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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)

MAJOR TRANSACTION IN RELATION TO JOINT DEVELOPMENT OF THE PROJECT LOCATED AT LIANYUNGANG CITY, JIANGSU PROVINCE

MAJOR TRANSACTION

The Board is pleased to announce that on 24 June 2020, Nanchang Xinjian (an indirect wholly-owned subsidiary of the Company), Jiangsu Zhentou and the Target Company entered into the Joint Development Agreement, pursuant to which Nanchang Xinjian agreed to cooperate with Jiangsu Zhentou in joint development of the Project and acquire 51% equity interest in the Target Company from Jiangsu Zhentou and repay the Secured Debts at an aggregate Consideration of RMB783,000,000 (equivalent to approximately HK\$860,439,560).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Cooperation is/are more than 25% but less than 100%, the Cooperation constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

As at the date of this announcement, Super Land holds approximately 65.38% of the total number of issued Shares. On 24 June 2020, the Company received Super Land's written consent to the Cooperation and the entering into of the Joint Development Agreement by Nanchang Xinjian. As (i) no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Cooperation; and (ii) Super Land holds more than 50% of the voting rights that would be exercisable at such general meeting, Super Land's written consent is acceptable in lieu of holding a general meeting of the Company for approval of the Cooperation pursuant to Rule 14.44 of the Listing Rules.

GENERAL

A circular containing, among other things, (i) further details of the Cooperation; (ii) the financial information of the Group; (iii) the financial information of the Target Company; and (iv) the valuation report on the Land Parcels will be despatched to the Shareholders no later than 15 Business Days after the date of this announcement in accordance with the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 24 June 2020, Nanchang Xinjian (an indirect wholly-owned subsidiary of the Company), Jiangsu Zhentou and the Target Company entered into the Joint Development Agreement, pursuant to which Nanchang Xinjian agreed to cooperate with Jiangsu Zhentou in joint development of the Project and acquire 51% equity interest in the Target Company from Jiangsu Zhentou and repay the Secured Debts at an aggregate Consideration of RMB783,000,000 (equivalent to approximately HK\$860,439,560).

JOINT DEVELOPMENT AGREEMENT

The salient terms of the Joint Development Agreement are set out as follows:

- Date:** 24 June 2020
- Parties:**
- (1) Nanchang Xinjian;
 - (2) Jiangsu Zhentou; and
 - (3) the Target Company

Subject matter

The Joint Development Agreement mainly sets out the terms of the Cooperation involving the Acquisition, the repayment of the Secured Debts, the joint development of the Land Parcels and the management of the Target Company.

The Acquisition

Pursuant to the Joint Development Agreement, Nanchang Xinjian (or its designated entity) shall acquire 51% equity interest in the Target Company from Jiangsu Zhentou.

As at the date of this announcement, the Target Company has a registered capital of RMB10,000,000 and is 100% held by Jiangsu Zhentou. The Target Company holds the land use rights of the Land Parcels located at Lianyungang District, Lianyungang City, Jiangsu Province, the PRC with an aggregate site area of approximately 429,087.3 square metres, which are planned for residential and commercial uses.

The aggregate Consideration payable by Nanchang Xinjian under the Joint Development Agreement is RMB783,000,000 (equivalent to approximately HK\$860,439,560), comprising (i) the consideration for the Acquisition of RMB308,000,000; and (ii) the repayment of the Secured Debts in the aggregate amount of RMB475,000,000.

The amount of the Consideration payable by the Group under the Joint Development Agreement was agreed after arm's length commercial negotiations between the Group and Jiangsu Zhentou on normal commercial terms with reference to, among other things, the preliminary valuation of the Land Parcels of approximately RMB1,800 million as at 30 April 2020 valued by Cushman & Wakefield Limited, an independent property valuer, the prevailing market price of land in the vicinity of the Land Parcel and the latest financial information of the Target Company. The Consideration of RMB783,000,000 represents a discount of approximately 14.71% to 51% of the preliminary valuation of the Land Parcels of approximately RMB918,000,000. It is proposed that the Group will settle the Consideration by using its internal resources and/or bank loans.

Completion of the Acquisition shall take place upon completion of the procedures of registration of transfer of 51% equity interest in the Target Company from Jiangsu Zhentou to Nanchang Xinjian and change of directors, supervisors and senior management with the relevant administration for industry and commerce.

Upon completion of the Acquisition, the Target Company will be held as to 51% and 49% by Nanchang Xinjian and Jiangsu Zhentou, respectively. The financial results of the Target Company will be consolidated into the accounts of the Group.

The consideration for the Acquisition in the amount of RMB308,000,000 shall be payable by Nanchang Xinjian in cash as described below:

- (i) RMB250,000,000 as the first instalment of the consideration for the Acquisition, shall be paid by Nanchang Xinjian to a bank account designated by Jiangsu Zhentou within fifteen (15) working days upon fulfillment of the following conditions:
 - (a) Nanchang Xinjian has acquired 51% equity interest in the Target Company in accordance with the Joint Development Agreement and the changes of articles of association, legal representative(s) and senior management of the Target Company have been completed;
 - (b) a confirmation has been issued by the Creditors I to Nanchang Xinjian or the Target Company, evidencing that the amount of RMB395,000,000 of the Secured Debts have been fully settled; and
 - (c) the seals of the Target Company and Jiangsu Zhentou and various licences and documents have been delivered for joint management by Nanchang Xinjian and Jiangsu Zhentou; and
- (ii) RMB58,000,000 as the second instalment of the consideration for the Acquisition, shall be paid by Nanchang Xinjian to a bank account designated by Jiangsu Zhentou within five (5) working days upon settlement of the first instalment of the consideration for the Acquisition and repayment of the loan arising from the payment of the land idling fees by Jiangsu Zhentou.

Repayment of the Secured Debts

As at the date of the Joint Development Agreement, the Target Company had provided guarantee and/or security (by way of its equity interest in the Target Company and/or the Land Parcels) in respect of the Secured Debts in the outstanding principal amount of RMB475,000,000. As agreed by the parties in the Joint Development Agreement, the Secured Debts shall be payable by Nanchang Xinjian in cash as described below:

- (i) the Secured Debts in an amount of RMB395,000,000 shall be paid by Nanchang Xinjian (or its designated entity) to the creditors (the “**Creditors I**”) of the said Secured Debts upon fulfillment of the following conditions:
 - (a) Jiangsu Zhentou has coordinated with the Creditors I, Nanchang Xinjian and the Target Company to sign relevant agreements, which clearly set out, among other things, the handling manner, payment schedule, principal amount and interest;
 - (b) Jiangsu Zhentou has coordinated with the Creditors I, Nanchang Xinjian and the Target Company to sign the debts transfer agreement;
 - (c) the pledge, mortgage, seizure and freezing in respect of 51% equity interest in the Target Company and the Land Parcels have been released and no other restrictions have been imposed thereon;
 - (d) within three (3) working days upon the release of the pledge, mortgage, seizure and freezing in respect of 51% equity interest in the Target Company, Jiangsu Zhentou shall transfer the 51% equity interest to Nanchang Xinjian and the completion of the Acquisition shall take place in accordance with the Joint Development Agreement;
 - (e) 49% equity interest in the Target Company held by Jiangsu Zhentou has been pledged to Nanchang Xinjian (or its designated entity);
 - (f) the Land Parcels have been mortgaged to Nanchang Xinjian (or its designated entity);
 - (g) Tongke Investment Group Co., Ltd. and an individual, Yang Bo, have provided joint liability guarantees to secure the obligations of Jiangsu Zhentou under the Joint Development Agreement; and
 - (h) Jiangsu Zhentou has paid the land idling fees of the Target Company and has obtained relevant document issued by the relevant authorities of the Land Parcels evidencing that the land idling fees have been settled; and
- (ii) the Secured Debts in an amount of RMB80,000,000 shall be paid by Nanchang Xinjian (or its designated entity) to the creditor (the “**Creditor II**”) of the said Secured Debts upon fulfillment of the following conditions:
 - (a) Jiangsu Zhentou has coordinated with the supervisory commission of Lianyungang City to issue the payment consent letter and deliver the same to Nanchang Xinjian; and

- (b) the Creditor II has issued a confirmation on the debts to the Target Company, confirming that save for the said Secured Debts in an amount of RMB80,000,000 owed to the Creditor II, the Target Company is not liable for any other debts owed to the Creditor II.

Management of the Target Company

The parties to the Joint Development Agreement agreed that Nanchang Xinjian shall be principally responsible for the development of the Land Parcels, operation and management of the Target Company.

The board of directors of the Target Company shall comprise five (5) members, out of which Nanchang Xinjian and Jiangsu Zhentou are entitled to appoint three (3) and two (2) members, respectively. All resolutions shall be passed by at least three directors.

Jiangsu Zhentou has the right to appoint the chairman of the board of directors and the deputy managers of the Target Company while Nanchang Xinjian has the right to appoint the legal representative, supervisor and general managers of the Target Company.

INFORMATION ABOUT THE GROUP AND NANCHANG XINJIAN

The Company is 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 of green, energy-saving and eco-friendly residences in the PRC.

Nanchang Xinjian is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in real estate development and management.

INFORMATION ABOUT JIANGSU ZHENTOU

Jiangsu Zhentou is a limited liability company established in the PRC and principally engaged in production and processing of machinery and equipment, real estate development and management, marketing planning, real estate information consulting, property management, design and construction of landscaping projects, research and development of chemical products, sales of chemical products (except hazardous chemicals), intelligent equipment, hardware and electrical materials, building materials and mechanical equipment. According to public information, as at the date hereof, Jiangsu Zhentou is held as to 60% and 40% by Zhou Jingjin and Cao Dandan, respectively. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, (i) both Zhou Jingjin and Cao Dandan are PRC merchants; and (ii) Jiangsu Zhentou and its ultimate beneficial owners are Independent Third Parties.

INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC in February 2007 and principally engaged in real estate development and sales and property management. As at the date of this announcement, it is 100% held by Jiangsu Zhentou.

Set out below is the financial information of the Target Company for the two years ended 31 December 2019 prepared according to the PRC accounting standards:

	For the year ended	
	31 December	
	2019	2018
	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(unaudited)
Net profit/(loss) before tax	(152,276)	(1,989,917)
Net profit/(loss) after tax	(152,276)	(1,989,917)

The total asset value and the net asset value of the Target Company as at 31 May 2020 were approximately RMB252,625,978 and RMB769,995, respectively.

INFORMATION ABOUT THE LAND PARCELS

The Land Parcels are situated in Lianyungang City, Jiangsu Province, the PRC. The Land Parcels have an aggregate site area of approximately 429,087.3 square metres, which are planned for residential and commercial uses.

REASONS FOR AND BENEFIT OF THE COOPERATION

The Group is a property developer focused on the development on green, energy-saving and eco-friendly residences in the PRC.

The Cooperation will enable the Group to acquire the controlling equity interest of the Target Company, which holds the land use rights of the Land Parcels. In view of the location and the designated uses of the Land Parcels, the Board considers that the Cooperation offers a good opportunity for the Group to enhance its portfolio in the property market in Jiangsu Province with a view to bringing more investment return for the Shareholders.

Based on the aforesaid, the Board is of the view that the terms of the Joint Development Agreement are on normal commercial terms after arm's length negotiations between the parties, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Cooperation is/are more than 25% but less than 100%, the Cooperation constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

As at the date of this announcement, Super Land holds approximately 65.38% of the total number of issued Shares. On 24 June 2020, the Company received Super Land's written consent to the Cooperation and the entering into of the Joint Development Agreement by Nanchang Xinjian. As (i) no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Cooperation; and (ii) Super Land holds more than 50% of the voting rights that would be exercisable at such general meeting, Super Land's written consent is acceptable in lieu of holding a general meeting of the Company for approval of the Cooperation pursuant to Rule 14.44 of the Listing Rules.

GENERAL

A circular containing, among other matters, (i) further details of the Cooperation; (ii) the financial information of the Group; (iii) the financial information of the Target Company; and (iv) the valuation report on the Land Parcels will be despatched to the Shareholders no later than 15 Business Days after the date of this announcement in accordance with the Listing Rules.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of 51% equity interest in the Target Company by Nanchang Xinjian (or its designated entity) from Jiangsu Zhentou pursuant to the Joint Development Agreement
“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong and PRC are open for normal business (excluding Saturday, Sunday, public holidays in Hong Kong or PRC or days on which a tropical cyclone signal number 8 or above or black rain storm warning is hoisted at any time between 9:00 a.m. to 12:00 noon and which has not been lowered by 12:00 noon on the same day)
“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
“Consideration”	the consideration payable by the Group pursuant to the Joint Development Agreement
“Cooperation”	the Acquisition, the repayment of the Secured Debts and the proposed cooperation between the Group and Jiangsu Zhentou in relation to the Project in accordance with the terms of the Joint Development Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	third party(ies) independent of the Company and are not connected persons (as defined under the Listing Rules) of the Company
“Jiangsu Zhentou”	Jiangsu Zhentou Industrial Co., Ltd., a company established in the PRC with limited liability
“Joint Development Agreement”	the joint development agreement for the Cooperation in relation to the Project dated 24 June 2020 entered into among Nanchang Xinjian, Jiangsu Zhentou and the Target Company
“Land Parcels”	three parcels of land located at Lianyun District, Lianyungang City, Jiangsu Province, the PRC with an aggregate site area of approximately 429,087.3 square metres
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nanchang Xinjian”	Nanchang Xinjian Modern Real Estate Development Co., Ltd., a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“Project”	a real estate development project of the Land Parcels
“RMB”	Renminbi, the lawful currency of the PRC
“Secured Debts”	the debts in the aggregate principal amount of RMB475,000,000 (equivalent to approximately HK\$521,978,022) as at the date of the Joint Development Agreement
“Share(s)”	the share(s) of the Company
“Shareholder(s)”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Super Land”	Super Land Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a controlling Shareholder
“Target Company”	Lianyungang Tianxingjian Real Estate Development Co., Ltd., a company established in the PRC with limited liability and is 100% held by Jiangsu Zhentou as at the date of this announcement
“%”	per cent

In this announcement, amounts in RMB have been converted into HK\$ at the rate of HK\$1.00 = RMB0.91 for purpose of illustration only. Such exchange rate has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been or could have been converted at this or any other rates at all.

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, 24 June 2020

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. Chen Zhiwei and Mr. Tian Jiong; and independent non-executive Directors: Mr. Qin Youguo, Mr. Cui Jian, Mr. Hui Chun Ho, Eric and Mr. Zhong Bin.