hunan)”	Modern Land (Hunan) Co., Ltd.* (當代置業(湖南)有限公司), a limited liability company established under the laws of the PRC and an indirect wholly owned subsidiary of the Company
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, the Hong Kong Special Administrative Region of the People’s Republic of China, the Macao Special Administrative Region of the People’s Republic of China and Taiwan)
“Qingdao Dongche Xiaozhenruixiang”	Qingdao Dongche Xiaozhenruixiang Real Estate Co., Ltd.* (青島動車小鎮瑞祥置業有限公司), a limited liability company established under the laws of the PRC
“Qingdao Dongche Xiaozhenxinan”	Qingdao Dongche Xiaozhenxinan Real Estate Co., Ltd.* (青島動車小鎮信安置業有限公司) (currently known as Qingdao Beian Real Estate Development Co., Ltd.* (青島北岸置業發展有限公司)), a limited liability company established under the laws of the PRC
“Qingdao Lihong”	Qingdao Lihong Enterprise Management Co., Ltd.* (青島利泓企業管理有限公司), a limited liability company established under the laws of the PRC and a subsidiary of the Company

“Qingdao Modern Group”	Qingdao Modern Zhanlan, Qingdao Modern Tonghe and Qingdao Modern Ruixiang
“Qingdao Modern Ruixiang”	Qingdao Modern Ruixiang Real Estate Co., Ltd.* (青島當代瑞祥置業有限公司), a limited liability company established under the laws of the PRC
“Qingdao Modern Tonghe”	Qingdao Modern Tonghe Real Estate Co., Ltd.* (青島當代通和置業有限公司), a limited liability company established under the laws of the PRC
“Qingdao Modern Zhanlan”	Qingdao Modern Zhanlan Enterprise Management Co., Ltd.* (青島當代綻藍企業管理有限公司), a limited liability company established under the laws of the PRC
“QMZ Disposal”	the disposal of the entire equity interests in Qingdao Modern Zhanlan pursuant to the Equity Transfer Agreement B
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning attributed to it under the Listing Rules
“substantial shareholder”	has the meaning attributed to it under the Listing Rules

* *for identification purpose only*

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

Hong Kong, 7 December 2023

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